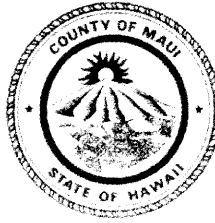


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MICHAEL P.  
VICTORINO  
Mayor

GLENN MUKAI  
Director

GEORGETTE C.R.  
TYAU  
Deputy Director

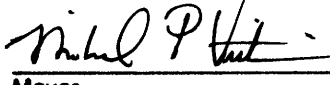
DEPARTMENT OF LIQUOR CONTROL  
COUNTY OF MAUI  
2145 KAOHU STREET, ROOM 105  
WAILUKU, MAUI, HAWAI'I 96793  
TELEPHONE: (808) 243-7753  
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April 8, 2019

Ms. Michele M. Yoshimura   
Budget Director, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

Honorable Michael P. Victorino  
Mayor, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

  
\_\_\_\_\_  
Mayor Date 4/11/19

For Transmittal to:

Honorable Keani Rawlins-Fernandez  
Chair, Economic Development and Budget Committee  
Maui County Council  
200 South High Street  
Wailuku, Hawaii 96793

Dear Chair Rawlins-Fernandez:

**SUBJECT: REQUESTS/QUESTIONS FROM THE APRIL 1, 2019 MEETING (LC-2) (EDB-1)**

1. Please explain why premium pay is increasing so dramatically (Budget Details page 9-4, Index Code 913012A-5215 and Program Budget page 347). (KK)

There is no increase to 913012A-5215 Premium Pay.

913012A-5250 Salary adjustments of \$38,872 is an increase by the Budget Office for Collective Bargaining Agreement increases.

The total of \$68,872 is reflected as Other Premium Pay on page 347.

2. There was a \$101,101 total increase in the Liquor Control Administration appropriation for FY 2019 (Budget Details page 9-5, index code 913012B). You are requesting the same \$441,544 appropriation for FY 2020, which includes the \$101,101 increase from FY 2019. Please clarify why you still need the \$101,101 increase that you received last fiscal year. (KK)

There was no increase in the appropriation for FY 2019 for 913012B.

The difference is between FY 2018 actual and FY 2019 Adopted.

The Department needs to Budget based on the current needs to at least maintain the current level of services and meet the Department's responsibilities as set forth in Hawaii Revised Statutes and Rules of the Liquor Commission.

3. In correspondence dated February 25, 2019, to the Council's Governance, Ethics, and Transparency Committee, you noted that "carryover savings are returned to the licensees, not the County's General Fund."

- a. Explain how carryover savings are returned to licensees.

The carryover savings are returned to licensees pursuant to Section 08-101-50 (d) of the Rules of the Liquor Commission, County of Maui, which states in part:

“(d) Percentage fee.

- (1) Licensees in classes 2(A), (B) and (C), 4(A) and (B), 5(A), (B) and (C), 6, 9, 11, 12, 13, 14, 15, 16, 18, and temporary license, as defined in subsection (b) of this section, shall be subject to the basic fee plus a percentage fee. Licensees in class 1 (other than a class 1 manufacturer, whose wine is manufactured from fruits grown in the State), and class 3, as defined in subsection (b) of this section, shall be subject to basic fee plus the percentage fee of retail liquor sales to any person for private use and consumption. Licensees in class 9, as defined in subsection (b) of this section, shall be subject to basic fee plus percentage fee of four times the total amount of liquor purchased from class 1 manufacturers' licensee, class 3 wholesale dealers' licensee, class 14 brewpub licensee, class 16 winery licensee, and class 18 small craft producer pub licensee. Licensee shall report the retail value of any complimentary drinks or donated liquor, or both, in their annual gross sales report.

- (2) The percentage fee for each current fiscal year shall be based upon the following formula, which shall establish the percentage to be applied to the gross sales or four times the total amount of liquor purchased of each licensee:

$$\frac{EE - BF - C}{EGS} = \text{Percentage}$$

EE = Estimated Expenditures (current fiscal year)

BF = Basic Fees (current fiscal year)

C = Carryover (prior fiscal year)

(Carryover in excess of twenty per cent as provided in section 281-17.5, HRS)

EGS= Estimated Gross Sales (prior fiscal year)”

- b. Is there any instance in which carryover savings would not be returned to licensees? (MM)

Hawaii Revised Statutes mandates that carryover savings be returned to licensees, and therefore, unless state law is changed, carryover savings will always be returned.

4. In the correspondence referenced above, you also noted that “three of the vacancies are on hold to be used in the “Departmental reorganizational proposal.”

- a. Provide more detail on the Department’s proposed reorganization.

The proposed reorganization is currently being reviewed by the Department of Management and may still be amended. Once reviewed and approved to be consistent with other County Departments, Collective Bargaining Agreements, etc., a final proposal will be presented.

- b. Provide any detail on how the reorganization will enhance the operation of the Department and customer service. (MM)

The reorganization will enhance the operations of the Department and its customer service to include, but not limited to, increasing the efficiency and effectiveness of the Administrative Services Division by addressing and providing the necessary supervision needed due to the elimination of the Chief Liquor Control Officer position by Council. It will also provide the additional staffing within the licensing and permit section based on the feedback by applicants, licensees, legal counsel representing licensees,

etc. Most importantly, it will prevent the closure of the front counter cashiering and other services due to the shortage of personnel who are able to comply with the increased accounting and cashiering requirements by the County.

5. Provide the number of case reports that are generated and the number of premises inspected for FY 2018 and FY 2019 to date. Additionally, please provide the results of the tracking effort to determine if there are licensee compliance, inadequate training, or employee performance issues. (MM)

For FY 2018: 11,868 inspections were completed resulting in 397 on-premise case reports.

For FY 2019 through 2<sup>nd</sup> quarter: 3,206 inspections were completed resulting in 216 on-premise case reports.

Based on the Audit Report recommendations and because there has been a significant decrease in the amount of inspections and case reports over the past 7 years, the Department has completed consultation requirements with the Union and has updated the Departmental Orders and Operations, Policies and Procedures to clearly define the scope of enforcement inspections.

Currently, the Department is requiring that the Liquor Control Officers be retrained by the LCO IV.

Sincerely,



Glenn Mukai, Director  
Department of Liquor Control

GM/gcrt