BUDGET, FINANCE, AND ECONOMIC DEVELOPMENT COMMITTEE

Council of the County of Maui

MINUTES

April 1, 2026

Online Only via Teams

CONVENE: **9:05 a.m.**

PRESENT: Councilmember Yuki Lei K. Sugimura, Chair
Councilmember Kauanoe Batangan, Vice-Chair
Councilmember Tom Cook, Member
Councilmember Gabe Johnson, Member
Councilmember Alice L. Lee, Member (left at 2:15 p.m.)
Councilmember Tamara Paltin, Member
Councilmember Keani N.W. Rawlins-Fernandez, Member (arrived at 9:30 a.m.)
Councilmember Shane M. Sinenci, Member
Councilmember Nohelani Uʻu-Hodgins, Member

STAFF: Kirsten Szabo, Legislative Analyst
Pauline Martins, Senior Committee Secretary
James Krueger, Senior Legislative Analyst
Peter Hanano, Legislative Attorney
Jarret Pascual, Legislative Analyst
Clarissa MacDonald, Legislative Analyst
Lenora Dinneen, Council Services Assistant Clerk
Ryan Martins, Council Ambassador

Residency Area Offices:
Dawn Lono, Council Aide, East Maui Residency Area Office
Roxanne Morita, Council Aide, Lānaʻi Residency Area Office
Keomailani Hirata, Council Aide, Molokai Residency Area Office
Chaelin Ryu, Council Aide, South Maui Residency Area Office

ADMIN.: Kristie Wrigglesworth, Deputy Corporation Counsel, Department of the Corporation Counsel
Lesley Milner, Budget Director, Office of the Mayor
Marcy Martin, Director, Department of Finance
Maria Zielinski, Deputy Director, Department of Finance
Marci Sato, Accounting System Administrator, Department of Finance
Dulce Butay, Administrative Officer, Department of Finance
Paul Neidhardt, Revenue Manager, Department of Finance
Lance Taguchi, County Auditor
Scott Kaneshina, Senior Audit Manager, Office of the County Auditor
Donald Junji Ikeno, Senior Analyst, Office of the County Auditor

OTHERS: Dwayne S. Takeno, N&K CPAs
Christian Hara, N&K CPAs
Mary Joy Butac, N&K CPAs
Sean Tierney-Hawkins, Bond Counsel
Curt de Crinis, Columbia Capital Management, Municipal Advisor for the County of Maui
Jake Carton
Jim Langford
Travis Aaron Liggett
Royal House of Hawaiʻi
Others (21)

PRESS: *Akakū: Maui Community Television, Inc.*

CHAIR SUGIMURA: . . .*(gavel)*. . . Good morning, everybody. Welcome to the Budget, Finance, Economic Development Committee. Great day. It's 9:05 a.m. and April 1st. I hear it's Tom Cook's birthday.

COUNCILMEMBER LEE: You're kidding.

UNIDENTIFIED SPEAKER: Happy birthday.

CHAIR SUGIMURA: April Fools. . . .*(laughing)*. . .

UNIDENTIFIED SPEAKERS: . . .*(laughing)*. . .

CHAIR SUGIMURA: He didn't hear me.

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . . he cannot hear you.

COUNCILMEMBER COOK: I was focused.

CHAIR SUGIMURA: You're focused. Okay. So, exciting day, right, Members? I know all of you have been working hard. Departments, thank you very much for working hard to get us to where we are, and OCS Staff, amazing. They have been grinding through this in our process for...is it two months? We've been meeting every now and then, so thank you very much. This meeting is being conducted in accordance with the Sunshine Law, and as a reminder, when your name is called, if you're not in the Council Chamber, which is only Gabe Johnson, I think, or is...is Keani here? When your name is called, identify by name who, if anyone, is in the room, vehicle, or workspace with you today. Minors do not need to be identified. Committee Voting Members, welcome. Vice-Chair Kauanoe Batangan.

VICE-CHAIR BATANGAN: Hey, good morning, Chair. Good morning, Members.

CHAIR SUGIMURA: Good morning. Member Cook, good morning.

COUNCILMEMBER COOK: Aloha. Good morning. Looking forward --

CHAIR SUGIMURA: Good morning.

COUNCILMEMBER COOK: -- to the meeting.

CHAIR SUGIMURA: Member Johnson on Lānaʻi, good morning.

COUNCILMEMBER JOHNSON: Good morning, Chair, Councilmembers, community members. There's no testifiers here at the Lānaʻi District Office. I'm alone on my side of the office, surrounded by giant binders, and I'm here and ready to work.

CHAIR SUGIMURA: *. . .(laughing). . .* All right. Chair Lee, do you have a greeting for us? Sorry, I should have asked you first.

COUNCILMEMBER LEE: Yes, I do. In case you're going to Greece this weekend and you want to pretend like you belong, you can say yassou.

CHAIR SUGIMURA: Yassou.

COUNCILMEMBER LEE: Yassou. Yeah.

CHAIR SUGIMURA: Okay. Member Paltin.

COUNCILMEMBER PALTIN: Aloha kakahiaka, and yassou kākou.

CHAIR SUGIMURA: *. . .(laughing). . .* Yassou. Member Rawlins-Fernandez. She's not...she's not yet. Okay. Member Sinenci is here, good morning.

COUNCILMEMBER SINENCI: Good morning, Chair…good morning, Chair, and yassou.

CHAIR SUGIMURA: Yassou. Member Uʻu-Hodgins.

COUNCILMEMBER UʻU-HODGINS: Good morning, Chair, yassou. Today might not be Tom Cook's birthday, but it is my son Ehukai's birthday.

CHAIR SUGIMURA: Oh.

COUNCILMEMBER UʻU-HODGINS: He's eight today.

CHAIR SUGIMURA: Happy birthday.

COUNCILMEMBER UʻU-HODGINS: Thank you.

CHAIR SUGIMURA: Assisting with us today is Committee BFED Staff. Thank you very much for all that you have been working on, those that are in the Chambers and in their offices. Our invited resource persons from the Administration include the Budget Director, Director of Finance, County Auditor, Deputy Corporation Counsel Wrigglesworth, and there's a whole bunch of people in the Chamber gallery waiting to help any questions that you may have. . . .*(laughing)*. . . To assist us with this meeting, I've also invited County Bond Counsel Sean Tierney, Partner, Hawkins Delafield and Wood LLP, and the County's Municipal Advisor, Curt de Crinis, Managing Director, Columbia Capital Management, LLC. Members, with no objections, I'd like to designate Mr. Tierney and Mr. de Crinis as resource persons under Rule 18(A) of the Rules of the Council because of the expertise they possess as County bond strategy and other financial matters.

COUNCILMEMBERS: No objections.

CHAIR SUGIMURA: Thank you. Thank you. And also, to assist us this afternoon at 1:30 is the County's auditor, N&K CPAs who will join us, Dwayne Takeno, Principal, and Christian Hara, Senior Manager. Please see the last page of agenda for information on meeting connectivity. Today we have two items on the agenda, which are BFED-1, Proposed Fiscal Year '27 Budget for the County of Maui, and BFED-20(11), Annual Comprehensive Financial Report, Single Audit Report, and Department of Water Supply's Financial Audit Reports. So, do we have any testifiers signed up? I think I saw --

MS. MACDONALD: Yes, Chair.

CHAIR SUGIMURA: -- we...I saw one. We do? Okay. We're going to take public testimony at this time. Testifiers wanting to provide testimony should sign up with Staff in the...or on the online meeting via Teams link or call into the phone number noted on today's agenda. Testimony on the budget is...is limited to the departments...is not limited to the departments scheduled. Written testimony is encouraged and can be submitted via the eComment link at mauicounty.us/agendas as well. Under the Sunshine Law, the Chair will receive oral testimony for agenda items at the beginning of the meeting and as the item is called up. For individuals wishing to testify on Teams, please raise your hand, clicking on the raise-your-hand button. If calling in, please follow the projects...the prompts via phone, star-5 to raise and lower your hand and star-6 to mute and unmute. Staff will add names to the testifier list in the order testifiers sign up or raise their hands. For those on Teams, Staff will lower your hand once your...once your name is called. Staff will then call the name you've logged in on or the last four digits of your phone number when it's your time to testify. After that time, Staff will also enable your microphone and video. Please ensure your name appears in Microsoft Teams as the name you prefer to be referred to or as anonymous if you do not wish for us to know your name...or if you are in person, please notify Staff that you would like to testify anonymously. Otherwise, please state your name for the record at the beginning of your testimony. Oral testimony is limited to three minutes per person, and if you're not done, I'll give you another 30 seconds to complete. Once you're done testifying or if you do not wish to testify, you can also view the meeting on *Akakū* Channel 53, Facebook Live or mauicounty.us/agendas. We will do our best to make each person...to call up each person in an orderly fashion. We'll now call on testifiers wanting to testify at the beginning of the meeting. Staff?

MS. MACDONALD: Chair, the first individual signed up to testify is Jake Carton, to be followed by Jim Langford.

. . . OPEN PUBLIC TESTIMONY AT BEGINNING OF MEETING . . .

MR. CARTON: Aloha, honorable --

CHAIR SUGIMURA: Aloha.

MR. CARTON: -- honorable Councilmembers and members of our community. My name is Jake Carton. I am a Maui voting resident, and also speaking on behalf of Maui Indivisible. The Maui Police Department is the County's largest proposed departmental expense at $140 million next year. That's a 10 percent increase. Yet the budget is missing how to address MPD's repeated and ongoing illegal signing of Federal contracts behind the backs of this Council and the failure of the MPD to comply with the State Statute UIPA on Sunshine and transparency. The MPD is demonstrating it cannot meet statutory requirements and deadlines on something as simple as bringing forward for your approval and publicly revealing contracts it wants to make or has already made with the Federal Government. We're talking about ICE contracts and contracts with other already mobilized elements of Trump's police state that is the subject of much current debate before the Council. We hope the Council has seen the Corporation Counsel's opinion this last week vindicating Maui Indivisible's position that the MPD is not respecting the Council's authority. Not only is the MPD violating State laws and legal deadlines, it is doing so despite repeated and escalating interventions by the State Office of Information Practices. In addition to breaking the law repeatedly, this MPD practice is wasting our County and State tax dollar resources by turning unnecessary administrative and litigious communications on all ends. The N&K CPA's Fiscal Year '25 Annual Comprehensive Financial Report on page 34 says that County had "savings in the Police Department of $5.5 million from what was budgeted"...that's last year. So, this is not a matter of lack of resources provided to the MPD. In fact, of the 5 new and 66 reorganized named positions in the Mayor's 2027 MPD budget, none are in the Records Office which tracks and retrieves these Federal contracts. Regardless of whether these MPD decisions are intentional or just incompetence, the Council should tie taxpayer funding of the MPD to measurable compliance with State laws 46-7 and the UIPA, adopting an independent audit of compliance to State laws, and require ongoing quarterly reporting to the Council based on a corrective action plan with a goal of 100 percent compliance. The County has implemented both audits and corrective action plans when it comes to collecting the outstanding $4.4 million in short-term rental tax compliance and violations. There is no reason why the County cannot implement a similar regime for MPD compliance and law violations. Just because the County makes the Police its highest departmental financial priority doesn't put the MPD above the law. We, the taxpayers . . .*(timer sounds)*. . . deserve...I'm wrapping up, 30 more.

CHAIR SUGIMURA: Yeah, 30 seconds.

MR. CARTON: Okay. Thank you. We, the taxpayers, deserve and have a right to know what the MPD is doing with our money. The Council is the County's government body with the most Sunshine. There is a reason why the State Legislature forces, by law, the MPD to come to the Council to approve Federal contracts and to make its records open to the public. The MPD is not a private club. We deserve and have rights to Sunshine and transparency. We also deserve an MPD that obeys the law and sets a good example for our community. That, unfortunately, is not happening. *. . .(timer sounds). . .* The Council has the power of the purse, and thus the responsibility to ensure we are a County of laws and equal treatment. Thank you.

CHAIR SUGIMURA: Thank you very much. Any questions? Member Sinenci?

COUNCILMEMBER SINENCI: Mahalo, Mr. Carton. Did you submit your testimony?

MR. CARTON: Not yet, but --

COUNCILMEMBER SINENCI: Okay.

MR. CARTON: -- do I have a deadline of today, or...

COUNCILMEMBER SINENCI: You can submit it online.

MR. CARTON: Okay.

COUNCILMEMBER SINENCI: Thank you.

MR. CARTON: I will put it in eComments.

COUNCILMEMBER SINENCI: Thank you.

MR. CARTON: Thank you.

CHAIR SUGIMURA: Thank you. Any other questions for Mr. Carton? Seeing none. Thank you very much. Nice seeing you. Next testifier.

MS. MACDONALD: Chair, the next testifier is Jim Langford, to be followed by Travis Aaron Liggett.

MR. LANGFORD: Aloha. I hope you're all well. Thank you so much for the opportunity to testify. I love the...if it...if it wasn't Nohe's son's birthday today, I would say every day this April 1st is Tom Cook's birthday, but that's a fun joke. I was hoping you folks got my emails yesterday. I sent a comprehensive plan for Maui OS that tracks all of the expenditures in the CDBG, 1.6 billion and 400 million on top of that. So, I...I sent it to the email as requested, and there's a pitch deck as...as well in there that can assist what the previous testifier was speaking on in terms of transparency with auditing. I'm...as you folks know, I wrote the software for the timeshare industry, and that software has generated probably the most paid tax to the...the County with the resident as one piece of software goes. So, what I did was send a way that I can use the software that I've written. I've written another bit of software called Maui OS, which is a governance software. Your guy's version is Maui OS. The other places I wrote it for, they have different names, so...called 12 Stones. So, long story less long, hopefully you folks got a beautiful pitch deck in there that addresses the transparency issues of how the money is spent, how to empower your folks' vision so that you're not leveraged by external software companies. Councilperson Rawlins spoke to that, as she felt that you folks were taken over by tech. *(echoing)*

CHAIR SUGIMURA: Oh, you're echoing it.

MR. LANGFORD: It's interesting. Yep.

CHAIR SUGIMURA: You're fine.

MR. LANGFORD: Well, I'm the guy that the tech bros call to take them over, so...but I don't break any rules. I made a really elegant software monetary tracking transparency program for you folks that will empower each and every one of you in order to maintain what it is, the voice of the people in your district. So...so, if you didn't get that, I don't know how to get it to you. I can post on eComment, but it's pitch deck, and...and then there's long MOVs and RFPs about 30 pages long. So, very professional, standard . . .*(timer sounds)*. . . C-level work that I do. So, I hope you have it, and I hope you all are empowered to feel your hearts each day as this spring gets closer to summer. Thank you.

CHAIR SUGIMURA: Any questions for the testifier? Seeing none. Thank you very much. And we did receive your testimony. Thank you very much.

MR. LANGFORD: Yeah, it's pretty fancy. I hope you guys like it. It'll help a lot, I promise.

CHAIR SUGIMURA: Next testifier.

MS. MACDONALD: Yes, Chair. The next testifier, and currently the last one signed up is Travis Aaron Liggett.

MR. LIGGETT: Good morning, Chair and Members. I hope everyone has weathered the storms intact, and to everyone who is still struggling, heart goes out to you, especially over to everyone in Molokai and Member Rawlins-Fernandez. Just all the love and good vibes to all those wonderful people over there. And I'm testifying in regard to my written testimony, which is a proposal. In these $100 million budgets, 140 million like for the Police. So, $6.1 million reallocated, as I've described in my written testimony, would take us the next incremental step towards achieving disinfection of the wastewater discharges entering the ocean via groundwater on the north and south shores of Maui. And I have something to share with you that's very difficult to hear. It was something that I am still processing. So, I became ill after a wastewater plant tour. In fact, I wasn't sure I was going to make it. I'm like $30,000 into like 200K almost of blood infusions to rebuild my immune system. I call it restocking my reef. But yeah, it's very serious stuff. And here's the thing. So, I've seen like ten different medical professionals, including infectious disease, immunology, hematology, I've got cardiology this afternoon, urology, you name it. I've even spoken to the DOH disease outbreak folks in Maui, and even the State's top toxicologist. And I think this is relevant with all the flooding and the mixing of groundwater and just the living breathing system of the ʻāina and kai, which is connected by wai. And here's what I found. The percentage of all those medical professionals who understood that the definition of treated legally does not necessarily include any disinfection step, which is not happening in many places, as you can see on flushaware.com, exactly 0 percent of those people understood that wastewater disinfection is not required. I want to repeat...that includes the DOH disease outbreak people that I spoke to and the DOH top toxicologist, who quickly interrupted me. He said, no, no, no, UV or ozone is required. And so, it's like...it's...it's a technical problem with a psychological barrier, which is that people are so attached to the idea that treated must include some step that would neutralize pathogens, that it's like the...the mind kicks it out like a thorn. People are attached to it like the idea that your favorite restaurant washes their dishes, that your favorite hotel washes their sheets, and it's just not happening. *. . .(timer sounds). . .* So, if I may, for 30 seconds --

CHAIR SUGIMURA: 30 seconds.

MR. LIGGETT: -- I propose just two ultra simple budget amendments...4.3 million for South Maui, 1.8 million for the Kahului plant to just not kick the can anymore, reallocate, and just get this done, because literally, everyone thinks it's already happening. And it's more relevant than ever because, you know, people are starting to show up with a lot of infections after exposure to waters that may or may not be mixing with these groundwater discharges that have pathogen levels that *. . .(timer sounds). . .* are above the detection limit for the test. So, thank you very much.

CHAIR SUGIMURA: Thank you very much. Did you submit your testimony in...

MR. LIGGETT: I did. Thank you, Chair.

CHAIR SUGIMURA: Thank you. Yeah. All right. Any questions for the testifier? Seeing none. Thank you very much. Nice seeing you again.

MR. LIGGETT: Bye.

CHAIR SUGIMURA: Next testifier.

MS. MACDONALD: Chair, there's currently no one else who has signed up to testify. Would you like me to do a last call?

CHAIR SUGIMURA: Yes, please.

MS. MACDONALD: If somebody would like to testify in the Chamber, please let Staff know, or on Microsoft Teams, please raise your hand. This is final call…three, two, one. Chair, it appears that nobody wishes to testify at the beginning of the meeting.

CHAIR SUGIMURA: Thank you. Members, with your permission, I'd like to close public testimony and receive written testimony.

COUNCILMEMBERS: No objections.

. . . CLOSE PUBLIC TESTIMONY AT BEGINNING OF MEETING . . .

ITEM 1: PROPOSED FISCAL YEAR 2027 BUDGET FOR THE COUNTY OF MAUI

CHAIR SUGIMURA: Thank you. All right. Members, let's begin. We're going to begin with BFED-1. And opening comments for you is that this is our first day of deliberations on the Mayor's proposed Fiscal Year '27 Budget. We received it on the 25th, and kind of in summary, what we are going to be looking at, and will be a lot of work on all of you. You have all spent the time kind of dissecting, coming up with questions for the departments, and meeting deadlines. We have a $1.6 billion budget. We have also proposed expansion positions of over 90 positions. And we were told by...we met yesterday with DP&S [*sic*], that there's over 500 vacancies in the County of Maui. There is also, in the proposed budget, CIP is just under $7 million. Carryover/Savings is $174 million. And so, this is kind of a overview of what we're looking at, and it will be our responsibility to look in detail of that and figure out what is going to be the proposed and final, or the Council budget for Fiscal Year '27. Before we begin, just a few reminders. When we meet with departments, we will review all parts of their budgets, including the Revolving Funds that they manage. There is a discussion scheduled for Revolving Funds later in the calendar, but that time is reserved for additional deliberations only if needed. Please check Granicus for updates. Department responses to the initial letters have started coming in, and Staff will continue to notify Members as materials are posted. I...please also send BFED Staff your written questions for the departments not initially requested to appear in the Chamber at 4:30 tomorrow. In other words, if...if the departments are not...like Liquor, not coming before us, then please submit your questions to all those departments and...not requested to appear in the Chambers by 4:30 tomorrow. And those departments are Office of Council Services, Department of Prosecuting Attorney, Department of Corporation Counsel, Department of Liquor Control, ʻŌiwi Resources, Office of County Clerk, Office of County Auditor, East Maui Water Authority. Does anyone have a request for any of the departments that I just mentioned to come before us? If not, then...okay. Thank you. And on Monday, I will present my...my policy direction for the overall budget. It will be helpful to hear from each of you about your goals, your values, and the outcomes you want this budget to achieve. That discussion will help us shape a budget that reflects community needs and gives County Staff a realistic and workable plan. I also want to mention, I think the Mayor, when he presented this budget to us, it did not include Kona low storm two. So, that's an expense that is...is something that we will have to look at. So, now, let's hear from Department of Finance, Director Martin, Deputy Director Zielinski, Budget Director Milner, and we can receive opening comments. Please proceed.

