ECONOMIC DEVELOPMENT AND BUDGET COMMITTEE
Council of the County of Maui

MINUTES

February 28, 2019

Council Chamber

CONVENE: 9:02 a.m.

PRESENT: Councilmember Keani N.W. Rawlins-Fernandez, Chair
Councilmember Kelly T. King, Vice-Chair (in 9:52 a.m.; out 12:02 p.m.)
Councilmember Riki Hokama, Member (out 12:02 p.m.)
Councilmember Tasha Kama, Member
Councilmember Alice L. Lee, Member
Councilmember Michael J. Molina, Member
Councilmember Tamara Paltin, Member
Councilmember Shane M. Sinenci, Member
Councilmember Yuki Lei K. Sugimura, Member

STAFF: Leslee Matthews, Legislative Analyst
Clarita Balala, Substitute Committee Secretary

Zhantell Lindo, Council Aide, Molokai Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)
Mavis Oliveira-Medeiros, Council Aide, Hana Council Office (via telephone conference bridge)

Don Atay, Executive Assistant to Councilmember Shane M. Sinenci

ADMIN.: Erin Wade, Planner, Department of Management
Michele Yoshimura, Budget Director, Office of the Mayor
Marc Takamori, Director, Department of Transportation
Michael Du Pont, Deputy Director, Department of Transportation
Glenn Mukai, Director, Department of Liquor
Georgette Tyau, Deputy Director, Department of Liquor
Jeffrey Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Brian Hauser, Advocacy Coordinator, Aloha Independent Living Hawaii
Paul George, Retirement Claims Examiners, Employees' Retirement System
Emalu-Hina Cleveland, Retirement Claims Examiners, Employees' Retirement System
Others (3)

Derek Mizuno, Administrator, Employer Union Health Benefits Trust Fund

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Thomas Williams, Executive Director, Employees' Retirement System of the State of Hawaii
Susie Thieman, Executive Director, Lokahi Pacific
Debra Cabebe, Chief Executive Officer, Maui Economic Opportunity, Inc.

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

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Aloha, kakahiaka kakou.

COUNCILMEMBERS: Aloha.

COUNCILMEMBER LEE: You, too.

CHAIR RAWLINS-FERNANDEZ: `Elua minuke i ka hala o ka hola `eiwa keia ma iwakalua maka `ewalu o Pepeluali ka makahiki `elua kaukani umikamaeiwa. E `olu`olu mai, e ho`omalu e ke Komike Ho`omohala Waiwai me Mo`ohelu Kala. `O wau ka Iku Ha`i o keia komike, Keani Rawlins-Fernandez. I keia la, me ko kakou, Member Shane Sinenci.

COUNCILMEMBER SINENCI: Aloha kakahiaka.

CHAIR RAWLINS-FERNANDEZ: Aloha. Member Mike Molina.

COUNCILMEMBER MOLINA: Aloha kakahiaka.

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. Member Alice Lee.

COUNCILMEMBER LEE: Good morning, Chair.

CHAIR RAWLINS-FERNANDEZ: Good morning. Member Tamara Paltin.

COUNCILMEMBER PALTIN: Aloha kakahiaka, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. Member Yuki Lei Sugimura.

COUNCILMEMBER SUGIMURA: Good morning. Can I ask something? Can you translate what you just said in Hawaiian?

CHAIR RAWLINS-FERNANDEZ: I will.

COUNCILMEMBER SUGIMURA: Just because of us --

CHAIR RAWLINS-FERNANDEZ: The record.

COUNCILMEMBER SUGIMURA: --non-speaking. Thank you.

CHAIR RAWLINS-FERNANDEZ: Member Tasha Kama.

COUNCILMEMBER KAMA: Aloha kakahiaka oukou.

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. Member Riki Hokama.

COUNCILMEMBER HOKAMA: Chairman.

CHAIR RAWLINS-FERNANDEZ: Aloha. It is nine o'clock...I'm sorry, 9:02 when I gaveled in this morning on February 28th. We have quorum this morning so we can get this meeting started. Council Chair and Committee Vice-Chair Kelly King will be joining us momentarily. Okay. Also, with us from the Administration, let's see...oh okay, Director of Transportation Marc Takamori. Director of...oh no, he's not here yet. Budget Director Michele Yoshimura. From Corporation Counsel, Jeff Ueoka.