MS. MARTIN: Good morning. And thank you, Chair, for the opportunity to give an overview of Countywide costs and revenue sources in the Mayor's proposed budget for Fiscal Year '26-'27. Also, representatives from each of the Finance Department's agencies are here as resources for your review of the Department of Finance's proposed budget. Thank you. *(pause)*

CHAIR SUGIMURA: Do you have a presentation? *(pause)*

MS. MARTIN: Thank you. In this presentation, I will overview estimated revenue in the Mayor's proposed Fiscal Year '26-'27 Budget. The Fiscal Year '25-'26 adopted budget had revenues of 1.6 billion. Fiscal Year '26-'27 projected revenues are similar, at 1.616 billion. The three largest sources of revenue are the General Fund, which is 61 percent, the Water Fund at 10 percent, and bond revenues at 12-1/2 percent. Tax revenue at 808.7 million will make up the largest portion of the almost $1 billion General Fund. So, 82 percent of the General Fund revenue is from taxes, which includes real property tax, Transient Accommodation Tax, General Excise Tax, and Public Utility Commission taxes. So, taxes represent about 50 percent of total revenues, and tax revenue is stable compared to last year, which was budgeted at about 803 million. The proposed property tax rates and tiers align with the Mayor's priority of kamaʻāina housing and the Mayor's proposed budget priority of an affordable, healthy, and thriving community. Projected real property tax revenues are at 660.2 million, which is about the same as what was budgeted for Fiscal Year '26. The tier levels for Owner-Occupied were increased, and the third tier tax rate was decreased. The first tier tax rate for Long-Term Rental was reduced slightly, and the tier threshold was increased. So, both of these adjustments offset value increases and provide some relief. The tax rate tier of Commercialized Residential was increased to equal the Long-Term Rental class to recognize this hybrid use of both Owner-Occupied and Transient Vacation Rental. And this rate increase then was offset by increasing the tier dollar threshold. Transient accommodation rates, the TVR rate, was increased to offset declining assessments, resulting in a slight decrease in revenue from this class. Like real property tax, Transient Accommodation Tax revenues are similar to last fiscal year at 65 million. Public Utility Commission revenue at 8.5 million was increased just slightly this year to bring it closer to prior year actuals. The General Excise Tax was increased from 70 million last year to 75 million this year based upon prior year actuals. So, this is a relatively new tax. The Fiscal '26-'27 Highway Fund will be 99.8 million, which is just slightly more than Fiscal Year '26 at 98.8 million. The tax revenue from the Highway Fund is derived from fuel and franchise taxes and the Street Use Weight Tax, which is under license and permits. Fuel Tax is at 16 million this fiscal year compared to 15.5 million last year. The proposed rates per gallon are unchanged. Bus fare revenue is slightly lower than last year at 850,000, and rates are unchanged. Franchise Tax is up slightly at 10.5 million compared to 10 million last year, and that's based upon prior year actuals. The Weight Tax in the Highway Fund is 28 million compared with 27 million last year. This amount is also in line with prior year actuals, and there are no rate changes. The Sewer Fund is largely comprised of charges for services. At 78.2 million, this is an 11 percent decrease from last year. So, the decrease in the fund is attributed to a lower SRF, State Revolving Fund, loan amount. Sewer or wastewater charges include sewer, cesspool, septic, and reclamation fees. Wastewater revenue is up slightly, that's 3 percent from last year, at about 68 million, and this is the result of fee increases. This fiscal year, the Solid Waste Fund is increasing to 56.7 million from 46.6 million this fiscal year, that's a 22 percent increase. And charges for current services increased 7.2 percent, and the charges include refuse and landfill fees. The interfund transfers decreased due to prior year fee increases, and Carryover/Savings increased because of debris removal tipping fees. So, landfill tipping and permit fees are estimated at 16.6 million for Fiscal '26-'27. The large increase you can see in the current fiscal year estimate is due to Lahaina debris removal tipping fees. The slight increase for Fiscal Year '26-'27 is the transfer of 1.3 million...the 1.3 million EP&S recycling tipping fee surcharge. Individual rates have not changed. Refuse revenue is estimated at 11.7 million. Refuse collection fees are increasing slightly by 3 percent. That's $1 for Maui and Molokai and 50 cents for Lānaʻi, resulting in a slight revenue increase. The Water Supply Fund is one of our largest funds, and it has increased 18.6 percent this coming fiscal year to 168.6 million. In addition to service charge increases, intergovernmental increase due to the SRF loan. So, water service fees provide the bulk of revenue for the Water Supply Fund. As shown in this graph, revenue from water service fees is increasing for Fiscal Year '27. So, overall, Fiscal '27 water service fee revenue is estimated to increase by 8.5 million, and that's a revenue increase of 9.5 percent. And the increase in revenue is a result of a variety of fee increases. And this concludes the overview of Fiscal '26-'27 projected revenues from the Mayor's proposed budget. Now we will move on to Countywide costs.

MS. ZIELINSKI: Good morning.

CHAIR SUGIMURA: Good morning.

MS. ZIELINSKI: Good morning. So, this is going to be the Countywide costs that we're going to be reviewing. Okay. It's a pretty big sheet, but you can see that the bottom line, if you look at the Fiscal Year '27 proposed Countywide is, we're looking at 389,857,250. It's a decrease of 11 percent, pretty much attributable to a reduction in supplemental transfers, affordable housing, and also emergency funds, which we'll be going over in the presentation. This just shows a kind of a summary of what the fringe benefits will...are...are comprised of. ERS contribution, which, as you know, is the pension plan, FICA, Social Security, and Medicare. EUTF, which is our medical plan, or health plan, I should say. Unemployment compensation, no change there. It was 250,000, it stays the same for this year. Terminal pay and salary adjustment, which again, we'll go over in a moment. Annual required payment. So, that's called the ARC, and that relates to the OPEB, which we'll also go into, and then Section 8 fringes, and that hasn't changed from last year, so $302,000. ERS is the pension plan, and you may recall with...Kalbert Young did his presentation. This is the pension plan that's 63.6 percent funded. We have a ways to go on that, obviously. He indicated we'd be funded in 21 years. Originally, it was 24 years, so they're, you know, accelerating a little bit. Also, just as clarification, we put in 24 percent of salaries for regular...all employees except Police and Fire, and on those, we...we have to contribute 41 percent, so a pretty significant amount. But as you can see from the bar chart, you see that previous year was 71,269,000. This year, it's 84,630,000, and as Kalbert had indicated, they're kind of bumping up the contributions a bit to try to get us to the funding--it's not just us, it's all of the State and all of the counties to 21 years--and he is basing it on an assumption of 7 percent for assets. So, hopefully that remains constant with all the uncertainty these days. Next one. FICA is really just…it stays the same. It's 7.65 percent of salaries. That's the Social Security and the Medicare. And of course, it's a function of salaries, wages, as well as number of employees, and as we start to ratchet up, hopefully increasing recruitment efforts, you can see that has increased. So, it was 12,984,000 last year. It's increased to 16.648 for Fiscal '27 is proposed. EUTF is, of course, our health plan, our...our...yeah, our health plan, and you can see on this, we've...it looks like it's a very large increase. A couple of things I just need to mention. So, you see from...from last year…or this year, I should say, 26.805, and for Fiscal '27, 36.5. Donna Tonaki from EUTF, when she did her presentation, indicated there was a 6-1/2 percent increase in health premiums. So, you think, well, this is going up 36.2 percent. The bottom line is, there's a little bit of a…we actually had a separate line item in budget last year that was $10 million. That was a supplement for a provision for coverage for the employees, for the medical, the 75/25 that you're aware of. So, that now, this year, we collapsed it into just the EUTF. So, that really is the reason why then you can see when you add the 10 million, it's really not...it's really not significant as far as the increase. In fact, it's actually looks like a decrease. Kind of, I guess, the 10 million was probably not the full amount we needed. Terminal pay, a big decrease from last year…or this year, I keep saying last year…10.018, and this year, we'll look…this proposed budget, we're looking at 4,184,000. This…we had a one-time appropriation for collective bargaining agreement increases, so that's the reason for the increase. So, that's…that's why it's declined for our proposed 2027 Budget. The ARC is...is...just to...just to summarize, because it is confusing. We have our health plan, and we pay for our health plan, our premiums, that's kind of, you know, goes with it. But one of the requirements that we have, and that's a GASB requirement, that's Government Accounting Standards Board, and it's for counties and states, is that we need to actually reflect and...and basically contribute to other post-employment employee benefits. And this relates to really our...the...the pension...sorry, the health plan for retirees or vested employees. So, it's a way of saying we need to put this money aside. We can't wait until somebody retires. We need to do it now. So, this is money that's called an ARC. You'll hear that term a lot. And this is something that the actuaries calculate, and they base it on inflation, investments, return on...return on assets, and you know, just healthcare costs in general. So, you can see now, for '26, we had 38.095…38,095,000, okay? For Fiscal '27, it's gone down a little, 35,801,000, okay? And this is partly...or it's mostly because we've paid...we've paid off our supplemental, or unfunded OPEB liability, which I'll get to in a moment. And as we pay it down, and you'll see that next year, it'll be a huge decrease, this number goes down quite a bit. In fact, in the presentation, Donna Tonaki from EUTF indicated that next year, this…this number, the 35.801, would be 14 million. When I say next year, I mean Fiscal '28. So, that's a function of having the unfunded liability paid off. So, this is a big…this is a big savings for the County. In any case, you do see that we do show a small decrease for this year, for upcoming 2027. The next, we have the bonds issuance and debt service. Now, you see we have bond flotation costs. We're showing 2.950. 450,000 is professional fees, okay? Now, you do see we have something new. It's called arbitrage expense, 2-1/2 million. Now, the truth of the matter is, we really...in the past, when we've had an arbitrage expense, which I'll explain in a moment, we just offset it against interest earned. And just to back up what arbitrage expense is, is when we issue a bond, okay, the bond proceeds come into our account, but we don't use them immediately, right? We use it for CIP, and we don't...right off the bat, we don't spend 300 million or whatever that number is for our bond issuance. So, it sits there, and we earn interest. Our Treasury folks put it in interest-bearing assets. IRS, or the Federal Government, says, hey, you're getting...we're giving you tax-free money. It's tax-free to our investors, okay? GO bonds, they're giving...they're giving us a benefit for our investors. But what happens is, is when we've had other bond issuances that were at a very low interest rate, as you recall, like in '21, '22, the interest rates were real low with COVID and everything? Okay. So, they were maybe...I'm making it up, but it was like maybe 2 percent or 3 percent. We...our Treasury folks could invest that and make more money on it, okay? They could put in investments and make it earn...it could earn 5 percent or something like that. So, we made money. That's arbitrage. So, the IRS says, hey, wait a minute, not so fast. That difference, we want you to pay back to us because you made that money, okay? So, it's not really...it's not a penalty, it's just saying, we gave you the benefit, we need that money back. So, that's what this 2.5 is. Now, this really relates to those previous bond issuances, not to the current one that we just had last...this...this fiscal year, the 300 million, because that one is very, very close to what...the interest rate is very close to what we're earning, or...so there's not...you're not going to see a difference there. You're not going to see arbitrage expense. As I said, the arbitrage expense, we're showing it as a separate line item. As our municipal advisor told me the other day, he said, you know, you're really just...it's an offset to interest earnings. And he's right, but we thought we'd be more transparent by showing it this way. So, there's nothing being hidden. We're not trying to...so in any case, that's the reason why you see a new line item there. In debt service payments, you'll see we have interest of 30,211,000, principal of 43. Again, on that bond issuance that we just had, this will reflect...the interest will be reflected from that new bond issuance that we had in September of 2025. Under insurance and self-insurance, Workers' Comp increased from 4 million this Fiscal '26, due to open claims. Insurance Program pretty much stayed constant from previous year, just slightly ratcheted up. And self-insurance increased by about 5 million. And that was really due to, we understand, a likelihood of impending EPA penalties and fees. So, that's the provision there. Open Space Fund. As you know, Open Space, we have to put 1 percent of...we're required to put 1 percent of real property tax revenue projections. So, that's the 6,602,091 reflects that 1 percent at this point in time. Affordable Housing, as you may recall, we...we...we're required to put in 3 percent. This is projecting...reflecting 5.4 percent of projected net real property tax revenue. So, that's 35,560,345. Previous fiscal year, or this...this fiscal year, in '26, it was at 7 percent. So, it has...it is a smaller number, smaller percentage. General costs, not a lot that's really changed here. Telephone system, no change. Rentals and facilities, slight...slightly less, but we had an increase in professional fees and a decrease in rentals. Net...net, it ended up just less by about 70,000. Centralized postage, no change. County grant matching, no change. Transfer to Emergency Fund, we are looking at for Fiscal '27, 7,652,443. So, that is less, as you can see, from Fiscal '26. But it does bring us up to a very respectable...it will bring us up to a respectable...something like 111.7. I'm not sure, the number may be slightly changed with some activity recently. But that would bring us to about 23.3 percent of General Fund expenditures, which is...is excellent. The GFOA, General Financial Officers Association, kind of says, you know, 20 percent is a good number. It's not anything that's set in stone, but it's a good number. And certainly, when we've met with our rating agencies, they were very impressed with that too. So, you know, with that, it's...I think we're...we're looking very solid. OPEB and managed retreat. OPEB, this is...this the big deal. Zero. Okay. We don't have to do this anymore. We're totally funded. All the other counties in the State still have to pay this number. And this is the one where I mentioned to you the ARC will be reduced to 14 million next year from like 38 or whatever it was, because this...this unfunded liability is going to be...is totally paid off. And that's just because we've been doing this for so many years, been putting in supplemental funding, so it's really helped. And ultimately, the rating agencies love this when they see this. If we could only get our pension plan, they'd be thrilled. *. . .(laughing). . .* But we...we're part of a much larger group, so we'll have to just wait to see until they segregate it out, hopefully. Managed Retreat Fund, we're looking at $3 million. It's an increase from 2.579 of Fiscal '26, represents about 4.6 percent of our TAT. One Main Plaza lease, we're looking at 590,000. It was 560 this fiscal year, it increases slightly just due to rent and CAM increases. And of course, OED and Human Concerns are in there...in that building. General Excise and Hawaiian Home Lands. We are...as you...as you've probably seen from the revenue presentation, we're looking at 75 million in GET revenue. So, we are looking at...that would comprise 60 percent for General Excise Tax in that fund, and 15 million to Hawaiian Home Lands. And that would comprise the 75 million. And that's all. Thank you.

CHAIR SUGIMURA: Thank you. Was that your entire presentation?

MS. ZIELINSKI: Yes.

CHAIR SUGIMURA: Thank you. Thank you very much. All right. So, I'd like to now invite our Bond Counsel and Municipal Advisor to provide their comments. Are they here? I see Lesley, I don't see Mister...

MR. TIERNEY-HAWKINS: Sean Tierney is here.

CHAIR SUGIMURA: Okay.

MR. TIERNEY-HAWKINS: Bond counsel.

CHAIR SUGIMURA: Thank you. Thank you, Sean Tierney.

MR. TIERNEY-HAWKINS: Thank you. Curt is there, I believe. I...

CHAIR SUGIMURA: Yes, he's coming here.

MR. TIERNEY-HAWKINS: I think...

CHAIR SUGIMURA: Thank you.

MR. TIERNEY-HAWKINS: Okay. All right. *(pause)*

CHAIR SUGIMURA: Do we need another chair for you? Okay. You can proceed. *(pause)*

MR. DE CRINIS: Thank you. Curt de Crinis, Columbia Capital Management, Municipal Advisor to the County of Maui.

CHAIR SUGIMURA: Who would like to present first? Oh, I'm sorry, could I please welcome Member Rawlins-Fernandez. Welcome to the meeting.

COUNCILMEMBER RAWLINS-FERNANDEZ: Aloha kakahiaka mai Aotearoa. Skipping out on budget season and flying the coop, April Fools.

CHAIR SUGIMURA: *. . .(laughing). . .*

COUNCILMEMBER RAWLINS-FERNANDEZ: I am at my private residence on Molokai *. . .(laughing). . .* will be joining you all later this evening. I am home alone, and there were no testifiers at Molokai District Office. Mahalo, Chair.

CHAIR SUGIMURA: Okay. Thank you. Please proceed, Mr. Tierney or Mr. de Crinis.

MR. DE CRINIS: Thank you, Madam Chairman. I mean, just listening to the budget presentation today, it's...it's consistent with what we heard and what we presented to the bond rating agencies last summer, so I think it's...as I didn't really see or hear anything that indicated that there were any significant changes to what the...where the financial position of the County was as of last summer, so I think that's a good indication of the stability here in Maui. And on the credit side, and from an investor standpoint, if the...if the County were to consider issuing additional bonds, the County seems to be in...in good...good financial condition to...to do so, if it chose that. I think the only other comment, I suppose, was...was the issue on the arbitrage rebate, which I heard Maria mention that the money that is budgeted for that, the 2-1/2 million is...I agree, is an accumulation of rebate liability from the 2020 and 2021 bonds, which were at a very low interest rate, as was mentioned, that the County's been earning far more than the cost of the interest in the...under the IRS rules. And Sean can comment on this as Bond Counsel, that money is due back to the Federal Government, every five years you have to make a payment, so that 2-1/2 million is an accumulation of a number of years. It's not just one year, but it's in the budget this year because it's been five years since those bonds were issued. I don't know, Sean, do you want to comment on that?

MR. TIERNEY-HAWKINS: Yeah, that's right, Curt. It's...we calculate for the County every year a rebate calculation to keep track of any positive arbitrage and possible rebate, and then...but the actual rebate payment, which, as you explained, it's earnings on the bond proceeds that are above the interest rate on the bonds, is payable five years after the issue, and then every five years after that. And so, I think just because of circumstances of a low rate on the bonds and a higher rate subsequently on investment of the proceeds, there's more owed than you've probably seen in earlier...you know, and for a while. And...but it's all excess earnings, if you will, above the bond rate.

MR. DE CRINIS: So…and the other thing that's probably worth mentioning is there has been discussions, and this has been discussed over the years of whether the County should consider water revenue bonds in the future as opposed to always issuing GO bonds for water improvements or SRF loans. And so, that's something else that's being looked at to help preserve the County's long-term bonding capacity, GO bonding capacity, because if it is...and the County did issue water revenue bonds back in the 1990s, so it's not something they haven't done before. City and County Honolulu issues them regularly. On the mainland, it's very common that water revenue bonds are used because they're paid back solely from...from the Water Fund, and so, for example, in Maui's case, to issue general obligation bonds that end up being paid by water revenues, you're sort of adding more and more debt to the County General Fund, which in the long run may affect the bond rating or may affect interest rates. And so...so...so, there has been some discussion with the Water Department, because there's a number of water projects coming up, to investigate--no decision has been made--but to investigate whether that is an option that the County might want to look at. So, that's something else that's been talked about on the...on the bond side. The other thing that's been talked about on the bond side is whether CFDs make any sense at all for the County. That's something else that's been...been looked at, and, you know, so I think part of this is just sort of exploration of well, what are the other tools in the toolbox that the County would have available on the finance side, as opposed to just taking...you know, borrowing money on the General Fund every time? So, that's...that kind of concludes my...my comments. Thank you.

CHAIR SUGIMURA: Thank you. Thank you very much. Mr. Tierney, did you have comments?

MR. TIERNEY-HAWKINS: No…I mean, I wanted to answer the question about the rebate, and really just here in case there are any legal...or questions on the legal side that I can help with on...on the bonds.