MR. UEOKA: Good morning, Chair.

CHAIR RAWLINS-FERNANDEZ: Good morning. Committee Staff, Leslee Matthews --

MS. MATTHEWS: Aloha.

CHAIR RAWLINS-FERNANDEZ: --and Clarita Balala. District Staff, Zhantell Lindo at the Molokai District Office; Mavis Oliveira-Medeiros at the Hana Office, and Denise Fernandez at the Lanai Office. Members, we have eight [*sic*] items relating to amendments to the Fiscal Year 2019 Budget on today's agenda. EDB-187, Amending the Fiscal Year 2019 Budget: Department of Management; EDB-22, Amending the Fiscal Year 2019 Budget: Department of Transportation; EDB-156(2), Amendments to the Fiscal Year 2019 Budget to Authorize Transfers Relating to Categories...within the [*sic*] Program or Department; EDB-24(9), Presentations or [*sic*] Other Post-Employment Benefits. Without objection, I would like to take up EDB-24(9) first.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Thank you, Members. Let's begin with public testimony. Testimony will be limited to items on the agenda. To testify, please sign up with Staff in the lobby or District Office. Testimony is limited to three minutes and upon request, up to one minute to conclude. If you're still testifying beyond that time, I will kindly ask you to complete your testimony. When testifying, please state your name and who you are representing. Please also indicate if you are a paid lobbyist. And I forgot to ask everyone to please silence your phones or noisemaking devices. Let's see, okay, so let's first check in with our District Office...Offices. Ms. Oliveira-Medeiros, will you please call your first testifier?

. . .BEGIN PUBLIC TESTIMONY. . .

MS. OLIVEIRA-MEDEIROS: Aloha kakahiaka, Chair. This is Mavis Oliveira-Medeiros from the Hana Office and there is no one here waiting to testify.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Ms. Fernandez, will you please call your first testifier?

MS. FERNANDEZ: Good morning, Chair. This is Denise Fernandez at the Lanai Office and there is no one waiting to testify.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Ms. Lindo, will you please call your first testifier?

MS. LINDO: Aloha, Chair. This is Zhan Lindo at the Molokai District Office, there is no one here to testify.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Ms. Matthews, will you please call our first testifier here in the Chamber?

MS. MATTHEWS: Yes, Madam Chair. Our first testifier signed up is Mr. Brian Hauser testifying on behalf of Aloha Independent Living Hawaii on EDB-22.

MR. HAUSER: Aloha, good morning, Chair --

CHAIR RAWLINS-FERNANDEZ: Aloha.

MR. HAUSER: --and good morning, Councilmembers. I feel a little bit unprepared but I've testified previously about the monthly Paratransit bus fares and I'm...besides our, you know, representing our agency and people with disabilities who are our clients, I'm also here on behalf of the Maui Disability Alliance. And this is a topic that we've met with many Councilmembers already. We had meetings with Councilmember Lee, Councilmember Molina, Councilmember Sinenci, and Councilmember Sugimura. I think that's who we met with. I mean I think that that's all the people that we met with so far. So, the thing is that, you know, the monthly bus pass really affects the most vulnerable population of people who are people with significant disabilities who are unable to travel, you know, without that Paratransit system who are under age 65. So, it's a small number of people but it's people who are, you know, very adversely affected by not having a monthly bus pass. So, what happens is that, you know, instead of...and having to pay each fare of $4 per ride rather than having a monthly bus pass really because of the limited budget that many of these individuals have, really makes, it makes them make a choice of whether they go out and, you know, whether our community members with disabilities are able to come out and participate in the community. And those are, you know, people with all types of disabilities, you know, IDD, intellectual developmental disabilities, physical disabilities. So, that's my testimony. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Members, do you have any questions to clarify? Oh, Member Kama?

COUNCILMEMBER KAMA: Yes, just a couple. So, you're saying that you pay...people under 65 years of age pay a different price than those who are over 65?

MR. HAUSER: That's correct.

COUNCILMEMBER KAMA: So, what is it that you do pay if you don't mind here me asking?

MR. HAUSER: So, I'm pretty sure that they pay ride $4 per...no, $2 per ride. I'm sorry.

COUNCILMEMBER KAMA: So, it's $2 one way?

MR. HAUSER: Two dollars one way, so right.

COUNCILMEMBER KAMA: Was there ever a monthly bus pass for those in the previous years?

MR. HAUSER: Yes, there was a monthly bus pass and it was something that the Mayor put in his budget, the previous Mayor put in his budget last year, but then the Council took that out of the budget. Since then, MEO has obtained a temporary solution for that, but we're looking, you know, for, you know, that to be reinstated by the Council.

COUNCILMEMBER KAMA: How much was the bus pass?

MR. HAUSER: The monthly bus pass I believe was...the...it was $50? No.

IDENTIFIED SPEAKER: Forty-five.

MR. HAUSER: Forty-five dollars, I'm sorry.

COUNCILMEMBER KAMA: Thank you, Madam Chair.

MR. HAUSER: See, I was underprepared.

COUNCILMEMBER KAMA: Thank you for coming.

MR. HAUSER: Okay.

CHAIR RAWLINS-FERNANDEZ: Any other questions, Members? Member Sinenci?

COUNCILMEMBER SINENCI: Yeah, just...thank you, Chair. Just a question, clarification, so you're asking that the, for the ADA community have a monthly bypass [*sic*] --

MR. HAUSER: That's right.

COUNCILMEMBER SINENCI: --versus paying per day?

MR. HAUSER: Per ride, that's correct.

COUNCILMEMBER SINENCI: And so the County could supply that in the budget?

MR. HAUSER: That's correct.

COUNCILMEMBER SINENCI: Thank you.

MR. HAUSER: Thank you, Councilmember Sinenci.

CHAIR RAWLINS-FERNANDEZ: Any other questions? Okay, thank you so much for your testimony.

MR. HAUSER: Okay, thank you.

CHAIR RAWLINS-FERNANDEZ: Ms. Matthews, will you call up our next testifier please?

MS. MATTHEWS: Madam Chair, we have one more person signing up to testify.

CHAIR RAWLINS-FERNANDEZ: Okay. Is she making her way down? Okay.

MS. MATTHEWS: Madam Chair, we have Debbie Cabebe on behalf of MEO coming to testify on EDB-22.

MS. CABEBE: Good morning, Chair.

CHAIR RAWLINS-FERNANDEZ: Good morning.

MS. CABEBE: Good morning, Members. I'm Debbie Cabebe, I'm the CEO of MEO. I wasn't planning on testifying this morning, but given the testimony, I thought there was some need for clarification. So, the monthly pass, the general pass is $45. It's...was 45, it is currently 45. During the last Budget Session, the discounted pass for persons with disabilities was eliminated due to cost savings. Typically, throughout the nation, Paratransit does not offer passes on the Paratransit system because it is much higher to operate Paratransit than it is the fixed route. We looked at how many riders...worked with Council, looked at how many riders were using the monthly pass for persons with disabilities, and it ranged I want to say as high as maybe 45 passes purchased in a month to as low as maybe ten. What we were concerned about as a human service organization, a community action program at MEO was the disabled riders that were low income that were going to be impacted. So, we worked with our Federal funding, Community Service Block Grant, and we retained...obtained approval through the State OCS Office who manages our grant to offer a subsidy assistance for those low-income disabled riders. So, anybody that is at 125 percent or below the Federal poverty level, we offered them a subsidy. So basically, they can buy a daily pass for $4 or they can buy a single pass for $2, and once they exceed the, what they normally would have paid $45, the Federal money is used to subsidize the balance. And that's about 15 individuals that qualified under that program, so out of the high...as high as 45 that we were selling previously, only about 15 of them actually qualified for the discount, yeah, for the subsidy. I think one of the challenges is that there's a senior pass that's offered and there's not a disabled pass, and I think for, you know, speaking for the disabled community, we're active with the Maui Disability Alliance and some other, you know, Persons with Disability Commission, we have a Paratransit advisory commission. I think the issue is why do we offer a discount pass for seniors and not for disabled? Because a discount pass for seniors is not attached to any income criteria. So, I think that's where the conversation probably has to begin, and I'm not saying what's right or wrong but I think that's part of the conversation. And I'm not advocating for discontinuing passes for anybody, but I do know that from a budget standpoint, it's extremely expensive and I'm sure when Mr. Takamori speaks to you later on, he can talk about the cost of operating the system versus operating a fixed route. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Members, do you have any questions for our testifier? Member Kama?