CHAIR SUGIMURA: Okay. Thank you. All right. So, thank you for your opening comments. And we already took testimony, so are we...yeah, we're going to proceed with questions. Yeah. . . .*(inaudible)*. . . One more time. Oh, because we're going to go into...okay. We did the general one. Okay. So, public testimony. Any more testifiers signed up?

MS. MACDONALD: Chair, I currently don't see anybody signed up. Oh, somebody just raised their hand. I will promote them now. Okay. The first and only individual signed up to testify is the Royal House of Hawaiʻi.

CHAIR SUGIMURA: Good morning.

. . . OPEN PUBLIC TESTIMONY FOR ITEM-1 . . .

TESTIFIER 1: Aloha. Okay. Aloha. This is the Royal House of Hawaiʻi, of ko Hawaiʻi pae ʻāina, the Kingdom of Hawaiʻi, yeah, where it's the meets and bounds of this country, right? And I'm an allodial land holder, a royal patent holder, and I'm just wondering how anybody could have...or create bonds, have interest of any of our lands and our waters and our resources? Because I don't think the correct people are the ones that have interest and creating bonds and stuff, whatever, inside of our country. We're not getting any of the funds of those, whatever money you guys making, because us is the government, right? The descendants, yeah? And...and with any of these funds, where you guys are going to be using these funds, are any of the descendants of those lands that are going to be...being used to...used with these funds going to be contacted at all? Because I'm pretty sure, and you guys should all know, all of Hawaiʻi is allodial titled/royal patented, so please do your due diligence and call the descendants of all said lands. And yeah, where...where...where our money stay? Because I don't know. None of these funds is going to us, for real. And yeah, call the descendants of the royal-patented lands and allodial-titled lands, and give us our compensation, hello. And what else? And yeah, that's all I wanted to say. Mahalo.

CHAIR SUGIMURA: Thank you.

TESTIFIER 1: Return the land.

CHAIR SUGIMURA: Oh. Thank you very much. Anybody have questions for Royal House of Hawaiʻi? Seeing none. Thank you very much. Next testifier.

MS. MACDONALD: Chair, there's currently no one else who has signed up to testify. Would you like me to do a last call?

CHAIR SUGIMURA: Please.

MS. MACDONALD: If somebody would like to testify in the Chamber, please let Staff know, or Microsoft Teams, please raise your hand. This is final call...three, two, one. Chair, it appears that nobody wishes to testify.

CHAIR SUGIMURA: Thank you. So, at this time, I'm going to close public testimony and receive written testimony.

COUNCILMEMBERS: No objections.

. . . CLOSE PUBLIC TESTIMONY FOR ITEM 1 . . .

CHAIR SUGIMURA: Thank you. All right. So, Department of Finance in Granicus, I just wanted to go over where they are. So, standard letter was sent to Finance, which is FN-1, is Granicus number 25. Initial question sent to Finance, FN-2, is 69. Request for updated Carryover/Savings worksheet and details response is number 5. Request attendance for presentation of Countywide expenses and estimated revenues for Fiscal Year '27 and request schedule of bond counsel and muni advisor is number 7.

Request for fringe benefit rates and variance analysis and responses is number 6. Request how much CIP was appropriated, expended, encumbered, and lapsed over the last five years response is number 18, or…and response is number 18. Requesting RPT trending data is number 46, and we haven't received that response yet. So, at this time, we'll entertain two rounds of questions, and three minutes each round, and I'm going to start with Member Batangan.

VICE-CHAIR BATANGAN: Thank you, Chair. And then just for my own clarification, so the calendar says we're deliberating on the Department of Finance and then the Countywide expenditures and revenues, is that correct? So, it's not just questions related to the presentations. This is the departmental overview?

CHAIR SUGIMURA: Yes.

VICE-CHAIR BATANGAN: Okay. Okay. Thank you, Department, for being here. I have a question on the Maui Countywide Fraud Assessment Report that was published by the auditors in February. One of the findings, I'll quote it, "conflicting statements and unclear oversight roles between the Department of Water Supply and the Department of Finance have created uncertainty about DWS' fiscal and procurement processes, or how they're reviewed and monitored." So, I guess, I'm going…just to be upfront, I'm going to ask both you and Water Supply on this question, but from your perspective, what is the Department of Finance's role in overseeing procurement at the Department of Water Supply?

MS. ZIELINSKI: Chair?

CHAIR SUGIMURA: Yes.

MS. ZIELINSKI: Okay. Thank you. Thank you, Chair. Yes, Councilmember. Unfortunately, I don't have that…I brought lots of papers, I didn't bring that one with me, but I do have…we did actually…we have an Internal Control Compliance Officer and…and his analyst, and they have met with Water, and we…we did want to address that issue. We do have a kind of a laundry list of what…what's reviewed between Water and Accounts, our Accounts section. There are areas that are really…are relied on just by the outside auditor, N&K, who you'll be meeting with later this afternoon. However, we are looking into that, and you may have seen that we have a…in our budget, we put in for…and I know I'm kind of answering the questions kind of tangentially, but let me just mention, is that we did put in for an internal control contractor to come in and meet with all of the departments and really focus on the areas that we see where there might be some risk. So, in our opinion, and I can have…certainly have our internal control individual come down, but I will mention that there are…there are procedures that are in place, but it's not a full, you know, review of everything. There are things that Water does that they just do more or less independently and rely on the outside auditor. But we're looking to, you know, improve, enhance that.

VICE-CHAIR BATANGAN: Okay. Thank you. Question on the Department of Hawaiian Home Lands Fund. Is that managed by us? Do we have an internal County employee who determines how Hawaiian Home Lands monies are being spent, or is that just a transfer to the department itself? Like what role does the County have in determining how these funds are used?

CHAIR SUGIMURA: Director Milner?

MS. MILNER: Thank you, Chair. Thank you, Councilmember Batangan. *. . .(timer sounds). . .* Yes, the Department of Hawaiian Home Lands is in communication with the Department of Management regularly. These funds are going to be granted, basically, to the Department of Hawaiian Home Lands, and they will oversee them after those agreements are executed. None of the agreements have been executed to date because we are still waiting on the MOUs that the Council added as a requirement to last year's language under those appropriations.

VICE-CHAIR BATANGAN: Thank you, Chair. Thank you, Administration.

CHAIR SUGIMURA: Thank you very much. Chair Lee…she's not here. Okay. I'll…I'll…I guess she's coming back. Member Paltin, followed by Member Johnson.

COUNCILMEMBER PALTIN: Okay. Before you start my time, disclosure, if I got your answer, I'm going to cut you off, and I don't mean to be rude. On the first one, the proposed estimated revenues, I didn't understand the Fuel Tax proposed amount. I think Deputy Zielinski said the per gallon tax was unchanged. Is that…is that what you had said? And then, I mean, taking into account, is it…it's like a percentage of what the cost is, but if fuel or gas costs go up so much, as they are, and people then drive less, you know, just…I'm going to work from home once it gets too expensive, then should we downward the proposed estimated revenue on Fuel Tax? And I guess the same thing goes for the TAT, because airplane, and coming here, and like that. So, I guess the TAT and the Fuel Tax proposed estimated revenue in light of what's going on globally, do you think it's safe to…with the estimates? Like, I don't know what time of year you came up with these estimates.

MS. ZIELINSKI: Chair?

CHAIR SUGIMURA: Yes.

MS. ZIELINSKI: Councilmember, I'll address TAT, Deputy…Director will…will address the fuel. But on TAT, we have looked at it, and we were actually, when we worked with Budget, we decided to be very conservative. We've had…the fall of…of…of 2025 was pretty bad, pretty lackluster, I have to say. But it's just…it exploded since January, if you can believe it.

COUNCILMEMBER PALTIN: I'm…I'm aware of that, like --

MS. ZIELINSKI: Yeah. Right.

COUNCILMEMBER PALTIN: -- I live on the West Side.

MS. ZIELINSKI: You see what I see, yeah.

COUNCILMEMBER PALTIN: But like, once the fuel tax...or the fuel prices rise, and jet fuel, and Strait of Hormuz, and all of that --

MS. ZIELINSKI: I know.

COUNCILMEMBER PALTIN: -- do you still think it's conservative?

MS. ZIELINSKI: We...I looked...I was even looking just the other day, and I was just wondering, are we good, or are we...but I think we're...we're fine, because we have...we were very conservative. I probably would have even considered that we could have gone up another 5 million. So, my thinking, this is just me thinking, is that I think we...we are conservatively estimating, and worked with Budget on that, that I think we should be okay.

COUNCILMEMBER PALTIN: Okay. Fuel Tax.

MS. ZIELINSKI: Yeah. Okay. Fuel Tax, yeah.

MS. MARTIN: I agree that the estimate is conservative, if you look at the prior year actuals for the Fuel Tax. They are lump sums, not percentages. And I guess people drive about an average of 23 miles a day. So, I feel that our estimate is pretty conservative, given the circumstances.

COUNCILMEMBER PALTIN: Okay.

MS. MARTIN: We're okay.

COUNCILMEMBER PALTIN: Now that we have free bus starting July, I might catch the bus.

UNIDENTIFIED SPEAKERS: *. . .(laughing). . .*

COUNCILMEMBER PALTIN: The other question I had was on the Budget Implementation Report. You had about seven positions that you anticipated to fill in February that were long-term *. . .(timer sounds). . .* vacancies. Are they filled? *(pause)*

MS. ZIELINSKI: Chair?

CHAIR SUGIMURA: Yes.

MS. ZIELINSKI: Councilmember, what...could you just tell me what you're referring to, what section? You said under budget implementation. I'm sorry.

COUNCILMEMBER PALTIN: You can have my paper here.

MS. ZIELINSKI: Oh, okay. Oh, okay. Okay. Some of these have been filled, but I'd actually have to get our Personnel...Dulce, if you could come down? Sorry.

MS. MARTIN: I can confirm that our Real Property Appraiser I started today. *(pause)*

CHAIR SUGIMURA: Can you introduce yourself? Can you introduce yourself?

MS. MARTIN: This is Dulce Butay, our Administrative Officer, and she has said that the Real Property Appraiser Assistant is PWOE right now, and will be closing --

MS. BUTAY: This week.

MS. MARTIN: -- will be closing this week.

MS. BUTAY: We filled out...this one is filled out. It started March 31st.

MS. MARTIN: The Accountant III position P31618 started March 31st.

MS. BUTAY: For position 23...29362, Real Property Appraiser I, it's currently in recruit, and we have a DM-89. We filled it out with DM-89 starting today. For the DMVL Service Rep 2...28527-25593, we do...we're planning on filling up with DM-89. So, it's the 25548 DM-89.

MS. MARTIN: Thank you, Dulce.

CHAIR SUGIMURA: You're done?

COUNCILMEMBER PALTIN: Well, not really, but I heard the bell.

CHAIR SUGIMURA: Okay. Some of your time was taken up by think time. All right. So, next we have Member Johnson, followed by Member Rawlins-Fernandez, then Cook.

COUNCILMEMBER JOHNSON: Okay. Thank you, Chair. And thank you, Department, for joining us. I see you brought your whole team with you, and I know you guys are busy, so I'll just jump right into questions. So, can you explain the reasoning behind the proposed changes to your real property tax tiers and the tax rates? And that's on page 12, Appendix B. In the slideshow, you mentioned kamaʻāina housing and thriving communities, but maybe you can get a little bit more into what that actually means.

MS. MARTIN: Thank you. So, we have, for example, for the Owner-Occupied class, we had basically a position of revenue...almost revenue neutral from last year so that taxes don't increase significantly. So, as values have come up, we've increased the tier threshold for Tier I so that the houses that are attainable fall into the Tier I, and that is net taxable. So, a home valued up to $1.8 million, they get their $300,000 exemption, would fall into...to Tier I. And then for the Long-Term Rental, we reduced the tax rate slightly. And for Long-Term Rental, and we'll go into this in detail, I guess, when we get the certification. But again, we're just, you know, aiming at trying to be revenue neutral, meaning no increase --

COUNCILMEMBER JOHNSON: Okay.

MS. MARTIN: -- in taxes for these classes.

COUNCILMEMBER JOHNSON: All right.

CHAIR SUGIMURA: Ms. Milner?

MS. MILNER: Sorry, I know you're on a limited time. I just wanted to add a little bit. The 1.5 million amount that was used for some of the tiers, that was sort of based on the average cost of a single-family home. So, we wanted to make sure that those average family homes fell into that first tier. The reduction in 900,000 was based on the fact that there was a 10 percent reduction in appraisals. So, we reduced the top of that category by 10 percent to align with that appraisal reduction. So, I just wanted to add that. Thank you, Chair.

CHAIR SUGIMURA: Thank you.

MS. MARTIN: And that would be in the TVR class.

COUNCILMEMBER JOHNSON: Could you also...I know the slide was small on my screen, so maybe I read that wrong. But did you reduce the tax on Owner-Occupied that have $4 million homes and above by 15 percent? Is that correct?

MS. MARTIN: Yes, the Tier IV...the Tier III tax rate for Owner-Occupied was reduced from 5.75 in Fiscal --

COUNCILMEMBER JOHNSON: Right.

MS. MARTIN: -- '26 to $5 for this fiscal year.

COUNCILMEMBER JOHNSON: Okay. That's what I...I thought I...I saw that on your slide, just framed a little bit differently than *. . .(timer sounds). . .* the actual budget. Wow, that's three minutes?

CHAIR SUGIMURA: Yeah.

COUNCILMEMBER JOHNSON: *. . .(laughing). . .* Okay. That was one question.

CHAIR SUGIMURA: That was fast.

COUNCILMEMBER JOHNSON: Okay. I got five more to go. Thanks, Chair.

CHAIR SUGIMURA: . . .*(laughing)*. . . Okay. We'll come back to you. Okay. I'm going to go to Chair Lee, if you don't mind.

COUNCILMEMBER LEE: Thank you. I have a question for the Bond Counsel. What...I mean, how can we improve our financial condition?

MR. TIERNEY-HAWKINS: Well, I mean, I will let Curt address that, because it's...I think, because it's more of a...he's the County's Financial Advisor and Municipal Advisor, so it's a...

COUNCILMEMBER LEE: Okay. Thank you.

MR. TIERNEY-HAWKINS: But I would say, before handing it over to him, that the County's financial condition is very strong, and you have one of the highest ratings from the rating agencies possible. So, you're viewed by the --

COUNCILMEMBER LEE: Okay. My time is very limited. . . .*(laughing)*. . .

MR. TIERNEY-HAWKINS: -- rating agencies and --

COUNCILMEMBER LEE: Geeze.

MR. TIERNEY-HAWKINS: -- investors as very strong credit.

COUNCILMEMBER LEE: Can you be concise, please?

MR. DE CRINIS: Thank you. Well, just to follow up on Sean's comments, yeah, the County's in great shape. You know, how to improve the financial position of the County, I guess it's a matter of what you mean by that and...and who's looking at it. But I mean, in terms of outside investors and then the ability to borrow money, you know, having more money in the bank, and...

COUNCILMEMBER LEE: Okay. You mentioned earlier that there are ways to improve, let's say, our bond capacity, bond issuance, you mentioned that.

MR. DE CRINIS: Okay.

COUNCILMEMBER LEE: So, there are room...there is room for improvement. So, I was just asking --

MR. DE CRINIS: Okay. Okay. All right. Yeah, I...

COUNCILMEMBER LEE: -- what specifically are you talking about?

MR. DE CRINIS: Okay. Okay. To be specific, I think that if the County has traditionally always used general obligation bonds as the only source of borrowing money, and I think the County could have more flexibility and more bonding capacity in the long run by looking at other alternatives, such as water revenue bonds, such as land-secured bonds…other types of bonds that don't rely and aren't totally secured by property taxes. Because that's…the GO…general obligation bonds are…there's a pledge to the bondholders that the general taxing powers of the County, including property taxes, are the…are the main source of repayment.

COUNCILMEMBER LEE: What about CFDs?

MR. DE CRINIS: Well, CFD would be another way of not burdening the County General Fund because CFDs are only secured by those properties subject to the special tax in the CFD. So, it's not a burden on the County General Fund. And for that matter, it's also not a burden on the County's bond rating. So, those are separate…those are secured separately. And so, those other financing tools could allow the County to maybe finance more projects without burdening the General Fund credit rating.

COUNCILMEMBER LEE: Okay. Well, thank you *. . .(timer sounds). . .* very much.

CHAIR SUGIMURA: Thank you very much, Chair Lee, followed by Member Rawlins-Fernandez.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. I have other questions, but I wanted to follow up on Chair Lee's…the response to Chair Lee's question about the bonding. And…okay. So, the response was about…or included taking advantage of more water revenue bonds. And so, that's in addition…so to clarify, that's in addition to the State Revolving Loan Fund that we usually…okay. I see nodding heads.

MR. DE CRINIS: Is…is the question…I don't exactly follow the question that you're asking, Councilman Rawlins?

MR. TIERNEY-HAWKINS: I…I think I do. I mean, I think the…if the County had State Revolving Funds loans available, then yeah, it would be a similar approach. And they have in the past, but I think you'd…you'd want to have Curt look at the…compare the cost of the State loan to issuing bonds to investors. And…and then the State loan may not be available at all, in some cases. So…but I think it's a potential alternative to water revenue bonds.

MR. DE CRINIS: Well, and the State…State revolving funds also have different terms of repayment, generally shorter, where a water revenue bond would be able to be paid back over a longer period of time, which might put less pressure on water rates.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo for that. All right. So, for Finance, my questions are based off of FN-01's responses. For question 1, the major changes to the Department, I…I love that you folks are immediately responding to some of the feedback from the findings from the audit in strengthening staffing in responding that this will be very helpful for our single audit. And I'm assuming that some of it…some of like beefing up our staffing is because there's vacancies, and then some of it is existing positions. So, I was hoping to get a little more insight, and maybe you shared this before

I joined, on the strategy of addressing the…the findings from the…the audit regarding staffing.

CHAIR SUGIMURA: So, excuse me. So, Member Rawlins-Fernandez, this afternoon…at 1:30, we're going to have the Auditor, and we're going to go through these audit reports that you're referencing right now.

COUNCILMEMBER RAWLINS-FERNANDEZ: Yeah, so we have Finance before us, and FN-1, in the very first question, already responds to that. So, I'm asking the question based off of their response.

CHAIR SUGIMURA: Okay. Go ahead.

MS. ZIELINSKI: You want me to get it? Chair?

CHAIR SUGIMURA: Go ahead.

MS. ZIELINSKI: Thank you, Councilmember. Yeah, what we're doing is, as you can see, we have two additional accounts positions that…you know, that we're requesting, and these are...specifically address some of the single audit findings, as well as the, you know, the outside auditor as well. The Grant Specialist III will enable us to have somebody who will look at Federal, State, and County grants, and, you know, that'll be their total focus. And then, of course, our Accountant III, which will actually be just focusing on assets and the movement of...of...of when we have capital assets, and those are all the big capital assets, right? You'll…you'll see when we meet with N&K later this afternoon, that was one of the findings. And I think the one thing you need to keep in mind is . . .*(timer sounds)*. . . I'm going a little bit off, but capital assets, the information that we get is from other departments. So, if the information we get from the departments is wrong, there's a good chance that it's going to continue to be wrong. But if you have a person who's focused on just looking at this, we feel that we'll have a much better result and that, you know, our...our single audit will...will be much better and...and just in general.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. I'll clarify it in...in round two. I appreciate that response. I was just...my question was more, you know, just strategy-wise, how you folks plan to...I'll work on clarifying the question. Thanks.

CHAIR SUGIMURA: Okay. So, then we'll proceed. Member Cook, followed by Member Uʻu-Hodgins.

COUNCILMEMBER COOK: Thank you, Chair. I have a question for...about real property and then also about bonding. So, during your presentation and looking at the proposed estimated revenues, when I look at the TVR, Short-Term Rentals, and the third tier, over $3 million, is increased 9 percent, from 15.55 per 1,000 to 17. That is...I believe that your presentation said that was to offset the reduction in property values and keep the revenue the same?

CHAIR SUGIMURA: Go ahead.

MS. MARTIN: Thank you, Chair. So, it is to offset a decline in values, and the revenue in this class is actually based upon the Mayor's rates projected to go down. Again, we don't have our final values yet, but that was our estimate. Even with the rate increases, the taxes will go down.

COUNCILMEMBER COOK: Okay. Thank you. And then my question for bonding. Being...being a resident, I just...I look at the rosy picture as far as like our...our ability to pay is based on property tax because we have the ability to up property taxes and move them around. Prices are going up, gas is going up, tourism can be impacted. The cost of living on the island has always been high, it's even getting higher. People...because of our changes potentially on our real estate and the transient vacation rentals, et cetera, not only local people are leaving because they can't afford to live here and they can buy a house somewhere else more affordably, but also, people who are working are leaving. So, I mean, I'm glad with your...with your picture, but I'm just curious. It's just based on the sustainability for us to be able to raise taxes as needed?

MR. DE CRINIS: I think I would comment that currently there...if the County...like in the bond issue that was sold last...last year, there wasn't any need to raise taxes at all. There was sufficient...plenty of tax revenue already in existence to cover the debt service. And, you know, just by, you know, the...the general...the total debt service of the County as a percent of the County's operating expenses every year is...is under 10 percent currently. So, it wouldn't...I don't really see where, unless the County all of a sudden issued, you know, a billion dollars' worth of bonds, there would really be an impact on the property tax rate.

COUNCILMEMBER COOK: So, I guess what I'm getting at is, could we significantly lower property taxes and still qualify according to what you're looking at?

MR. DE CRINIS: Well, I think if you...if you lowered property tax rates, I guess it's who you...who...who are they being lowered on because you have so many different tax categories. And if you're talking about the percent of real property taxes levied against, you know, on-island homeowners . . .*(timer sounds)*. . . which is a small percentage of the overall tax, you know, probably there...I wouldn't think that that would have much of an impact. If you lower taxes on all property tax collections by quite a bit, you'd have to analyze that and say, well, how's that --

COUNCILMEMBER COOK: So...

MR. DE CRINIS: -- going to probably...

COUNCILMEMBER COOK: Sorry to interrupt you.

MR. DE CRINIS: Sorry.

COUNCILMEMBER COOK: So, basically it's the...the...the very expensive homes, the hotel, and the visitor industry taxes, and not the regular local taxes that we're basing...that we're basing it on?

MR. DE CRINIS: I think...I think it's just the bonds are secured by all revenues of the...of the General Fund of the County, and the property taxes being one --

COUNCILMEMBER COOK: Thank you.

MR. DE CRINIS: -- part of that.

COUNCILMEMBER COOK: Thank you. I know my time's up. Thank you, sir.

CHAIR SUGIMURA: I think next round, I'm going to increase it to five minutes. Everybody's running out of time. So, many good questions. Member Uʻu-Hodgins?

COUNCILMEMBER UʻU-HODGINS: Thank you, Chair. Good morning, everyone. Thanks for being with us today as we kick off budget, yay.

UNIDENTIFIED SPEAKERS: *. . .(laughing). . .*

COUNCILMEMBER UʻU-HODGINS: I guess I want to ask a couple pretty broad questions. So, with the $174 million worth of Carryover/Savings, what's our plan to either spend that money or better tax our residents so we don't have this much carryover?

MS. MILNER: Thank you, Chair. Thank you, Councilmember Uʻu-Hodgins. All of that money is allocated within this budget.

COUNCILMEMBER UʻU-HODGINS: Okay.

MS. MILNER: So, that's our plan…to spend it, is the short answer.

COUNCILMEMBER UʻU-HODGINS: In '27's budget?

MS. MILNER: Yes.

COUNCILMEMBER UʻU-HODGINS: Okay.

MS. MILNER: The longer answer is, we are working on recognizing the amount of revenue that we feel comfortable. You know, we're still being conservative, as we've said before.

COUNCILMEMBER UʻU-HODGINS: Yeah.

MS. MILNER: But as we heard from Department of Finance earlier, a large amount of our Carryover/Savings is made up of unanticipated revenues. So, we're working on recognizing more of those, which will cut down on Carryover/Savings in future years.

COUNCILMEMBER UʻU-HODGINS: And the unanticipated revenues, those are like the TAT, GAT [*sic*], the ones that fluctuate?

MS. MILNER: Thank you, Chair.

COUNCILMEMBER UʻU-HODGINS: And I see that we've like kind of increased them by 5 million in certain places.

MS. MILNER: Yes, and also our insurance proceeds...or not insurance, my apologies, investment, the other I word, our investment proceeds. And as you know, particularly in today's climate, investments are unreliable. So, we really try and be conservative there, but we've had a good few years. So, we've had significant unanticipated revenues in that category. So, good job, Jack.

COUNCILMEMBER UʻU-HODGINS: Yeah.

MS. MILNER: Thank you.

COUNCILMEMBER UʻU-HODGINS: Yeah, let's hope that continues. And hopefully our nation doesn't spiral into a crazy recession. So, we have 500 vacancies, yes? Is that what you said earlier? And then 90 new positions. Do we ever look at our vacancies and say, okay, maybe we don't need this one anymore, it's been vacant for "X" amount of years? And then do we see that reflected in the budget?

MS. MILNER: Thank you, Chair. Thank you, Councilmember Uʻu-Hodgins. Yes, we have tried to look at it. Does it make more sense to reallocate an existing position that's been vacant? We've asked our departments to look at that. I will say some of these expansion positions are in departments that don't have positions, like ʻŌiwi Resources and things like that. We have growth in those new departments where that's not an option. So, we're trying to look at all available options to try and cut down on our vacancies.

COUNCILMEMBER UʻU-HODGINS: Okay. And even...I mean, I understand, and I get why you guys, we might need new positions. There's certain things that are...we couldn't account for a while ago, CDBG-DR, office of...all the things, right? But like all the other ones, that's a 410 delta of vacancies. Okay. I do want to ask a question. I know it was in my...my question to Finance, but Fire and Police recently got their hazard pay. One of my questions was is, how was that hazard pay classified, and then does it affect our retirement system and their retirement system? And what can we prepare for if it does? And how are we...if it does, what are we . . .*(timer sounds)*. . . doing looking backwards at the people who have already retired since COVID?

MS. ZIELINSKI: Chair? Yeah. Yeah, Fire and Police for the pension plan, we have to contribute 41 percent of their salaries.

COUNCILMEMBER UʻU-HODGINS: Yeah.

MS. ZIELINSKI: So, it's very significant, yeah.

COUNCILMEMBER UʻU-HODGINS: Yeah.

MS. ZIELINSKI: Yeah.

COUNCILMEMBER UʻU-HODGINS: And then so the...the COVID funds, like their hazard pay is kind of my question. So, this year, or yeah, last fiscal year, I guess for Fire and Police the year before, we settled with them and gave them like a hazard pay.

MS. ZIELINSKI: Yes.

COUNCILMEMBER UʻU-HODGINS: But is that considered premium pay, and thus we should prepare for that to be on our retirement plan...on their retirement plan going forward? Is that considered...or how is that classified?

MS. ZIELINSKI: From the standpoint of the pension plan itself, you mean?

COUNCILMEMBER UʻU-HODGINS: Yeah, is it...is it just like a --

MS. ZIELINSKI: It shouldn't be...

COUNCILMEMBER UʻU-HODGINS: -- hazard pay?

MS. ZIELINSKI: I...I could be wrong, but I think that the hazard pay is not incorporated in the benefit that's factored in by ERS when they do the benefits. So, I don't believe so.

COUNCILMEMBER UʻU-HODGINS: Okay.

MS. ZIELINSKI: I'd have to...I'd have to research it though --

COUNCILMEMBER UʻU-HODGINS: Yeah. I know...

MS. ZIELINSKI: -- but that would be my thinking.

COUNCILMEMBER UʻU-HODGINS: Okay.

MS. ZIELINSKI: Because it's kind of a one-time thing.

COUNCILMEMBER UʻU-HODGINS: I did ask that question, but I --

MS. ZIELINSKI: Okay.

COUNCILMEMBER UʻU-HODGINS: -- can tell you there's a lot of confusion amongst the...the men and women of the --

MS. ZIELINSKI: Okay.

COUNCILMEMBER U'U-HODGINS: -- departments to figure out how this impacts their retirement, if...if it does, if it does.

MS. ZIELINSKI: Okay.

COUNCILMEMBER U'U-HODGINS: Thank you. Thanks, Chair.

CHAIR SUGIMURA: Does Marci Sato have the answer, so she's trying to come down to answer?

MS. MILNER: Thank you, Chair. I can defer to Marci Sato, but I do believe that the hazard payment is separate from premium pay, but I will have her come down to give you the definitive answer.

MS. SATO: Good morning, Chair, Councilmembers. So, I want to clarify with payroll regarding the hazard pay, but if it is considered premium pay, then it will go and count toward the members who were hired before July 1st, 2012 for their ERS benefits. But also, we would have to break that down by pay period and provide that information to the ERS, so it's a lot of work that was done by payroll previously, so they'll have to do that for Police and Fire again. So, I will confirm with payroll, but I believe that might be considered premium pay. It will be...only count towards retirement and their high threes for those members that were hired prior to July 1st, 2012.

COUNCILMEMBER U'U-HODGINS: Okay. Thank you.

MS. SATO: Thank you.

COUNCILMEMBER U'U-HODGINS: Thank you for all that work. I know it's a lot of calculations.

MS. SATO: Thanks.

COUNCILMEMBER U'U-HODGINS: Thanks.

CHAIR SUGIMURA: Thank you. Do you need that in writing from us, or was that the answer?

COUNCILMEMBER U'U-HODGINS: It was one of my questions, but I just wanted to ask.

CHAIR SUGIMURA: Okay.

MS. SATO: I can answer that. We'll answer that in writing, and then I'll get clarification from payroll.

CHAIR SUGIMURA: Okay. Oh, Nohe already asked that question.

MS. SATO: Okay. Thank you.

CHAIR SUGIMURA: Thank you. Thank you very much. Next, Member Sinenci.

COUNCILMEMBER SINENCI: Mahalo, Chair. And thank you for the presentation this morning. Of the 500 vacancies, we normally...for those positions that are not actively recruiting, can we reduce the salary from...from a year to six months?

MS. MILNER: Thank you, Chair. Thank you, Councilmember Sinenci. I think you can have that discussion with the departments. I do know there are some who rely on the vacancy to cover the overtime...the vacancy salary to cover overtime for the people who are doing the work. So, I think that would be a good question to ask for the departments, to --

COUNCILMEMBER SINENCI: When...when they come on.

MS. MILNER: -- if you can reduce it to six months, if that will --

COUNCILMEMBER SINENCI: Okay.

MS. MILNER: -- impact their overtime. Thank you, Chair.

COUNCILMEMBER SINENCI: Okay. Thank you for that response. And then, for the discussion on the water revenue bonds as an alternative to the SRFs, I know that at NACo, we did write a resolution to reinstate the...the Federal cuts, so I think there were some significant cuts to the SRF that goes to...to the State for water infrastructure projects. So, in that...in that case, if we're seeing cuts at the Federal level, would...would water revenue bonds be a good alternative to the State SRFs?

MR. DE CRINIS: I...you know, water revenue bonds would be an alternative. I mean, the choice for the County is really how to finance water improvements, and the choices are, you know, general obligation bonds, SRF loans. That's been historically how those...or cash, and water revenue bonds would just be another option to look at, and possibly a good option.

COUNCILMEMBER SINENCI: Okay. Thank you. And then, Mr. McCrinis [*sic*], you know, we're also looking at Medicaid cuts from the Administration. What about social impact bonds?

MR. DE CRINIS: Yeah, I'm not familiar with how those bonds would be repaid exactly, but...

COUNCILMEMBER SINENCI: We would...we would repay private investors who want to pay for our social service programs.

MR. DE CRINIS: Well, if the...if the County...it's the County's choice on...on how...who to borrow money from and how to repay it. So, if the County decided that it wanted to issue bonds like that, they may not be tax-free, we don't know. But if there's legally a way that debt could be issued for that purpose, that's something that could be explored, yes.

COUNCILMEMBER SINENCI: Okay. All right. Thank you for that. Thank you, Chair.

CHAIR SUGIMURA: That's interesting, things that we learn at NACo, huh? That's interesting. Okay. I have a question. Curt de Crinis, I think this is your expertise with CFDs. As we were talking about actual project, and now it's coming up in terms of a finance possibility, so how would that work, and...and is it something that we've ever used with the County of Maui?

MR. DE CRINIS: No, the County of Maui has never formed a CFD or issued CFD bonds. Other counties in Hawai'i have. The County...the County of Hawai'i has, and the County of Kaua'i has, but it's something that...Maui does have a CFD ordinance that was passed in...I believe in 19...I mean, 2019 or 2020, so there is the authority in the ordinance that allows the County to do it. But it...it has been talked about, Yuki, as...as you well know, for years, off and on, for one project in particular on the West Side, but no...no CFD has been formed here.

CHAIR SUGIMURA: Okay. So, in order to use it, we would have to then allow...or designate that area to be a...use CFD process, and then those properties then, what you're saying, can be included on a separate tax with using CFD and bonds?

MR. DE CRINIS: Yeah, just very simply, you would...an area would be identified, you know, it could be...it doesn't have to be even adjoining, but you'd designate any number of parcels or homes or land or however, whatever the property condition is, and...and if the Council decided to form a special taxing district on those properties, then a tax rate would be determined. And if...and if that was all approved, and the property owners get...get...have the ability to protest that, by the way, and if...but if there was no protest, then it could be formed, and then, you know, bonds could be sold to finance public improvements that were identified as a reason for forming it in the first place.

CHAIR SUGIMURA: Interesting. I didn't realize that that was an option, but that completes the whole process, right?

MR. DE CRINIS: In a nutshell. I mean there's a lot more to it, but that's --

CHAIR SUGIMURA: The summary.

MR. DE CRINIS: -- that's the...that's the basic process in a nutshell.

CHAIR SUGIMURA: Okay. Very good. I...well, I look forward to more discussions because that comes up periodically from the community side and from the group, and we can always look at Hawai'i County and Kaua'i County to see what they're doing. I would like to ask a question based upon Member U'u-Hodgins because we have firefighters...well, we have what, Bargaining Unit 11 and 15, which is the Fire as well as the lifeguards' concern about how to include them in...in our budget because their bargaining units agreements have not been completed. Is that . . .*(timer sounds)*. . . this...is that for you, or should I just save it?

MS. MILNER: Thank you, Chair. No, I can answer that. What we've done is something similar to what we did last fiscal year. As you'll remember, all of the bargaining units were still in negotiations when we did the Fiscal Year '26 Budget. So, we've included funds under Countywide costs to cover whatever those collective bargaining agreements end up being. So, it does not need to be directly in Fire's budget. Funds have been included in Countywide. Thank you, Chair.

CHAIR SUGIMURA: Okay. So, you have included it. You have estimated whatever the final outcomes would be?

MS. MILNER: Yes. Thank you, Chair.

CHAIR SUGIMURA: Okay. Very good. And of course, the question that Member U'u-Hodgins' asked is really important in terms of...for retirement. So, that would be a really important outcome. So, we look forward to hearing from you. Okay. I am...I'm going to take a short break and then go through a round using five minutes because I think everybody's running out of time with great questions for this, you know, comprehensive department. So, come back then at 11:00, and then we will start with round two with questions. *. . .(gavel). . .*

RECESS: 10:43 a.m.
RECONVENE: 11:04 a.m.

CHAIR SUGIMURA: *. . .(gavel). . .* Welcome back to the Budget, Finance, Economic Development Committee. It is now 11:04 a.m. Members, some of you are telling me you have to leave earlier than...well, early. So...and also, Mr. de Crinis has to leave. He has an appointment, or he has to go somewhere. So, anybody have a question for Bond or Bond Counsel? I don't see anybody. Okay. Okay. Don't just run off and leave too soon, but...

COUNCILMEMBER PALTIN: I just got one quick question about the arbitrage was 2.5 million. The total interest, was that 25 you said last time, or what was the total interest earned?

MS. ZIELINSKI: Oh, interest earned.

COUNCILMEMBER PALTIN: Because you said the...think of the arbitrage expense --

MS. ZIELINSKI: Oh.

COUNCILMEMBER PALTIN: -- as a tax on the interest.

MS. ZIELINSKI: It...it should be an offset. That's --

COUNCILMEMBER PALTIN: Oh, offset.

MS. ZIELINSKI: -- how it's been handled in the past. So, we have our interest earnings that's under revenue, right? And then usually the arbitrage expense is just offset, it's...it's a reduction of the interest earnings. So, you don't see it, you know what I mean?

COUNCILMEMBER PALTIN: What...do you recall what the interest earnings were? It's more than 2.5 mil, right?

MS. ZIELINSKI: Oh, yeah. It's...yeah, we have a...yeah. I can...I can...

COUNCILMEMBER PALTIN: 30 mil, 25?

MS. ZIELINSKI: It's a significant number. Oh, yeah. I have to look.

CHAIR SUGIMURA: Okay. You got...

MS. ZIELINSKI: I'll get back to you in a second.

COUNCILMEMBER PALTIN: She'll get back to me in a second. *(pause)*

COUNCILMEMBER LEE: Maria, you've told us 30 million in the past.

CHAIR SUGIMURA: Okay. Go ahead. I can't see.

MS. ZIELINSKI: Can you hear me? Oh, yeah. Okay. So, yeah, interest, just interest for Fiscal '27, we're proposing...we're looking at 20 million, but for Fiscal '25, we had 31.5 million. So, it's a significant number. Yeah, you never know. We try to be as conservative as possible because we just don't know what the interest rates are going to be.

COUNCILMEMBER PALTIN: So, then we should expect future arbitrage based on the 20 million predicted?

MS. ZIELINSKI: Oh, I see what you're saying. I'm sorry, I think I misunderstood your question. So, in other words, to actually look at that, we'd have to see what the interest earned just on the bond proceeds, the unused bond. Yeah, I don't have that in front of me. So --

COUNCILMEMBER PALTIN: Oh, okay.

MS. ZIELINSKI: -- yeah. And our Municipal Advisor just told me, he said, it's in the arbitrage report. There's actually a rebate report. I don't have that in front of me though, but I can...I can...we can get that to you.

COUNCILMEMBER PALTIN: So, do you set aside a portion of the interest earned from the bond income so that you're ready for the arbitrage offsets?

MS. ZIELINSKI: We don't, simply because, as I said, we had like $31-1/2 million of interest earnings in general. So, it just is an offset. We don't have to budget for it, if you will. I think Curt wants to say something.

COUNCILMEMBER PALTIN: I mean, when I get my taxes back, I blow the whole load, so...

MR. DE CRINIS: I can probably give a little more color on that. The...the fiscal agent, which is Bank of New York that holds all the bond proceeds until they're spent, they...they are...that...that money is being invested. So, that's...that's where the...there's...there's...investment earnings on the bond proceeds are separate from other investment earnings. And every year, the Federal tax law requires an arbitrage rebate calculation being made on all bond proceeds. And so, there's...there's a report done every year that tells you how much you earned at the fiscal agent and how much of that is above the cost of the...the bond yield was, in other words, how much you paid to borrow the money. So, if you're...so every year, if you...the extent that you make...you made less or you made more than it costs you to borrow the money, that's noted in a report every year. Every five years, if...if over a five-year period, there's more money...there's money that's owed, then that's what has to be paid in five years. So, that...that...that's how it technically works.

COUNCILMEMBER PALTIN: And is the calculation like a complex formula, or is it just a percentage of the interest earned over?

MR. DE CRINIS: No, it's...it's...it's just an accounting. It's like this is how much was earned, and...and this is what the arbitrage yield was...in other words, the yield on the bonds and what your...and what the borrowing cost was. And then they just calculate, well, okay, if the borrowing cost was 4...was 3 percent and you earned 4 percent, you know, over the period of time, then you owe 1 percent.

COUNCILMEMBER PALTIN: Oh, okay. Got it. Thank you.