COUNCILMEMBER KAMA: Thank you, Chair. So, why is it that the income for seniors is discounted but the income for disabled is not?

MS. CABEBE: No, ma'am, I'm sorry. To clarify, the seniors, there's no...there's a senior pass that's available right now through the County program through your rates and fees that was approved, it's a pass, it's approved, there's no income guidelines attached to that. When the disabled pass was discontinued, I received calls from some of the disabled riders and some of their advocates saying that they were concerned that before they were paying $45 and based on the amount of usage that their rider...their cost would go up to about $130. So, we looked for money that is outside of the County money as part of being a community action agency in Maui County and we subsidized some rides for them. So, basically the program is getting paid as if they were riding...whatever the cost of ridership is, the County's getting reimbursed for that, but the money is coming from someplace else. I don't have the resources to offer subsidies for the whole system, and we were trying to find a stop-gap solution to help those in need. But as I said, only about 15 people actually qualified out of the, you know, maybe as high as 45 that actually use passes.

COUNCILMEMBER KAMA: Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. So, I was wondering if you knew the senior bus pass monthly fee?

MS. CABEBE: I'm sorry, I didn't hear your question.

COUNCILMEMBER PALTIN: Oh, the monthly pass dollar amount for the seniors?

MS. CABEBE: I believe it's $30. No? Oh, 45 for the seniors? Okay. Sorry, 45.

COUNCILMEMBER PALTIN: And is, do the regular riders, can they get a monthly pass?

MS. CABEBE: No.

COUNCILMEMBER PALTIN: Oh. So, would you be advocating for a senior and ADA to get monthly passes based on their income levels or...

MS. CABEBE: You know I don't want to advocate for anything right now, I'd rather speak with the people involved before I make a statement.

COUNCILMEMBER PALTIN: Okay, thanks.

MS. CABEBE: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Any other questions, Members? Okay, thank you, Ms. Cabebe.

MS. CABEBE: Thank you.

MS. MATTHEWS: Madam Chair, we have no more testifiers signed up in the Chamber, and I've not received notification of any other testifiers at the District Office.

CHAIR RAWLINS-FERNANDEZ: Okay. So, last chance, anyone else wanting to testify? Okay, seeing none, if there are no objections, I will now close public testimony.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Mahalo.

. . .END OF PUBLIC TESTIMONY. . .

ITEM 24(9): PRESENTATIONS ON OTHER POST-EMPLOYMENT BENEFITS (RULE 7(B))

CHAIR RAWLINS-FERNANDEZ: Okay. Members, we have a presentation from Derek Mizuno, the Administrator of Employer Union Health Benefits Trust Fund Administration, and Thomas Williams, the Executive Director of the Employees' Retirement System of the State of Hawaii on OPEB. Mr. Mizuno and Mr. Williams are experts on OPEB and officials with responsibilities for OPEB-related matters; therefore, without objections I will designate them as resource persons pursuant to Rule 18(A) of the Rules of Council.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Okay, we're going to have Mr. Williams start with his presentation on the ERS.