CHAIR SUGIMURA: Okay. Very good. So, anybody else? I guess nobody else has questions for Mr. de Crinis. I'm going to start...for anybody, I'm going to start with...Member Sinenci, you have questions, and we'll do five minutes. You have none? Okay. Member U'u-Hodgins?

COUNCILMEMBER U'U-HODGINS: Thank you, Chair. Thank you guys again. So, every year, we see from all of the departments pretty much buying large equipment. Can you talk to me the...can you explain to me the benefits between buying all these large equipment and potentially leasing all these large equipment? Cars, trucks, excavators?

CHAIR SUGIMURA: Department? Oh, go ahead.

MS. ZIELINSKI: Oh, okay. Got it. Councilmember, when you said lease, would you mean like for bonding? Or I'm not sure if you're just saying just lease it just in general.

COUNCILMEMBER U'U-HODGINS: Yeah.

MS. ZIELINSKI: Yeah, that's really...honestly, that's...that's typically a departmental decision, you know, that they'll look at. We don't usually get involved in that. They'll...they'll just make a decision that they're going to purchase it if, in fact, the budget has, you know, has...they have it in their budget, or if they have, you know, the leasing costs involved. I think Budget Director wants to say something, so I'm going to punt to her.

MS. MILNER: Thank you, Chair. Thank you, Councilmember U'u-Hodgins. I was just going to add that in the past, we have done bond issuances for larger equipment purchases, like fire trucks and things.

COUNCILMEMBER U'U-HODGINS: Yeah.

MS. MILNER: I think generally, we don't lease them because I think the departments have generally preferred the outright expense rather than the over-time expense, but that's --

COUNCILMEMBER U'U-HODGINS: Okay.

MS. MILNER: -- certainly a conversation we can have with Managing Director. I'll have to look at the vehicle policy. Thank you, Chair.

COUNCILMEMBER U'U-HODGINS: Okay. Thank you. I'm curious in that, you know, a lot of companies lease because they have like a ten-year lifespan and it's $90,000. I think like even just the smaller regular trucks that aren't like the $2 million fire trucks, but thank you. That's all I have for now, Chair.

CHAIR SUGIMURA: Okay. Thank you. Member Sinenci had a question.

COUNCILMEMBER SINENCI: Yeah, sorry, I forgot I had one question. Can we move CIP projects that are bond funded…general funds to bond funding?

MS. MILNER: Thank you, Chair. Thank you, Councilmember Sinenci. We have bonded all of the projects that we feel are eligible for bond funding in this fiscal year.

COUNCILMEMBER SINENCI: And for CIPs?

MS. MILNER: Yes.

COUNCILMEMBER SINENCI: Okay. Thank you.

CHAIR SUGIMURA: You're done. Yeah.

MS. ZIELINSKI: Chair?

CHAIR SUGIMURA: Yes.

MS. ZIELINSKI: Yeah, I just want...I know that's one of your questions, Councilmember, so that's why I just want to add to it, and that we will have a...we have an...we have a response for you, but just to let you know. The thing is that the other considerations is that, you know, we'd have to look to see what our debt, you know, what the percentage of debt --

COUNCILMEMBER SINENCI: Percentage.

MS. ZIELINSKI: -- is to our, you know, what...our operating expenses. Right now, we have it something like 12...our...our...the number that we have earmarked is 12 percent, so we want to make sure we don't exceed that. So, that's something that, even though we might have the money or the...the wherewithal to do, we...we'd want to be careful about that, about bonding additional things. The other thing is...is that sometimes certain CIP, and that's what I believe Budget Director was talking about, is not really qualified for GO bonding, especially like Countywide stuff. If you'll see, like sometimes it's a whole amalgam of different things, and it'll be like repairs, and that might not qualify for tax-free bond, you know, type...exempt bonds, I should say. So, those are the considerations that we have to do. And then just rating agency. We don't want to load up so much on bonding, and then the rating agencies will say, hey, what are you doing? All the CIP, you're just bonding everything, why don't you use the cash? So, there's a lot of...you know, a lot of things we have to consider.

COUNCILMEMBER SINENCI: Okay. Thanks for answering my written question.

CHAIR SUGIMURA: Yeah, this is going to be your chance. Member Cook next, followed by Member Rawlins-Fernandez.

COUNCILMEMBER COOK: Thank you. So, a bonding question. For me to understand the mechanics of it, like a $25 million bond for Parks planned in 2027, that's like to be encumbered within like 18 months if it's a CIP project, and you start paying for the $25 million right away or as you use it, the debt service?

MS. MILNER: Thank you, Chair. I'll start, and then I will hand it over. The way we're doing it right now, that 25 million is something that we would advance, and then it would be covered in our next bond issuance. So, the debt payments on that wouldn't start until after that issuance. But I'll let Mr. de Crinis speak on the timeline for when those payments start after the issuance occurs. Thank you, Chair.

COUNCILMEMBER COOK: Thank you.

MR. DE CRINIS: Yeah. Well, once...once the County decides to issue bonds, if it's done on a reimbursement basis, then, you know, there's no interest accruing until...until the borrowing is made, and then bonds are paid...interest has to be paid every year, and principal is paid every year, just like you would a mortgage. And then it's generally the term the County has selected over the last...the last 10 years is they've always done 20-year bonds, so then it's...it's basically amortized over 20 years, and the payments start within the six months of when the...the borrowing occurs.

COUNCILMEMBER COOK: So, if we make...if we...if we do the project, it's a CIP project with GO bonds and...for 2027, and it doesn't start until 10 months or 12 months because of permitting and other things, we...we would just fund it until it got to the bondable point?

MS. MILNER: Thank you, Chair. Thank you, Councilmember Cook. So, we generally do our bonds as reimbursable. So, we've made the project expenses, and then once we get the bond funds in, we reimburse the County for expenditures already made. So, we do that against the bond index. So, those are those loan transfer reports that you all get every month. Those are the funds that the County's advancing for bonded projects.

COUNCILMEMBER COOK: So, that's...it basically affects the bonding ceiling, the 25 million, if it was 25 million, it would be included in that up to 12 percent that she's talking about?

MS. MILNER: Yeah, yeah, yeah. Thank you. Yeah, we include anticipated bonded projects in that calculation. Thank you, Chair.

COUNCILMEMBER COOK: Thank you. Thank you.

CHAIR SUGIMURA: Okay. Thank you.

COUNCILMEMBER COOK: I had another question --

CHAIR SUGIMURA: Oh, sorry.

COUNCILMEMBER COOK: -- but it wasn't bonding. We're going to stick with bonding right now, right?

CHAIR SUGIMURA: You can do whatever you want.

COUNCILMEMBER COOK: Okay.

CHAIR SUGIMURA: This is the last set of questions.

COUNCILMEMBER COOK: It was a follow-up on Member U'u-Hodgins. If the departments depend on funding for vacant positions for overtime pay, shouldn't the departments be reflecting that in the budget proposal under premium pay so that we're like really accounting for that instead of sort of having it like available if we need it? It seems to be eschewing the accounting.

MS. MILNER: Thank you, Chair. Thank you, Councilmember Cook. So, all of those payments come out of the A Account. There are two different ways to do it. You can not fund the vacancies and you can fund the overtime, or you can fund the vacancies and not fund the overtime. We have chosen to fund the vacancies generally and some of the overtime because there's not always enough to account for it, in part because then as those vacancies are filled, that funding is available. I don't know, maybe I'm glass half-fulling it. But thank you, Chair.

COUNCILMEMBER COOK: No, thank...and thank you. That makes sense. And I see it as a balancing act, and it's just sort of like there again, having...having these vacant positions is problematic. Thank you.

CHAIR SUGIMURA: Are you done? Yeah? Okay. Member Rawlins-Fernandez, followed by Member Johnson.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo, Chair. I'm just going to ask my one follow-up question from round one, and then I need to head to the Auckland Airport…just kidding, the Molokai Airport.

UNIDENTIFIED SPEAKER: *. . .(laughing). . .*

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Okay. Here we go. I'm going to try again. All right. So, the...one of the findings from the single audit was that the County lacks sufficient personnel to allow for an appropriate review of accounting data and financial information. And so, I'll...I'll break it down into single question. The proposed expansion positions, are those intended to address the recommendation of the audit to evaluate staffing needs as it solely relates to the Department of Finance to shore up staffing needs for review and approval?

CHAIR SUGIMURA: Oh, here comes Marci Sato.

MS. MARTIN: Marci Sato, our Accounts Administrator, will answer this question.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. And then is anyone else being eaten alive by mosquitoes? Oh my gosh, there's so much mosquitoes.

CHAIR SUGIMURA: Oh, not good.

MS. SATO: Chair, Councilmember. Thank you, Councilmember Rawlins-Fernandez, for the question. Yes. To address the issues with our audit findings, we've actually been shorthanded for a little while now, and we've done the best that we could. We have filled the majority of our positions, so we only have two vacancies right now, which is a tremendous help. We are requesting two more positions in the Fiscal Year '27 Budget specifically to help address some of these findings. In the past, we have been frugal and haven't really asked for a lot of positions, but I think it's evident with more transactions, the larger budget, with CDBG-DR, with different housing...different...housing and different initiatives, it's creating a little bit…a great opportunity for others, but it also is a little difficult on the accounting standpoint. So, we may actually be looking to maybe request a couple more positions as well, just due on volume of transactions, in addition to the two that we have here. But yes, those two are specifically to address some of the audit findings and the lack of resources we have to analyze our transactions.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Mahalo, Ms. Sato. That was exactly the response I...I was looking for. And so, to follow up on your response, when you say two more positions, you mean in addition to the ones proposed in FY '27 Budget, but not being proposed for FY '27, potentially for FY '28?

MS. SATO: Correct.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Okay. Clear. Mahalo. And then to...along those lines, it...you know, the findings recommend training of personnel in other County departments responsible for providing necessary financial information. Is the Finance Department going to be responsible for that personnel training?

MS. SATO: Good question, Councilmember. So, because of the lack of resources, we have not been able to reach out to the departments. And with all the different initiatives, we are seeing issues between the transfer of information. Also, there's so many vacancies in other departments, so there are newer employees as well. So, our goal is to begin to be able to reach out to these departments to hold those trainings. Our...for an example, we just hired a Financial System Analyst for our financial system, and our goal is to be able to provide training to the new employees on reporting, and to be able to now...we also hired our Grants Manager. So, we're trying to be able to reach out for some of the other issues and provide training directly to those grant managers, who a lot of them are new, some of them are older, more tenured...but some of them are newer, so that we can be able to bridge the gap between the financial transactions and the financial reporting, and the departmental information that we need.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Perfect. So, my final question, and then I really got to go before I miss my flight *. . .(laughing). . .* is the position...the expansion positions proposed in FY '27, will that satisfy the Department's needs to do the necessary review and approval under Department of Finance, and enable Department of Finance to provide that training to the other personnel, as we just discussed?

MS. SATO: Thank you, Councilmember. I think that we need a little bit time, we just...we had so many vacancies, we just filled them, so our capability right now is...while it's optimistic, I'm not exactly sure. We would need to evaluate it after maybe about six months *. . .(timer sounds). . .* but I anticipate...I anticipate that it may be, we just have to get a better evaluation of what our needs will be in six months.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay. Perfect. So, filling those vacancies is...will also help to address the recommendation.

MS. SATO: Yes.

MS. ZIELINSKI: Chair?

COUNCILMEMBER RAWLINS-FERNANDEZ: Perfect.

MS. ZIELINSKI: Yeah, I'd just --

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo. Oh.

MS. ZIELINSKI: -- like to add, Councilmember, I just want to...just not to raise expectations. You know, as Marci Sato has indicated, she's just filled a lot of positions, you know, a huge...a huge undertaking, so she has a lot of new people that are trained…you know, are being trained right now. So, I'm going to be a little more pessimistic and say, I would have to say that I think it's going to be about a year before we could even reach out to other departments. We need to kind of...I mean, she's been working with just duct tape and…you know, and...and rubber bands, so...so she's...she's being more optimistic, but you know, I've been around longer, so I'd say let's give it another year, but I think that we can see...start to see results.

COUNCILMEMBER RAWLINS-FERNANDEZ: I appreciate you tempering our expectations, Deputy Director, and I appreciate the range of pessimism to optimism, and I'll fully support you folks. Okay. Mahalo. I got to go.

CHAIR SUGIMURA: Okay.

MS. SATO: Thank you.

CHAIR SUGIMURA: Thank you. All right. Next is Member Johnson. Do you have questions? Followed by Member Paltin --

COUNCILMEMBER JOHNSON: Yes, thank you.

CHAIR SUGIMURA: -- Lee, and Batangan.

COUNCILMEMBER JOHNSON: Okay. Thank you, Chair. Well, first off, I'd like to...you know, I'm an...I'm an optimist, and we had 700 openings Countywide, and now we're down to 500, so we're moving in the right direction, at least. *. . .(laughing). . .* The...I want to go back to revisit my question in regards to the real property tiers and taxes, and, you know, let's just step...step back a bit, and remember that Federally, the wealthy are getting massive tax breaks in this Federal Administration, right? And I think that here locally, we should consider those Federal tax breaks when we talk about our property taxes. Those folks that have a $4.5 million house are going to get a massive income tax break from the Feds, and then for us to lower their taxes. I...I'd like to hear the Director Marcy or Deputy Director to speak on that. Like, do you guys consider the...the Federal tax cuts when you are looking at your real property tiers? Or I think there's wiggle room, is really my point. So, Director or Deputy Director.

MS. MARTIN: Thank you, Councilmember. So, that is correct. You are going to have some of those people in that third tier. However, we also have a significant population of long-term kamaʻāina property owners that don't necessarily qualify for the ʻĀina Kūpuna, but have, you know, lived on their oceanfront property for many, many years. And so, it's a balance between those two groups. And we did, this year, create the new circuit breaker for the longer-term resident, which --

COUNCILMEMBER JOHNSON: Right.

MS. MARTIN: -- I think that can couple with this third tier. However, because that's new, we felt, you know, this year, just to give it...give it time, and so that would be an offsetting tool that we could...could look at.

COUNCILMEMBER JOHNSON: Okay. Well, I...I think you kind of mentioned the points that I was going to bring up, the circuit breaker and the ʻĀina Kūpuna bill. I mean, we are, as...as a...you know, as a body, I feel like we've been trying to, you know, protect those folks from, you know, the rising costs that...that their lands...that the lands that they live on. So, I...I still think there is room for folks that aren't in that situation, that do have those funds, that are getting that big tax break. I want to know, if you could, Director, how much revenue do you think we could make...make it if we just kept it flat? And I think it was...was it the fives...well, you guys know, I think it was 5.75, but if we just kept it flat, how much would we get if we just kept it flat?

MS. MARTIN: Well, first of all, I think that that is something that you can look at in April, when we get our final number. So, right now, you know, these numbers --

COUNCILMEMBER JOHNSON: Okay.

MS. MARTIN: -- are just estimates, but --

COUNCILMEMBER JOHNSON: Okay.

MS. MARTIN: -- definitely, if that's something that you want, you know, come April 19th, we can do that for you.

MS. MILNER: Chair?

CHAIR SUGIMURA: Yes.

COUNCILMEMBER JOHNSON: Okay. You know, a ball...

MS. MILNER: Thank you, Chair.

COUNCILMEMBER JOHNSON: Oh, go ahead.

MS. MILNER: Sorry, Councilmember Johnson, just really quickly. Obviously, these revenues aren't certified, but if...with the current revenues, if you were to raise it to 5.75, that would be an additional $403,696. Thank you, Chair.

COUNCILMEMBER JOHNSON: Wow. Okay. That was pretty specific, not approximate. I was just hoping for a ballpark, but, you know, thank you, Director Milner. You know, the GE Tax is a regressive tax. Everybody on the street is talking about affordability. How do we make this...you know, our folks are leaving. You know, the economists that came in said, you know, we're not even...like, people are dying and giving birth, and we're not...our population's stagnant, making our economy stagnant. So, I'm trying to work on affordability and using some of those funds to help...help folks that need it the most. And I'm sure this is a fat budget. I'm sure there's ways to cut something that helps, but really, what I want to try to do is try to find funds for...for those folks. Okay. So, I hear what you're saying. I'm going to...I know those numbers aren't correct. I'm going to move on to my next question because I still have a couple more. All right. So, why is there a decrease in the projection of percent of real property-related documents that will be scanned in the system? What's the impacts of their decrease? That's on page 260 of the...the PB. *. . .(timer sounds). . .* Five minutes, so fast. *. . .(laughing). . .*

CHAIR SUGIMURA: *. . .(laughing). . .* You can answer the question because this is the last round of questions.

MS. MARTIN: Okay. So --

COUNCILMEMBER JOHNSON: Okay.

MS. MARTIN: -- that is our Land Management Administrator or --

COUNCILMEMBER JOHNSON: Right.

MS. MARTIN: -- Acquisition Officer Position. So, they have been scanning all of their existing documents from the past, and they've been successful, and now they're getting an updated version of their software. And so, they are...you know, now they're diving deeper into the next pool of...of documents. So, they...they're trying to get as much documents scanned as they can.

COUNCILMEMBER JOHNSON: Okay. That's my time. But we did remove the Land Management Administrator and then created a Land Acquisition Officer. It's...right? Isn't that what happened?

MS. MARTIN: Yes. So, when we did the reorganization, the Department of Personnel Services reviewed the PD and they suggested that the Land Acquisition Officer was a better fit for the job duties.

COUNCILMEMBER JOHNSON: Okay.

CHAIR SUGIMURA: Okay. Thank...

COUNCILMEMBER JOHNSON: All right. Thank you for your time. Thank you for your responses. Thank you, Chair.

CHAIR SUGIMURA: Thank you, Member Johnson. Followed by Member Paltin, Lee, and then Batangan.

COUNCILMEMBER PALTIN: Thank you, Chair. We're...we're still getting written answers to the questions --

CHAIR SUGIMURA: Yes.

COUNCILMEMBER PALTIN: -- we submitted, right?

CHAIR SUGIMURA: Yes.

COUNCILMEMBER PALTIN: Okay. And we can ask about Countywide and stuff like that?

CHAIR SUGIMURA: Yes.

COUNCILMEMBER PALTIN: Okay. How did the...Countywide, the charges for EV charging fees, how did you set on those numbers? Are they comparable to other EVs? And were...they used to be free before?

MS. MILNER: Thank you, Councilmember Paltin. Yes, they did used to be free. The...I worked with Erin Wade. She's been sort of spearheading this on that side. And these are comparable rates. I believe we got them from HECO, but I will double-check my notes.

COUNCILMEMBER PALTIN: And so, then it's going to go into the Countywide fund?

MS. MILNER: Thank you, Chair. Yes, this will go into the General Fund because --

COUNCILMEMBER PALTIN: General Fund.

MS. MILNER: -- where the chargers are located are at Parks' facilities, and other places, which are all general funded.

COUNCILMEMBER PALTIN: And then Water said something interesting to Councilmember Cook's point about overtime and the vacancy money. We don't have to pay fringe benefits for when...like if there were people filling those vacancies, then we're not...and they're using overtime instead, we're not paying the fringe benefits, right? Or are we?

MS. MILNER: I think...do we still pay fringe benefits on that or no? Yeah, we still pay fringe on the overtime.

COUNCILMEMBER PALTIN: But not as though there were another person because we're not paying more health for one person.

MS. MILNER: Right.

COUNCILMEMBER PALTIN: We're not paying more Social Security for one person. Whereas if there was another body in there, we'd have to pay. So, it's less fringe benefits when we pay overtime?

MS. MILNER: Yes, the fringe benefits are lower when we pay overtime. And so, that's...we do try and calculate the fringe to account for many of those vacancies being filled so that we don't end up short at the end of the year. But I believe Finance, when we work with them on that calculation, they do take into account that --

COUNCILMEMBER PALTIN: There's vacancies.

MS. MILNER: -- we have significant vacancies.

COUNCILMEMBER PALTIN: Okay. The other question I had was on the revolving funds. Category E, G, and T have been zero, zero, zero. Thoughts on eliminating those funds and maybe potentially making a special election revolving fund? E is County Park Special Revolving Fund, G is Economic Development and Cultural Programs Revolving Fund, and T just says Revolving Fund. I...I imagine maybe it's with Public Works, but if it's just zero, zero, zero every year, do we still need those? And...

MS. MILNER: Thank you, Chair. I'm sorry, I believe that's a spacing issue on T, so we will correct that. *. . .(laughing). . .*

COUNCILMEMBER PALTIN: Oh, spacing issue.

MS. MILNER: But I think we need to look at...for E, the County Park Special Revolving Fund, I think we need to look at if down the road that's something we want to start contributing to. I...I believe there's a question in all of the 01 letters that was sent to the departments about their revolving funds and whether they're still needed. So, I will defer to them on the answers to those. I know there are some we could possibly look at eliminating. And yes, for those that have zero, I mean, I think we can talk about whether we want to expend the remaining if they won't be bringing in any funds anymore. Or as you know, we have some funds that aren't bringing in any funds right now because of the fires that we anticipate to reactivate in the future years. But I think there's a conversation to be had. And if the body would like to consider a special election revolving fund, I think we can certainly have that conversation.

COUNCILMEMBER PALTIN: And then as you were talking about funds that are like suspended, the Hawaiian Cultural re...Fund, usually it has like a lease or concessions with Diamond Parking, but I didn't see that, I think, probably since the fire. And now that's where people are parking to access the burn zone. Like, I mean, local people probably just use it to go surf, but tourists, if Aegaeon isn't stopping them, park there and then they walk into the burn zone, which makes people not so stoked. But I guess, you know, where's the coordination? Because I seen ʻŌiwi Resources requesting park caretakers and security. I see Aegaeon there, like stopping me from picking up my kid at the harbor. And then like, we don't have a concessions for that parking lot. Like is there any kind of overall coordination? Like, would the park security officers collect money for parking at that? Like, I...I just *. . .(timer sounds). . .* I don't see the vision. It's like disjointed.

MS. MILNER: Thank you, Chair. Thank you, Councilmember Paltin. Yes, I know ʻŌiwi Resources is spearheading a lot of activity in there. I don't think the intent would be for the park security officer to collect any parking funds. I think we would probably revert to the prior parking method, you know, payment methodology and maybe install some of the pay stations that we've seen in some other places and things like that. I know...

COUNCILMEMBER PALTIN: It's...I mean it's just concerning seeing money coming out with no voiced strategy for the money to keep coming in and people are using that park to like do things that we're not wanting them to do. So, it seems just like what's going on here, you know?

MS. MILNER: Yeah. Thank you, Chair. Thank you, Councilmember Paltin. I know ʻŌiwi has been in discussion, perhaps with Department of Transportation with Park Maui about restarting payments in that parking lot, but I'll see if I can get more information for that.

COUNCILMEMBER PALTIN: Thank you.

CHAIR SUGIMURA: Okay. Thank you. Chair Lee, followed by Member Batangan.

COUNCILMEMBER LEE: Sorry to see the bond guy leave, but I was going to ask...I may as well ask maybe Director Milner. Because of the Iran war, do you think the...the cost, you know, when you go to market is going to be higher?

MS. MILNER: Thank you, Chair. Thank you, Chair Lee. You know, I know the war at this point is having a significant impact on our stock market and things like that. I do think that investing in bonds is something that folks feel pretty secure in, which does put us in a better position considering our ratings. But I will defer to Deputy Director to see if she has anything to add on possible impact to interest rates. Thank you, Chair.

MS. ZIELINSKI: Chair? Yeah, Councilmember...Chair. Sorry. From what I've read in...we get Bond Buyer and we see what other local entities...counties, states, whatever, issuing debt, and it doesn't seem to have any impact right now. So, we're not seeing anything right now. Hard to say. I mean, we're probably not going to issue a bond until, I would say, the summer to, you know, right before the end of Fiscal '27, or possibly even early '28, similar to what we did last...this past year. So, hard to say what...so much could happen in that period of time. For right now, it doesn't look like we're seeing impact in the municipal bond issuances. But...

COUNCILMEMBER LEE: Okay.

MS. ZIELINSKI: Yeah.

COUNCILMEMBER LEE: So, I have a question for you, Marcy, Director of Finance. Are we still continuing our exemptions on...on tax collection for West Maui, the burnt...the homes that were destroyed?

MS. MARTIN: Thank you, Chair. So, during RPTR, we worked on a bill. So, if a property is able to be occupied right now and is complete, they are going to be assessed property taxes for this fiscal year. The properties that are vacant after being destroyed or cannot be occupied, you know, due to damage or for whatever…access, whatever reason, they are not being taxed.

COUNCILMEMBER LEE: Okay. So, my question is, we know that 80 percent of the houses that were destroyed are Non-Owner-Occupied. So, once they are able to build their homes, they will be taxed at a higher rate, I would think, or if they sell the property. So, when will that all take effect?

MS. MARTIN: So, right now, as the properties are completed, they're reassessed. So, if they aren't owner-occupied, they will go into the Non-Owner-Occupied class, or if they are a transient vacation rental, they go into the TVR class.

COUNCILMEMBER LEE: Okay.

MS. MARTIN: So, each year, on January 1, they'll be reassessed at whatever tax rate category they qualify for.

COUNCILMEMBER LEE: Do you think that we should have worked on a better incentive for long-term rental properties? Because a lot of these are not...were rented out, yeah? But now that people have rebuilt their homes, there might be a tendency to sell. And so, I'm...I'm just wondering if we maybe should take another look at better incentives for long-term renters.

MS. MARTIN: Chair, we can take a look at if the uses are changing as properties are being completed. Right now, we don't, you know, have a lot of that data, but…but we will look at it after this year. You know, I know a lot of the people that are rebuilding are…are owner-occupants because they've gotten, you know, the insurance proceeds, and there's more desire to get back into the home.

COUNCILMEMBER LEE: Okay. Thank you.

CHAIR SUGIMURA: Okay. Thank you. Member Batangan?

VICE-CHAIR BATANGAN: Thank you, Chair. First question is a follow-up from the conversation between Budget Director and Member Cook regarding bonding. Ms. Milner, did I hear you correctly that the Administration's proposing to bond every project that's eligible for bonding?

MS. MILNER: Thank you, Chair. Thank you, Councilmember. Yes, we have bonded every project that we feel is eligible to be bonded.

VICE-CHAIR BATANGAN: Was there any consideration given to when it's appropriate to finance versus paying cash?

MS. MILNER: Thank you, Chair. Thank you, Councilmember. I'm not sure I understand exactly what you're asking.

VICE-CHAIR BATANGAN: So, whenever you issue a bond, you're taking on debt, which you have to pay interest on. So, is there consideration for when it's appropriate to utilize credit versus when it's appropriate to pay cash?

MS. MILNER: Thank you, Chair. Thank you, Councilmember, for the clarification. Yes, as Deputy Director addressed earlier, we do take into consideration our debt limit of 12 percent to try and make sure that we're not exceeding that when we do this. So, we want to make sure that we're taking on a reasonable amount of debt and that we aren't over bonding ourselves.

VICE-CHAIR BATANGAN: Okay. So, I guess, can I ask Staff to transmit a question to the Administration to ask that they consider factors beyond just our debt limit on when it's appropriate to issue a bond versus pay for cash? Because I don't think that I'm going to get an answer from the Administration now if that's your only consideration for bonding every project that's eligible. Next question. How much of the appropriation for employee healthcare coverage do we expect to use before the end of the year? And if there's excess monies, is there any consideration for giving benefits to people who have not been recipients of any of those funds to date?

MS. MILNER: Thank you, Chair. Thank you, Councilmember. Sorry, I'm just looking at my spreadsheet. We have used 5.6 million to date, it looks like, of what was appropriated last year. I know that Department of Personnel Services is in conversation with the Mayor and the Managing Director about possible additional supplemental agreements that may be issued this year, but those are all in process, so I can't address the specifics on the floor at this time. Thank you, Chair.

VICE-CHAIR BATANGAN: Thank you. I can't remember who this is a follow-up to, but I think it was Member U'u-Hodgins. She asked about the $174 million in Carryover/Savings and whether or not, you know, there's been consideration for creating a budget that we can more realistically execute on. You know, I think the response given to her was that most of it was from unanticipated revenues, but in the previous presentation from Deputy Director Zielinski, I think it was noted that only 60 percent of those Carryover/Savings came from unanticipated revenues. So, by my calculations, we still tax our citizens roughly $75 million for goods and services that we did not deliver on. And we're now asking for a larger budget. How confident are we that we can deliver on all the goods and services that are being proposed here?

MS. MILNER: Thank you, Chair. Thank you, Councilmember. I think what we try and do every year is propose a budget that we feel is achievable within the fiscal year. We do have times when we have cost savings, which is not always a bad thing. We have departments who think something's going to cost a million dollars and it costs $750,000 and that becomes Carryover/Savings. So, I don't want us to get into a situation where we have departments spending money just so their budgets don't get cut in future years. I want them to continue to be fiscally responsible. So, I don't view Carryover/Savings as a bad thing necessarily. I understand your point. We don't want to be taxing the population for services that aren't delivered. I would say I feel that even with the Carryover/Savings, the services that have been promised to the constituency have been delivered year over year. If that's not the case, I'm happy to have that conversation. But, you know, I'm certain there are places we could find some savings, and I'm happy to go over that with you all in the next month. Thank you, Chair.

VICE-CHAIR BATANGAN: Thank you, Administration. Thank you, Chair.

CHAIR SUGIMURA: Thank you. Okay. You have a third round question, Member Cook?

COUNCILMEMBER COOK: If I may, I'll try and be quick.

CHAIR SUGIMURA: Two minutes.

COUNCILMEMBER COOK: So, for...this is real property tax, basically a budget issue. And it's kind of in counterpoint to my colleague. Why are second homeowners taxed so high? They pay more than TVRs or hotels, yet they have less impact on the island and use very little of our services. Someone that I've met in...in Makena saw their taxes go from under $90,000 to about $500,000 in the last six years. They're considering selling, and I...and I know a variety of other people who have purchased property, planning to build, and are...sold their lots and not building because of permitting and stuff. I think that we're overemphasizing that market, and I'm just curious what I could tell them. What are they getting for their tax valuation? Thank you.

MS. MARTIN: Chair. So, you know, with property tax, we do want to incentivize desirable uses. And in the past, when we had the low rates for the second homeowners, it becomes basically a safe haven for people to invest their money, and then that pushes out the desirable uses that we want, like owner occupancy and long-term rental. So, I think that, you know, the average tax rate across the United States is about 1 percent, and our...this year, our Non-Owner-Occupied effective rate, the one that's being proposed, is .9 percent. So, it's getting very close. So, any time you have a lower tax rate...and this is...like you said, this is second homeowners, it's investment property. So, you know, if you give them a lower rate, this is where they're going to put their investment. So, that's something that *. . .(timer sounds). . .* you know, we need to think about as a policy.

COUNCILMEMBER COOK: Thank you. If I...kind of a comment on that, those homes also might pay a quarter million dollars' worth of employment for people taking care of them, and they...

CHAIR SUGIMURA: Jobs.

COUNCILMEMBER COOK: Yeah, it's just...I understand the logic, but many of these homes will never be an owner-occupied regular home or a long-term rental. I mean, we're talking about somebody who's getting $500 million...anyway. So, it's...I get it, I'm just trying to relay that a lot of our taxes and my advocacy some...for the market to pay for our infrastructure and other things seems to be in excess. Thank you.

CHAIR SUGIMURA: Thank you. Okay. So, Members, I'm going to defer this item, and before I close this meeting, I...I want Members to know that if you have questions, please send by 9:00 tomorrow morning to the BFED Committee for Finance. After the Department is done, we're only going to send one set of questions for the next day, on the next day, so we're not going to send like continuous amount of questions, and we're going to try to be respectful to the Department. In this case, we gave the Department until April the 8th because they had so many questions from you, and the initial questions that were sent to them were one quarter more than last year. I saw your calculations, but...yeah. Member Paltin, oh, did you have a question? I didn't see.

COUNCILMEMBER PALTIN: That kind of doesn't work for me like because the follow-up questions that I may have is based on the answers that we don't have, you know? So, if...if I'm sending follow-up questions by 9:00 tomorrow, I don't know the answers to any of the questions that I asked, or any of the questions that you asked --

CHAIR SUGIMURA: Yeah.

COUNCILMEMBER PALTIN: -- and so it's a worthless experience for me to send follow-up questions by 9:00 tomorrow if I don't have any of the answers to any of the questions that we've asked in writing is...is all I have to say. Like...

CHAIR SUGIMURA: So...yeah, that makes sense. And the...this question came up from the Department, and because they had so many questions from us, we said we wanted to have their responses so that you could have your...your priorities and whatever you decide, which is going to be the following week, the kind of two weeks from now. So, we wanted you to have as much information as possible. So...

COUNCILMEMBER PALTIN: Like I got questions, like, you know, they're proposing like eight or more positions if a reorg is required, and then you request like eight months of funding, but there's...you know, there's...there's a lot of questions in how if you cut amounts or add amounts and things like that, that won't be...

CHAIR SUGIMURA: Yeah, it won't be comprehensive. So, Department, can you get the answers to us sooner is what you're...what you're hearing from the Members?

MS. ZIELINSKI: Chair, let me ask you this. Unfortunately, our accounts folks got hit with the most questions, okay? Would it be possible to provide everything but those from accounts, or you need to...because I don't know if...if that's sufficient time for them.

CHAIR SUGIMURA: Okay. Let's hear what Member --

VICE-CHAIR BATANGAN: Thank you, Chair.

CHAIR SUGIMURA: -- Batangan...

VICE-CHAIR BATANGAN: So, I also --

COUNCILMEMBER JOHNSON: Chair?

VICE-CHAIR BATANGAN: -- wanted...oh.

COUNCILMEMBER JOHNSON: I'm sorry, I have to leave. Sorry, I got to catch a boat. Sorry, I'm leaving.

CHAIR SUGIMURA: Okay. Good. See you tonight.

VICE-CHAIR BATANGAN: Thank you, Member Johnson.

CHAIR SUGIMURA: Thank you, Member Johnson.

VICE-CHAIR BATANGAN: Sorry, I got thrown off.

CHAIR SUGIMURA: Chair Lee left.

VICE-CHAIR BATANGAN: I also wanted to hear the response before submitting follow-up questions. Would it be possible to make the deadline for our second round for them to be the 9th since you pegged their deadline on the 8th?

CHAIR SUGIMURA: Okay. For them…for this --

VICE-CHAIR BATANGAN: Yes.

CHAIR SUGIMURA: -- particular… Is that okay? Okay. Because OCS has to process it. So, get to us as much as you can.

MS. ZIELINSKI: Okay.

CHAIR SUGIMURA: And then accounts means who? Marci Sato?

MS. ZIELINSKI: Marci Sato and her Staff…and her brand-new Staff.

UNIDENTIFIED SPEAKER: . . .*(laughing)*. . .

CHAIR SUGIMURA: Yeah. Okay. So, Members, are you okay with that?

COUNCILMEMBER PALTIN: Yeah. If the deadline is after…like a day or so after we get the answers, then we can read the answers. I'm…I'm not going to make any new questions or follow-up questions if there's no answers, you know?

CHAIR SUGIMURA: Yeah. Okay. So, then…for Finance then, all of your follow-up questions will be after the…on the 9th? Or is that what they…

COUNCILMEMBER PALTIN: So, we're getting the answers on the 8th --

CHAIR SUGIMURA: 8th.

COUNCILMEMBER PALTIN: -- and then the follow-ups on the 9th. Yeah, that works.

CHAIR SUGIMURA: But Deputy Director said she's going to commit to sending everything else except, right?

MS. ZIELINSKI: Yeah, I think what we'll do is...because I think the original due date was August...April 6th --

CHAIR SUGIMURA: Yeah.

MS. ZIELINSKI: -- correct?

CHAIR SUGIMURA: Yeah.

MS. ZIELINSKI: So, that was what we can...if we can deliver everything to you folks April 6th, except for accounts, which would be then on the 8th.

CHAIR SUGIMURA: Okay. Okay.

MS. ZIELINSKI: Well, I think --

CHAIR SUGIMURA: Okay.

MS. ZIELINSKI: -- oh, Marci is...6th? Oh, you're okay with that? Okay. All right. Then we can deliver everything by the 6th. Okay. I didn't want...

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . .

MS. ZIELINSKI: Yeah.

VICE-CHAIR BATANGAN: So, then, as long as it's after that.

CHAIR SUGIMURA: After. Okay.

MS. ZIELINSKI: Okay.

VICE-CHAIR BATANGAN: So...

MS. ZIELINSKI: All right.

CHAIR SUGIMURA: You guys are fine? Okay. All right. Very good. Love negotiating this. Before then we defer this--and we're going to come back at 1:30--I wanted you to know that important communication has...is...is going to be posted on Granicus, BFED-20(12), number 27…I think this number 27 is wrong, we'll get you the correct information when we come back. But it's a contracts versus grants discussion that Corp. Counsel answered, and we'll get that posted so that you'll have that, because I think that's important as we proceed with budget. And there's another...and we'll get that after lunch to you, which is regarding the health benefits and what that impact is and the numbers. So, we're going to get that. Also, can you send a question to Personnel? Because...just verify how many vacancies there are. We got verbally from Personnel it's over 500, but we've been hearing 700, 600, now 500. So, can we get it in writing as we're hearing numbers kind of thrown out? All right. Members, so this item is...oh, yes. Member Paltin?

COUNCILMEMBER PALTIN: Can you go over what...what to prepare for, for after lunch? It's...

CHAIR SUGIMURA: Oh, yeah. These audit reports.

COUNCILMEMBER PALTIN: Okay.

CHAIR SUGIMURA: Yeah. Oh, it's going to be presented.

COUNCILMEMBER PALTIN: Okay.

CHAIR SUGIMURA: Yeah. Okay.

COUNCILMEMBER PALTIN: So, just audit reports after lunch.

CHAIR SUGIMURA: The audit reports, yeah. And we'll see Lance Taguchi, the Auditor, and then he'll introduce the audit...audit report presenters, and we'll just talk about it.

COUNCILMEMBER PALTIN: Are we also going over his Department or just the reports?

CHAIR SUGIMURA: No. We...you did not ask to go over his Department.

COUNCILMEMBER PALTIN: Oh, yeah. Okay. Got it. Thank you.

CHAIR SUGIMURA: He was one of them, no…but when you see him, I bet you're going to ask him questions.

COUNCILMEMBER PALTIN: My bad.

CHAIR SUGIMURA: That's what I told him. Okay. This is now deferred.

COUNCILMEMBERS VOICED NO OBJECTIONS.

ACTION: DEFER.

CHAIR SUGIMURA: We'll see you at 1:30. . . .*(gavel)*. . .

RECESS: 11:54 a.m.
RECONVENE: 1:38 p.m.

VICE-CHAIR BATANGAN: . . .*(gavel)*. . . All right. Members, welcome back from recess. I am your Vice-Chair Kauanoe Batangan. Will be filling in until Chair Sugimura comes back. So, we'll get this meeting started, and then we'll recess when she arrives in the Chambers.

ITEM 20(11): ANNUAL COMPREHENSIVE FINANCIAL REPORT, SINGLE AUDIT REPORT, AND DEPARTMENT OF WATER SUPPLY'S FINANCIAL AUDIT REPORTS

VICE-CHAIR BATANGAN: Members, the second item on our agenda is a presentation and discussion on the audits conducted for FY '25 by N&K CPAs Inc. The reports are posted on the agenda, and they're in Granicus for your reference. Assisting us with our discussion today are County Auditor Taguchi. Good morning...or good afternoon.

MR. TAGUCHI: Good afternoon.

VICE-CHAIR BATANGAN: Do we still have Director Martin?

MS. ZIELINSKI: She's online.

VICE-CHAIR BATANGAN: Okay. Joining us online. With us in the Chamber, Deputy Director Zielinski.

MS. ZIELINSKI: Good afternoon.

VICE-CHAIR BATANGAN: Do we have Director Stufflebean with us? Is he online?

MR. KRUEGER: Chair, we...we don't see him online yet --

VICE-CHAIR BATANGAN: Okay.

MR. KRUEGER: -- but we'll be on the lookout.