MR. WILLIAMS: Aloha, Chair, Members of the Council. I'm Tom Williams, the Executive Director of the Employees' Retirement System, and as has been indicated, I'm joined by Derek Mizuno who heads up the Employer Union Healthcare Trust Fund. I would like before I begin to recognize a couple of folks who are in the audience. Emalu-Hina and Paul George, they're with the ERS, they're local representatives and they also serve as liaisons for the healthcare trust fund as well, because they don't have specific staffing here but we support the healthcare plan in that regard. For Derek and myself, I think this is becoming somewhat of an annual tradition. We've been here over the last several years and we take it very seriously our responsibility to update you on the status of our programs, the retirement program and the healthcare fund for a couple of reasons. You deserve and need to know the details about these programs and how they're operating and what the forecast looks like, but they're so significant to your membership, to your employees and to you as well because I think you are participants in these programs. And they're also important because of the budgetary impacts that they impose on your organizations, yours and the other counties and across the State. And what we hope to do is to provide you sort of a snapshot. It's not quite a movie reel but every year a new frame is added to it. We want to give you that snapshot and most importantly I think answer any questions that you might have. This is what the sort of scripted plan is but I would offer that we don't have to adhere to this. I think it'll be helpful if we hit most of the points here. But I want to encourage that if something we don't touch in the context of the formal presentation, you feel encouraged and free to pose those questions. Membership, we're going to talk about contributions and break out those that relate to Maui in particular. Funding, vestment returns, legislation, and questions, but again, questions will be entertained at the Chair's prerogative. Just a little bit of background just to remind you all about some of the details of the program. Our plan covers now just over almost 142,000 members and that's significant because I think that's about 10 percent or maybe a little bit more of the entire population of the State of Hawaii, about 1.4 million. We've got 66,000 active employees, 48,000 retirees and beneficiaries, and of course there is about 27,000 individuals who have worked in the State or in the counties or in the City of Honolulu, who have monies accrued with the retirement system, some of whom have vested, some have not, but they have assets and benefits available to them through the system. In and of themselves these numbers are not so significant but what it shows us in part is that we have a fairly mature plan, that we have a significant relationship, a ratio of actives to retirees. And interestingly you'll see later that we've got a, sort of a $20,000 differ...20,000 person differential there. The more retirees you have, obviously the more benefits you're paying out, the more pressure it puts on your assets and then your investment program and the like. So, and what we'll see later is that we've got a significant number of your current workers who are eligible to retire today because they have years of service and age sufficient to do so. This is the ERS membership. We broke it down earlier but it shows that it's grown fairly dramatically or gradually, however you want to view it, from 2005 through 2018. It was about 101,000 people in 2005, we've got 141,000 members now. That's about a 40 percent increase over that period, 13-year period. Fairly substantial I would add. Next, we're looking at the retirees and as I've suggested to you, they've grown fairly substantially as well. There were 33,000 of those back in 2005 and a little over