VICE-CHAIR BATANGAN: Okay. And then we have Assistant Fiscal Officer Pigao. We also have the County Auditor...we have from the County auditors...we have the County's auditors, Mr. Dwayne Takeno and Mr. Christian Hara. Members, if there are no objections, the Vice-Chair will...what?...designate Mr. Takeno and Mr. Hara as resource persons under Rule 18(A) of the Rules of the Council because of the expertise they possess as the County's auditors and financial matters.

COUNCILMEMBERS: No objections.

VICE-CHAIR BATANGAN: Thank you, Members. To begin, I'll ask Mr. Taguchi, who oversees the audit contracts, for any opening comments. We will then receive a presentation from N&K CPAs, followed by opening remarks from Finance, then Water Supply.

MR. TAGUCHI: Thank you, Vice-Chair. I'll keep my comments brief. I know that N&K CPAs have a presentation for you. I just wanted to thank Dwayne Takeno, Audit Principal, and Christian Hara, you know, for sticking with the County. They've been our auditors for some time. I think the Council's aware, it's not easy to find auditors in Hawaiʻi to take these audits. More and more, they're finding a harder time finding employees, and their work schedules are awful, so I'm happy that they'll be with us for a couple more option years. But that's all I had to say.

VICE-CHAIR BATANGAN: Before we move on, I do want to recognize Chair Sugimura. Welcome back to the Chambers. Chair, would you prefer to recess and to take over this meeting, or shall I continue to...okay. All right. That being the case, then can we please have our presentation from N&K CPAs?

MR. TAKENO: All right. Good afternoon, Chair and Vice-Chair and Members of the Committee. Thank you for the opportunity to present the results of the County of Maui's Single Audit for the Fiscal Year 2025. We have a brief presentation for you today. We will walk through a brief overview of the audit, including the financial results, summary of audit results, the major programs we tested, and a high-level overview of the audit findings. We also have time to answer your questions at the end of the presentation. My name is Dwayne Takeno, and I am the audit principal on this engagement. This...this slide shows the other primary team members of the audit engagement. They are also online here today with me and will be participating in today's presentation. I will turn it over now to Christian Hara to cover an overview of the financial results for the County.

MR. HARA: Okay. Thanks, Dwayne. And like Dwayne mentioned, I'll be going over a very high-level overview of the financial results of the County as shown in the Annual Comprehensive Financial Report, or ACFR for short. Our discussion will focus on the statement of net position and statement of activities of the County. And I just wanted to point out that the statements also include the activity of the Department of Water Supply under the business-type activities column here. We'll briefly go over certain year-to-year variances in these statements as described in Management's Discussion and Analysis, which can be found on pages 21 to 34 of the ACFR. So, first off, we have the County statement and net position, which includes the County's governmental activities and business-type activities for the Fiscal Years 2025 and 2024. One notable variance is within the assets category. It's the County's net capital assets additions, which totaled 123.2 million. For governmental activities, these additions were mainly related to road, bikeway, and bridge improvements, as well as sewer, solid waste, and government facility projects. For business-type activities, additions were primarily related to DWS infrastructure projects. And another year-to-year variance that was kind of large was in other liabilities, which increased from 178.3 million to 206.7 million, which is mostly due to an increase in accounts payable and accrued liabilities. At the close of the fiscal year, the County's net position was about 1.5 billion, which represents an increase of about 365 million from Fiscal Year '24. Okay. Now moving on to the statement of activities. We're going to focus on the revenues for this slide. Overall, the County's revenues related to governmental activities experienced significant increases in property taxes, which can be found here. This is mostly due to tax rate increases for certain classes of property and also growth in taxable property values. Also, what experienced a great increase was the General Excise Tax revenues, which increased by 53.5 million in Fiscal Year '25. The main reason for this is timing, as the County surcharge only started halfway through the prior fiscal year on January 1st, 2024. So, Fiscal Year '25 is the first year where we see the impact of a full 12 months of that surcharge. Also contributing to the increase in tax revenues was a higher Transient Accommodations Tax revenue, which was driven by steady increases in visitor counts since the August 2023 wildfires. The County's revenue related to business-type activities increased by about $10 million, mostly due to an increase in water sales. The next slide will focus on the expenses of the statement of activities. So, overall, the County's expenses for governmental activities increased approximately $76 million, mainly due to increases of 20.8 million in public safety expenses, which was due to the bargaining unit salary increases and 26.7 million in social welfare. This is due to increases in grant subsidies to nonprofits and developers to address the housing crisis worsened by the August 2023 wildfires. In the business-type activities column, we see a decrease of approximately 2.8 million, mainly due to a combination of activity within the DWS Department and the Housing Fund, which is both included in business-type activities. For water, there was an increase in transmission and distribution expenses of approximately 4.2 million. And for the Housing Fund, there was a decrease in other operating expenses of 6.8 million. So, next, Mary will be going over the results of the financial statements and the Federal awards program audits.

MS. BUTAC: Thanks, Christian. So, like he said, I will be going over the next two slides, a condensed summary of the results for both the financial statements and the single audit. So, for the financial statements, we did issue an unmodified opinion, meaning that the financial statements present fairly in all material aspects in accordance to the standard. We did report three internal control matters over financial reporting, which were categorized as either a material weakness or significant deficiency. Those matters will be further discussed in the later slide. And we did not note any noncompliance materials . . .*(inaudible)*. . . As for the Federal awards, we did not identify any material weaknesses or significant deficiencies to report relating to the internal control over the County's major Federal program. We did also issue an unmodified opinion on the compliance of those major programs, meaning that the County complied in all material aspects with the applicable Federal requirements for those programs. And we did not note any audit findings that were required to be disclosed or reported in accordance with the Federal requirements that govern single audits.

MR. TAKENO: So, this year, the three major Federal programs we tested was the Housing Choice Vouchers Program, the Emergency Watershed Protection, and Drinking Water State Revolving Fund. This year, the County did not qualify as a low-risk auditee due to certain of the findings from the previous year, which will be covered in the next slide. But we wanted to note that compliance results remain strong with unmodified opinions on all the major programs, and no material noncompliance issues were identified. So, on the next slide is the three findings that we had for this year. We had two material weaknesses and one significant deficiency, all of which are repeat findings from the prior year. These findings relate primarily to system limitations around the Maui County Transient Accommodation Tax, certain financial reporting, internal controls, and controls over capital assets. The underlying driver continues to be staffing capacity and system challenges, but we wanted to point out that the statements *(phonetic)* identified during the audit were corrected by Management and led to an unmodified opinion. Management's responses to our findings are...and the status of their corrective actions are included in the report in Section 5, Corrective Action Plans. And that concludes our presentation, and we are happy to entertain any questions that you may have.

VICE-CHAIR BATANGAN: Thank you very much. We cannot take questions at the...at this moment. We have to go through public testimony first. But before we get to that, I want to first recognize Member Johnson and Directors Stufflebean and Martin, who I saw join this meeting online. Good afternoon.

COUNCILMEMBER JOHNSON: Thank you, Chair. I'm on the ferry, obviously, listening in when I can. Thank you.

VICE-CHAIR BATANGAN: Thank you, Member Johnson. Safe travels. Okay. So, if you guys are okay with this...

COUNCILMEMBER RAWLINS-FERNANDEZ: . . .*(inaudible)*. . .

VICE-CHAIR BATANGAN: I did not. Thank you, Member Rawlins-Fernandez. Member Uʻu-Hodgins is also online.

COUNCILMEMBER UʻU-HODGINS: Thank you, Chair. For Sunshine Law purposes, I am at my private residence. I do have two minors with me right now, soon to be a third, and another adult, my son, Makoa Uʻu-Hodgins. Thank you.

VICE-CHAIR BATANGAN: Thank you. Thank you, Member Rawlins-Fernandez. Okay. So, if you guys are okay, I'd like to take the remarks from Finance and then Water Supply, as originally stated. Then we'll take our recess so that we can swap out presiding officers. Okay. Thank you, Members. Director Martin, Deputy Director Zielinski?

MS. ZIELINSKI: Thank you, Chair. First, we want to thank the N&K auditors for their working with us. We're...we're...we're kind of used to them by now. They've been doing this for several years, so we do appreciate the good work and the cooperation that, you know, we...we have with you. We're, of course, pleased that we have an unmodified opinion, that it's a clean opinion on our financials, and that's all good. I know we do have three repeat findings as far as, you know, internal controls. I do want to mention, and as you probably had heard in our previous...our morning session, that we were...we were terribly understaffed in our accounts area, which is, of course, the one that's most impacted by, you know, when we have an audit, when they're looking at our various internal controls. And when I say really, I mean, she...she had less than half of staff there. Now, thankfully, we're almost at full capacity, not quite, but almost. But having said that, I do want to mention a few things, if I can. The first is the first finding that had to do with, and I don't mean to, I know N&K will be talking about these, but the first finding with regard to TAT, or the Transient Accommodation Tax material weakness. As you all know, we...we do not have a software system…or we do now, but it's...it's in process. It's...it's being worked on at the moment. But we had...what we started with early on, what we kind of inherited was just a pay portal, and that does nothing. It doesn't tell you anything. It just takes the money. And of course, we want the money, that's all good, but we need to record it properly. And then we actually had someone from the Big Island who actually set up an Access database, which was a godsend, and it was for free. That was...the price was right, too. But it only does so much, and that's actually what I should...I should mention. The other counties are doing, too, Kaua'i and Big Island, they're using this. But we recognize, with the...given the amount of money that comes in from TAT, which is as high as 80...$84 million, we need something more than just a homemade software system. So, we have actually…have a system in...we're working right now, and I have Paul Neidhardt here. He's our new Revenue Manager for TAT. He's working very feverishly with our new software vendor and with our ITSD folks as well. And this, we believe, will give us a lot of opportunity and to...to...to provide the information that we should be having, and, you know, as far as looking at the receivables, reconciliations, and...and all of that. So, I just want you to know that Paul is here, and he can certainly answer any of your questions if you have, because he's into the details, and he's also a computer geek, I should say. So *. . .(laughing). . .* so, he...they talk about things I don't even understand. But in any case, I just want to mention that with the TAT. We understand...we understand that was a repeat, but we...and I did mention to N&K that, hey, look, we're just going to be going live on this thing in October. So, when they come at the end of June, or they'll come somewhere after our...our fiscal year, we're not going to be ready yet. But, you know, N&K indicated that if they saw positive...positive progress, that they felt that, you know, it wouldn't...it would not be a material weakness. But I know I'm not...Dwayne, I'm not quoting you on that. I'm just mentioning that it is...it is something that they'll be looking at to see progress. With regard to the other two, the second one really does talk about, it's kind of a...I call it the kitchen sink because it has a lot of different things. In...in all cases but one, the accounts section did correct all of the...the...the issues that they had identified in our financials. So, the financials in the ACFR reflect those corrections, except for, I believe, the one with the fiduciary funds. But we understand, and again, with having additional Staff and being fully…fully staffed or close to it, we believe we'll make a lot of progress here. And then the last one is actually the...with regard to the capital assets. And I think that was one...that is one of the positions that we're actually looking to add. Even though we...we believe we can...we can do a good job, we will do a good job, but we'll have somebody earmarked just to look at, you know, the procedures with regard to when assets become capital assets instead of just in progress…you know, construction in progress, that sort of thing. In any case, those are my comments. Thank you. And as I say, if there are any questions with regard to TAT, please feel free to speak with our Revenue Manager. Thank you.

VICE-CHAIR BATANGAN: Thank you, Deputy Director. Director Stufflebean?

MR. STUFFLEBEAN: Yeah, good afternoon. Yes, we...the Water audit was a clean audit. We really have no opening comments. I'm here to answer questions. I'm here, also our...our Fiscal Officer isn't available today, but our Assistant Fiscal Officer, Mark Pigao is here also to answer any questions. Thank you.

VICE-CHAIR BATANGAN: Thank you very much. Okay. I think that's all opening comments. Is that correct, Staff? Okay. So, with that, I'm going to ask for a brief recess. We'll reconvene at 2:00, just enough time to swap out presenting officers. Thank you, Members. The time is 1:56. *. . .(gavel). . .*

RECESS: 1:56 p.m.
RECONVENE: 2:00 p.m.

CHAIR SUGIMURA: *. . .(gavel). . .* Welcome, everyone, back to the Budget, Finance, Economic Development Committee. Thank you very much, my Vice-Chair, Member Batangan, for continuing or...or starting this portion of the meeting. I will tell you that I forgot about the Wailuku Elementary traffic, and so I was stuck in bumper-to-bumper knowing how parents must feel, but appreciate that we were able to start the meeting on time and continue. So, at this time, we had the resources present, and we're now ready for public testimony. Anybody?

. . . OPEN PUBLIC TESTIMONY FOR ITEM 20(11) . . .

MR. PASCUAL: Chair, we did have the Royal House of Hawaiʻi signed up to testify, but they have since dropped from the call, so if you'd like, I could do the last call.

CHAIR SUGIMURA: Yes, please.

MR. PASCUAL: This is the last call for oral testimony. Please come up to the podium or raise your hand on Teams if you would like to testify. The countdown is three...two...one. Seeing none. Chair, no one has indicated that they wish to testify.

CHAIR SUGIMURA: Thank you. Members, with your permission, I'm going to close public testimony and receive written testimony.

COUNCILMEMBERS: No objections.

. . . CLOSE PUBLIC TESTIMONY FOR ITEM 20(11) . . .

CHAIR SUGIMURA: Thank you. Thank you. Okay. So, now we're going to do deliberations, and Members, you will have three minutes to ask questions, and we will start off with Member Sinenci. Is it okay? We'll go that way.

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . .

CHAIR SUGIMURA: Yes. Yes. A single audit, or the audit.

COUNCILMEMBER SINENCI: Thank you, Chair. And thank you for the presentation. I had one, just a general question. For the Federal awards, are these just the grants that go through the State and then it comes down to the County? On page 13. Oh, this would be to our...Mr. Takeno.

MR. TAKENO: Thank you, Chair. Those are both monies that the County receives directly from the Federal Government, or it could be pass-through money through the State, or other departments as well.

COUNCILMEMBER SINENCI: Oh, okay. But these...there's grants listed that could just come directly to Maui County, yeah?

MR. TAKENO: Correct.

COUNCILMEMBER SINENCI: Oh, okay.

MR. TAKENO: And you should be able to tell, because the ones that are passed through other entities, there should be a column that has the identifying number of the grant award with the other agency.

COUNCILMEMBER SINENCI: Okay. Thank you. And then for the correct...correct...corrective actions, I believe there was one item in the Affordable Housing Fund that was supposed to be a loan? Oh, sorry, let me look.

MR. TAKENO: Yes.

COUNCILMEMBER SINENCI: Can you expound on that one?

MR. TAKENO: Yeah. I think the...originally, the County had recorded that as an expenditure, and not as a loan. But through our testing and inquiries with Management, we discovered that that was indeed a loan with the developer. And so, instead of recognizing an expense, they recognized a receivable from the developer.

COUNCILMEMBER SINENCI: Oh, okay. And that was corrected, yeah?

MR. TAKENO: Yes.

COUNCILMEMBER SINENCI: Thank you. Thank you for that. Chair, that's all I have for now, thank you. Thank you.

CHAIR SUGIMURA: Okay. Thank you. Next we have...Member Uʻu-Hodgins is online, yeah? Yeah. Okay. Member Uʻu-Hodgins?

COUNCILMEMBER UʻU-HODGINS: Thank you, Chair. And thank you, everybody, for the presentation and all the time invested into providing us these audits. I wanted to just ask a question about some of the reoccurring deficiencies that we have. And I know that we have a plan to attack them, but for the auditors, do you think what we're doing is enough to ensure that next year when we get your audit, it'll be handled and we won't be deficient, or do you have any recommendations or thoughts about if we're doing enough to ensure that we're not going to be deficient several years in a row?

MR. TAKENO: You know...thank you, Chair. One...one issue with these findings is that the audit deadline is not until nine months after the County's fiscal year end, so by the time these findings are reported, they're way into the next fiscal year already, just like this year, we're into Fiscal '26, so sometimes these findings takes, you know, two or three cycles to kind of remediate.

COUNCILMEMBER UʻU-HODGINS: Okay.

MR. TAKENO: You know, it depends. I think a lot depends on, you know, how successful the County is in implementing their corrective action plans. Sometimes I think when people plan to have things done, it doesn't always work out that way, and so, you know, I think that's one of the things that we're going to be following up on in this year's audit just to see how they're coming along. But yeah, I...I guess I can't really say for sure because I can't really tell the future, but, you know, we're hopeful that it is going to be remedied. You know I know they're working on it.

COUNCILMEMBER UʻU-HODGINS: I know they're working on it, too, and I know we just hired all of these, you know, extra people in Finance, and I do appreciate, and I know how hard they're working on it, but sometimes outside eyes are really important to seeing some of the bigger picture items, so I appreciate your thoughts. I think that's all I have for now, Chair. Thank you.

CHAIR SUGIMURA: Thank you. Next, we have Member Cook, followed by Member Rawlins-Fernandez.

COUNCILMEMBER COOK: Thank you. So, I'm glad to hear about upgrading in the IT and the Information Technology and Finance. Is part of the...is part of the audit, do you look at the Countywide...like all of the different departments, how well, efficiently, or not efficiently their reporting is working? It seems like for report for...and I may be off track here, forgive me if I am, but many of the departments are kind of operating in silos, and one of the things like MAPPS was trying to do was get them to work more as an enterprise system and communicate better, make things more efficient. Is [*sic*] that come into an audit at all, is how the inter...inter-reporting and communication the County's doing? Thank you.

MR. TAKENO: Thank you, Chair. That is pretty much outside the scope of our audit. We're primarily concerned with financial reporting, so the reports that the County issues, the annual financial report, and then testing compliance with the major programs, the Federal funding that the County receives.

CHAIR SUGIMURA: Go ahead.

MR. TAGUCHI: Chair, if I can do a --

CHAIR SUGIMURA: Yeah.

MR. TAGUCHI: -- brief response. Member Cook, the audit doesn't encompass the entire County. The entire County uses a lot of different systems. A lot of them are not integrated. A while ago, maybe a decade ago or so, they tried to integrate systems with things called MAPPS, with Kiva, with all of these things that were land information-based systems, but it was too difficult. I don't think anyone that I can recall has a successful implementation that integrates all these things. For example, real property tax system is totally different than your land-based information systems, which is now, I guess, MAPPS. Even the payroll system is difficult to implement...integrate. So, the answer that I would give you is that I don't know if it's possible to integrate all the systems. People have tried, and so far, they all have failed.

COUNCILMEMBER COOK: Thank you. That answers my question.

CHAIR SUGIMURA: Are you done? Yeah. Okay. Member Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Chair. Sounds like we're going to have to wait to ask artificial intelligence to design the system for us.

UNIDENTIFIED SPEAKER: *. . .(laughing). . .*

COUNCILMEMBER RAWLINS-FERNANDEZ: Just kidding, just kidding. Okay. All right. I think...okay. I just had one follow-up question. And aloha, everyone online, mahalo for being with us, and you folks for being here in the Chamber with us. I asked my questions regarding whether the proposed expansion positions will kind of, you know, address the concerns. And to follow up on that, in...in response to our questions, Finance Department, for vacancies as they come up for like retirement, promotion, or other...well, I guess, other separations, you can't really anticipate, but for the things that can be anticipated, retirements and promotions, does...does the Department have a plan in place the way that like the Fire Department has, like anticipating these movements to fill those...those positions as quickly as possible?

MS. ZIELINSKI: Chair?

CHAIR SUGIMURA: Yes.

MS. ZIELINSKI: Thank you. Thank you, Councilmember. Yeah, you know, we do...we're...I would say if you asked me a year ago, I would probably say probably not really, but we're really starting to get there. We're...now that we have the ability, or that we...we've...we've been able to hire more people, and we're almost...especially in accounts, but all our divisions are critical, we're...that's what we're looking for, is who's the person that when, if this one is gone, who's going to take their place? We have to do that. We need a succession plan. Do we have a formal one? No, we don't. We don't...you won't find anything written anywhere, but as we hire, we try to think of the future, and say this is...this is the person that could take, you know, this other person's position. So, yes, I believe we're really starting to be positioned that way, but as I say, it's nothing in writing, but we made so much progress in this past year, I have to tell you, with regard to, you know, the...the recruitment, and we've gotten...and...and thanks to the Councilmembers, I have to say, because of the ability to provide bonuses, or to do requirement above minimum, and things like that, we've been able to get some really excellent Staff members. Seriously, we...we really...and we're very fortunate that way. Before we would get one person, it was a person from another department…and there's nothing wrong with that, but it's important to bring in new people, you know, because if you have a vacancy, if you grab one person, then the other department has that vacancy, right? So, this is really...it's made...it's a game changer, in my mind. So…and probably with the economy not so great, or starting to decline a little, that's probably helped us too, because everybody's looking for a nice, solid, you know, employer, versus if you're working for the Federal Government, you never know what will happen in the future. But anyway, it's a very long-winded question...answer, but yeah, I believe that we are getting positioned that way, and I think it'll…it'll get better. You know, I think in a year, hopefully, knock on wood, we'll be able to even have an even better, more...more positive *. . .(timer sounds). . .* succession plan. Yeah.

COUNCILMEMBER RAWLINS-FERNANDEZ: Okay.

MS. ZIELINSKI: Sorry I took all your time. *. . .(laughing). . .*

COUNCILMEMBER RAWLINS-FERNANDEZ: It's okay. My...my follow-up question to that, regarding your plan was, do we have big enough shackles for Paul so he...so he doesn't leave us, or get taken?

UNIDENTIFIED SPEAKER: *. . .(laughing). . .*

UNIDENTIFIED SPEAKER: *. . .(inaudible). . .*

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo, Deputy Director. Mahalo, Chair.

CHAIR SUGIMURA: That's a good one. Okay. Next we have Member Johnson, followed by Member Paltin, then Lee…is Lee here? I don't see her. And then Batangan.

COUNCILMEMBER JOHNSON: Thank you, Chair. My question is for Deputy Director Zielinski, in regards to the software for the TAT. I'm just curious, because it's new software, and when does it roll out, and when does the TAT enter our realm? Does the timeline roll out where it's...it'll work? Because I assume with new software, you need training, you work out the bugs. Are we going to be able to do better with this new software if it rolls out in a timely manner?

MS. ZIELINSKI: Chair? Thank you, Chair. Thank you, Councilmember. Yeah, I…I…I believe that we will…I mean, again, there's always going to be bugs, or issues, or whatever. But the good news is, is that as we're…they're having…we're having twice a week, a couple of meetings in a day, just doing, if you will, it's not hands-on training, but all of the Staff, all of Paul's staff is learning it, and getting involved with, you know, making decisions on how…how it should be managed, and the decision-making, and all of that. So, I…I believe that we are in a really good spot. We're…we're on target, we're on budget. Those are both, I think, great things. We're expected to be…go live October of this year. And this is software that actually the State has for their TAT program, okay. So, it's…it's tried and true. So, that's the good news. And the even better news is the information that the County will get. Because right now, we're…we're getting information from the State, right, so…that we use and we put into our…our Access database. But now, it's going to be the same software, coming from the State to come to us, and it's the same software. So, it becomes much more seamless.

COUNCILMEMBER JOHNSON: Okay.

MS. ZIELINSKI: It's not perfect, but it's…it's…you know, we…we feel --

COUNCILMEMBER JOHNSON: Fair enough.

MS. ZIELINSKI: -- very positive about it.

COUNCILMEMBER JOHNSON: Deputy Director, you said October was the day the software will be ready. When does the…the TAT funds come to us?

MS. ZIELINSKI: Oh, we get them monthly. We get them…we're getting them daily, actually.

COUNCILMEMBER JOHNSON: Okay.

MS. ZIELINSKI: Yeah. Yeah, yeah.

COUNCILMEMBER JOHNSON: Oh, okay. Interesting. And that's the end of my questions, Chair, but for Sunshine purposes, I'm on the ferry. There's a lot of people, and I'm by myself in the corner.

UNIDENTIFIED SPEAKERS: *. . .(laughing). . .*

CHAIR SUGIMURA: So amazing, right? Okay. Next, we have Member Paltin, followed by Lee and Batangan.

COUNCILMEMBER PALTIN: Okay. First, a quick yes or no. Can…if we're getting the Maui County TAT, are we able to cross-reference it with the State TAT?

MR. NEIDHARDT: Chair?

CHAIR SUGIMURA: Go ahead.

MR. NEIDHARDT: Yes, we do. We receive --

COUNCILMEMBER PALTIN: Okay. Thanks.

MR. NEIDHARDT: -- filings...

COUNCILMEMBER PALTIN: That's all I need to know. And then the next question is, with the internal control policies and procedures over capital assets, I guess first for N&K, is it that you're saying as soon as the capital improvement project is closed out, then it needs to be listed as a capital asset, or as soon as the project is finished? Because sometimes it takes a lot longer to close out a CIP, but it...it goes into usage when it's finished.

MR. TAKENO: The...that requires the depreciation to be start...commence when the asset is placed in service.

COUNCILMEMBER PALTIN: Oh, when it's placed in service. And then, so what is the Department's...like, do you have a system that you're planning on how to do that? Because it's true, right? The...the closeout of the CIP is different when it...than when it's actually placed in service. So, how would you...the departments would need to tell you before it closes out that it's in service? Is that...

MS. ZIELINSKI: That's part of the. Oh, I'm sorry. Chair? Okay. Yeah, that's part of the issue, is as I mentioned a little earlier, is that, you know, a lot of times the information we provide is only as good as what we get, but with a new...a new position that will actually just focus on this, okay? But you're absolutely right. When...when an asset in, say, DEM goes in service, we don't know. I mean, somebody has to tell us, right? Otherwise, it just stays stuck, and it just says, it'll stay...

COUNCILMEMBER PALTIN: Because you're doing yours based on the CIP closeout thing.

MS. ZIELINSKI: Right.

COUNCILMEMBER PALTIN: Which is, like, sometimes years later or something.

MS. ZIELINSKI: Exactly.

COUNCILMEMBER PALTIN: Okay.

MS. ZIELINSKI: So, sometimes it just gets kind of, there's a delay, and that's...that's where N&K did identify that we had that issue. I think that we'll...we'll have a better system in place. Right now, it's just, as I say, so shorthanded, just trying to get all the...you know, telling the departments, but I think we'll...now, if we're asking for an expansion position...

COUNCILMEMBER PALTIN: Are you coordinating with the Managing Director? Like I mean, because they have capital improvement project --

MS. ZIELINSKI: Yes.

COUNCILMEMBER PALTIN: -- coordinators and whatnot, so that, I mean, regardless, or if one step in the closeout process is as soon as it is put into service to let you know. Because I don't think that you folks should be having to trace down every CIP project. Like are you done, are you done, are you done, are you done?

MS. ZIELINSKI: Yeah. Yeah, no, I understand, and I have to plead ignorance. I'm not sure how...if we've gotten involved with...if Management...if we've spoken to the Managing Director about this, or Management in general, about once we...as far as getting a better process. . . *.(timer sounds). . .* That may exist, I don't know. But we obviously still need work to do.

COUNCILMEMBER PALTIN: Chair, is it okay if we hear from Mr. Takeno as well?

CHAIR SUGIMURA: Yes. Yes.

MR. TAKENO: Thank you, Chair. Councilmember... *(pause)*

COUNCILMEMBER PALTIN: Oh, you're muted, Mr. Takeno.

MR. TAKENO: Oh.

CHAIR SUGIMURA: There.

MR. TAKENO: I'm sorry. Can you hear me now?

CHAIR SUGIMURA: Yes.

COUNCILMEMBER PALTIN: Yes.

MR. TAKENO: I just wanted to note that, you know, the external reporting that we do with the County related to the ACFR is only done once a year. So, you know, I think that process can happen, you know, towards the end of the year, and kind of go through all the departments, and you know, do...do that process once a year. At first, it's like constantly having to do that, because...because the annual reporting...the reporting requirements are only annual.

COUNCILMEMBER PALTIN: So, just to clarify, right before you go for your audit, you go check with all the departments what CIPs are done, and then you transfer it over to become a capital asset?

MR. TAKENO: I believe that's what the Department is doing currently, but, you know, I think just because of the number of projects that can happen during the year, you know, sometimes things can get missed.

COUNCILMEMBER PALTIN: Thank you.

CHAIR SUGIMURA: Thank you. Next, we have...I guess I don't see Chair Lee. She's not online. Nope. Member Batangan?

VICE-CHAIR BATANGAN: Oh, thank you, Chair. I'd like to start off by commending the Department of Water Supply. You made it through an audit without any findings. That's very impressive. You should be very proud of yourselves. Only one quick question for Finance. In your response to the TAT material weakness recommendation, one of the things you say that causes issues is taxpayers filing with the wrong county. Can you explain that a little bit more? I don't understand how people are confused which county they're in.

MR. NEIDHARDT: Chair?

CHAIR SUGIMURA: Go ahead.

MR. NEIDHARDT: Yeah, so when taxpayers do pay through the State system, there's a way for them to acknowledge which county they are filing for. Now, when they file, they don't enter in their property addresses, so there's no way, I believe, for them to validate where their property's located. We kind of assume that if they're filing, they're...they're making the appropriate filings and making the associated payments. And so, when we receive those filings from where they acknowledge, like okay, I'm paying for my properties in Maui County or Hawaiʻi County, we will get those...those filings, and we'll later find out that there's no...like, there'll be a filing but no associated payments, or they'll make payments because they...they acknowledge that their property's in Maui County, but then they file for Hawaiʻi County.

VICE-CHAIR BATANGAN: That . . .*(laughing)*. . . it sounds like there's a lot of room for improvement there. Thank you. That's my only question for the Department. I do have one for Mr. Taguchi. It's not related to anything reported here, but I did run into him in the hall, and he did share that he has some thoughts on when it's appropriate to bond versus pay in cash. I'd like to ask that he share those thoughts with the Administration.

MR. TAGUCHI: It's not on the agenda.

CHAIR SUGIMURA: It's not on the agenda. It was this morning.

VICE-CHAIR BATANGAN: No, but isn't this part of the same meeting?

CHAIR SUGIMURA: Yeah. . . .*(inaudible)*. . .

VICE-CHAIR BATANGAN: I'm not allowed to ask the question?

CHAIR SUGIMURA: Please.

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . .

VICE-CHAIR BATANGAN: I see. Well, never mind, Chair. Thank you, Members, for reining me in.

CHAIR SUGIMURA: We can send a question.

VICE-CHAIR BATANGAN: And I appreciate you --

CHAIR SUGIMURA: Oh, look, he's...he's going to...

VICE-CHAIR BATANGAN: -- keeping me from going off the deep end.

CHAIR SUGIMURA: Okay. Good question. Maybe you can send it in writing, Member Batangan. Or can you send that question in writing? Okay. Yeah, we don't like to use the charge card too often. All right. So, I...I met Paul, right, with TAT? Paul, correct? Okay. Glad to have you. I think we've been trying to deal with this, and my one question was, in years past, we would hear about, were we collecting TAT that was due to us, but because we didn't have our computer system, or because we were, I don't know, part manual, whatever the problem was, were we able to...are we on top of it now, where we collect and collect past...past due?

MR. NEIDHARDT: Yes. I think that's...it's a complicated question to answer in terms of where we prioritize our efforts. So, the way I'll break it down for the Council is, we have over 10,000 active taxpayers, and assuming they had perfect information and never made any errors, everything would flow the way it should. The issues arise when people overestimate how much they file for, they underpay, they overpay, they change their mailing addresses, so there's a lot of administrative overhead that we don't have the...we didn't have the systems in place in order to be able to do efficiently. And through Staff turnover and just other...other factors, a lot of, call it best business practices weren't being applied. But I can say that given the current software that we have, given the personnel that we have, we'll have at least those...that leverage to be able to serve taxpayers as efficiently as possible and to be able to correct a lot of those historical errors that...that we can then have a shared understanding with the taxpayers so that they understand what they filed for and then what they owe the Maui County and potentially any penalties and interest owed. But at least there'll be a system in place where all that information is automatically shared digitally versus us having to stuff envelopes and mail it out.

CHAIR SUGIMURA: Oh, okay. Very good. So, we're solving the problem, going back and collecting.

MR. NEIDHARDT: Yes, ma'am, every day.

CHAIR SUGIMURA: Oh, very good. So, on that, the TAT, I just want to state that you remember when we did this, Member Rawlins-Fernandez, because I think it was your bill, and we were saying, oh, when should we do it, and we're all anxious, so here we are, I'm...solving it, probably, it took a while. But if we are getting the State software, I just wish the State of Hawaiʻi would have collected the...the software...I mean, collected the TAT and sent it to us versus us having to do what we're doing now. That's just over...kind of an observation. It would have solved this problem a long time ago. But thank you very much, and glad to have you here, and I understand he lives in my district, so welcome...welcome to Upcountry. Anybody else has questions? Member Rawlins-Fernandez?

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo. Yes, I don't regret starting it when I did. Because that was that many more months of collecting that we did that the other counties didn't. And mahalo for getting us up to speed. So, I wanted to follow up on...oh, and then the last thing for the record is, that was part of the agreement when creating a County TAT was that the County would have to collect its own. So, that was the understanding and part of the trade-off that if we wanted to do it...we didn't have to, but if we wanted to, we'd have to create our own system and collect it ourself. So, following up on Member Batangan's question regarding room for improvement for TAT collection, are...are there ways that you are able to adjust the software or the information collected to verify, to prevent simple...well, simple seeming mistakes such as filing in the wrong county?

CHAIR SUGIMURA: Go ahead.

MR. NEIDHARDT: Yes. I think that given what's available with...with current technology, you know, you log on to Amazon or you log on to eBay, just any sort of e-commerce, you...you have a unified picture on every order, every payment. And again, I can't say for certain because we're still developing the software, but this is...this is a top-of-the-line product that's been proven across dozens of states and municipalities, and I can say that the tools that will be available to us will allow us to have that shared understanding with taxpayers so that...I mean, these are small business owners. These are folks who are...and these are the ones who are actually filing and trying to be compliant, and my goal is to make that experience as seamless as possible. No one enjoys paying taxes, but I at least want to have a clear policies and clear picture in place where there's no...there's no uncertainty around, you know, if you made the filings with the State, the 3 percent is then owed to the County, and then we can start working through a lot of these...these issues that have built up where people can forget to file, people can forget to pay. A lot of notifications will be made available through this software. It'll just be a much better experience that we're able to offer versus the dozens of manual processes we have to do now, which we...which we want to do. We want to take care of the taxpayer, but with the limited resources we have and with the current systems we have in place, we're doing the best with what we have.

MS. ZIELINSKI: Just mention the TMK.

MR. NEIDHARDT: Yes. And another...thank you. Another thing I did want to mention as well is that once we do transition over to this new software, we are going to require taxpayers to put in their property addresses and TMKs, so then we will be able to provide much more kind of granular into where this money is coming from, to whom it's coming from, and be able to have a shared picture across Real Property Tax and Treasury, just to be able to ensure that we...we know who our taxpayers are, we know…you know, we're able to better serve them because we know, you know, which...which properties are *. . .(timer sounds). . .* generating the…the income.

COUNCILMEMBER RAWLINS-FERNANDEZ: Mahalo for that response. I love when people care about software having a user-friendly interface. It just makes my life so much easier, so I'm sure the people who are filing will just sing you praises, so mahalo.

CHAIR SUGIMURA: Okay. You're done? Very good. Does anybody else…oh, sorry. Chair Lee sent a message that she...she's...she's excused, so... *. . .(laughing). . .*

UNIDENTIFIED SPEAKERS: *. . .(laughing). . .*

CHAIR SUGIMURA: I forgot why she's not here, but she left for a meeting or something, as chairs do. Okay. Anybody else have questions?

UNIDENTIFIED SPEAKER: . . .*(inaudible)*. . .

CHAIR SUGIMURA: I'm sorry, what?

COUNCILMEMBER PALTIN: April Fool's. Sorry.

CHAIR SUGIMURA: Oh, April Fool's as well. Okay. Anybody else? Nobody else has questions? Oh, okay. Then…all right. That's amazing. Okay. That's very good. Okay. So, just remember now, for Finance, we're going to receive your answers by the 4th [*sic*] --

UNIDENTIFIED SPEAKER: Yes.

CHAIR SUGIMURA: -- and so therefore...

UNIDENTIFIED SPEAKER: The 6th.

CHAIR SUGIMURA: Oh, the 6th. Oh, sorry, the 6th. Then your...your questions...no, wait, wait, wait. You're going to attend the 6th. Members' questions are due on the 7th. Members' questions are due on the 7th, okay? And we'll let…that was mentioned before, so that's fine. And I'm going to defer this.

COUNCILMEMBERS VOICED NO OBJECTIONS (excused: AL)

ACTION: DEFER.

CHAIR SUGIMURA: But what I wanted to just say is that tonight, we're going to be at the...we're doing Upcountry district meeting, so 6:00, that will begin. We're going to have dinner ready there for you at...at 5:00. And thank you, OCS, for being there early, for setting up the chairs, the tables, and doing whatever you do to be ready. Is there anything else I need to announce? No? Okay. So, tomorrow is Council meeting, right? And then, Good Friday, everybody enjoy your family, and then we start again on the 6th, which is next week Monday, and...and we are starting with Fire, Public Safety, and Housing, and that night, we're all going to East Maui residency area at Helene Hall. So, we know that when we see you, we have a feast, so thank you very much, Member Sinenci, appreciate...

COUNCILMEMBER SINENCI: Chair?

CHAIR SUGIMURA: Yes?

COUNCILMEMBER SINENCI: I'll...I'll probably be...during the day, I'll be online.

CHAIR SUGIMURA: Oh, yeah. Okay.

COUNCILMEMBER SINENCI: So, I'll stay home. Yeah.

CHAIR SUGIMURA: You'll be preparing food?

COUNCILMEMBER SINENCI: Yeah.

CHAIR SUGIMURA: Yeah.

COUNCILMEMBER SINENCI: Cooking.

CHAIR SUGIMURA: Cooking. Okay. Thank you. And then, the next day, which is the 7th, I just want to mention this, is at 10:00, we'll be convening our meeting because we'll all be driving home from, you know, Hāna the night after the meeting, and we're doing Human Concerns, Parks and...excuse me, Parks and Recreation, and Transportation, and Planning, and my Vice-Chair is going to conduct this meeting. I love it. Thank you. Working together. Anybody else have any questions? Oh, anything else? Oh, yeah, that's right, Pāʻia is tomorrow night, so that'll be 6:00, Makawao...Makawao-Haʻikū-Pāʻia residency area meeting at the Pāʻia Community Center Social Hall, so we'll see you there. And just kind of FYI, tomorrow at 3:15, Bob Fenton is from FEMA, is going to be here, and I'm going to meet him at the hospital, so I don't think the meeting will go on...the Council meeting, but I will leave at some time to meet Bob Fenton, because he wants to check out the hospital, because Kula Hospital is under some pretty...yeah, dire needs as they...they removed 114 patients on the 21st because of the Kona low storm. And they had to reintegrate everybody into various, you know, hospital...the hospital, Hale Makua, and another Kīhei facility, which is managed by Hale Makua. So, everybody was fine, some people had to be sent to the...to Oʻahu, but minimal in comparison to. But tomorrow at 3:15, I am going to be...meet Bob Fenton, I'm glad if we can get FEMA support for Upcountry and everything else with the Kona low storm. Anything else? No? Okay. So, thank you, everybody, we'll see you in Pukalani at the Pukalani Community Center at the Hannibal Tavares. And good job, everyone. This meeting is now adjourned. . . .*(gavel)*. . .

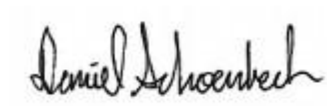
ADJOURN: 2:33 p.m.

bfed:min:260401-1:ds Transcribed by: Daniel Schoenbeck

CERTIFICATION

I, Daniel Schoenbeck, hereby certify that pages 1 through 72 of the foregoing represents, to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 30th day of April 2026, in Wailuku, Hawaiʻi



Daniel Schoenbeck