48,000 today and that's about a 46 percent increase. So, the retiree population is growing a little bit more rapidly than the active employees. We pay out, at least in 2018, we paid out $1.4 billion in benefits, and we expect that to increase to about 3½ billion in 30 years. That contrasts to about a billion dollars in contributions that we receive. So, we're a mature plan, we pay out more in contributions than we get. We pay out more in benefits than we receive in contributions, but investment earnings makes up the difference so that we're not in a negative cash flow circumstance. The annual pension average is about $28,000. There's a significant range dependent upon the plan you're in and what your earnings levels are. Obviously, people with shorter service and lower salaries get less, and some with significant service and high salaries get substantially more. I think we have some pensions that average over 112,000 a year, not many of those, but this is the average for the entire population. And I think I want to stress here that the active employees, 14,000--I've said that earlier--are eligible to retire today, and that puts the contributions at risk because when they retire, they make no further contributions and it impacts the investment program because we're paying out significantly more in benefits and that requires a different liquidity profile and the like. A little bit about the assets of the plan. As of the end of the fiscal year June 30th of 2018, we had $16.6 billion in assets. We had a return of 7.9 percent and that compares to an assumed return rate of 7 percent so we're pretty much on target, a little bit better. In terms of historic returns on our portfolio, this is a chart that shows, with the blue line is the 7 percent. That's what we assume we're going to earn each year, but as you can see with the red columns there that seldom are we actually on point. There's significant volatility year to year, but it averages over time something approximate to what we've assumed. As you can see for the five years, we average about 8.2 percent return on our investments. Ten years, we fell a little shy of the 7 percent at 6.2, and then for 15 years, we're at 7.4 percent average return. We are in the midst of performing an asset liability study which looks at and forecasts what our returns are going to be for the next five or ten years based on capital markets assumptions. That's in the process of being completed as we speak, and I think it's going to confirm for us that the 7 percent assumption is, continues to be reasonable; although, we think it's going to be challenging to receive in the near term. As you have experienced, in December, there was significant market volatility, negative returns. It was one of the worst months in a couple of decades. January turned out to be out one of the best months in a couple of decades so the losses that we have experienced they've largely been recovered, but there's still a long ways to go to get to a positive 7 percent and we'd like that every year, we shoot for it every year, but as you can see from the charts, there's significant variability in the market's capacity to deliver it and our ability to achieve it. Funded status, as you can see here that the liabilities and this is the liabilities that have accrued for every active member, this is for all of the retirees. The liability for those folks are pretty much set, but the liability for active workers increase with each year of service and as your salaries grow and the like. So, but the total of the obligations, the debts that we owe is about $30 billion, and we have assets as I mentioned earlier, this was the smooth value, $16½ billion, it was 6.6...16.6 on the market value. But that leaves an unfunded gap of about $13.4 billion and that's fairly substantial, and in prior presentations discussed why that gap exists. I think you all know that for a period of years, the Legislature had diverted monies away from the ERS and to the tune of about $1.6 billion, and I think had that not happened, we'd be closer to full funding now. One of the things that's distinct about the ERS versus the EUTF is that the ERS is a cost-sharing plan and that the assets and the liabilities are shared across all of the member and employer basis, they're not segregated out for any particular employer. And I think the way the EUTF is structured that they'll be able to talk about your liabilities distinct from the liabilities of the other members of the group. We have a funding period, that's the period to so-called full funding when we'll be 100 percent funded, we'll have no debts owed is 25 years. Actuarially I think the standard in the industry is to pursue 30 years or less. Some attempt to achieve a static constant 30-year funding horizon, best practice would have that amortized down to zero over time and that's the direction that we're headed in. So, each year we hope that the funding period will reduce by one as it did this most recent year. Funded ratio, the ratio of assets to liabilities, currently 55.5 percent. It's, you know, it's going up, going up ever so gradually, but you should know that amongst the public pension funds across the nation, we're in the bottom quartile in terms of funded status. But, you know, it's not so much where you're at, it has...your prospects relate more to where you're going, what are the contributions going forward, what kind of investments you're going to earn. So, if you're at 55 percent and declining, not good; 55 and going up with a plan, much, much better. Each year we do an actuarial evaluation, both of programs do that to determine the adequacy of contributions and to create that snapshot. This slide attempts to show where we were in 2017, what we expected to be based on the assumptions in 2018 and what we actually realized. From the perspective of this unfunded actuarial accrued liability, we, we're at 12.93 billion, we thought we'd get to 13.3 and we were pretty close at 13.4. The funded ratio performed pretty much as expected. We were expecting to get 55.1 or 55.2 funding period consistent 25 years. It went down from 26 in '17. Moving on to the next slide, these programs, pension plans are built on assumptions that get reviewed on an annual basis and they get trued up, if you will, to reflect actual results. So, but we don't know obviously what's going to happen prospectively but we have to make some sophisticated guesses. So, we try to forecast investment return, life expectancy, payroll growth, and all the factors that are listed here. And this for the most part is just attempting to illustrate those assumptions that have the largest impact. For example, investment return overwhelmingly outweighs things like how long people work, termination behavior or retirement behavior, whether they retired this year or defer. Life expectancy is the second most impactful measure, and in Hawaii I think you know that on average the life expectancy across the State is the highest in the entire nation. Payroll growth, that's the growth in the member population, is it steady or is it growing, that is a big factor as well as individual salary increases which we'll talk about in a little more detail. I mentioned mortality improvements and the good circumstance as it relates to Hawaii, this was just an illustration of over a ten-year period how life expectancy has expanded. And this is an illustration for males. If we were to illustrate and we can, illustrate the life expectancy enhancements, improvements for females, they're even greater than this, so, the younger our membership the bigger the improvements. And so this chart shows that for teachers, general employees, and police and fire, you'll see the teachers have the longest life expectancy, general employees right behind, and then of course police and fire. But across the board they're experiencing improvements in longevity. That's great for them and it's a challenge for us because we talked about average benefits and it just means we have to plan for and fund for those benefits to be paid for longer periods. I mentioned salary as one of the big, one of the primary determinants of what our cost is, our funding, our unfunded liability, and the like. And this shows for police and fire, teachers, and general employees, the level of salary increases they've occurred [*sic*] since 2009 through 2018. And you can see their substantial variability. I think the years in which you see some negative growth relates to years in which there weren't really negative...we didn't get zero money or lose money in those years in terms of contributions, but the zero is the expected payroll we are going to get. And if it goes up above...and I think the ones that are negative relate to years of furloughs when people were furloughed for a period of time and they didn't get paid and so it meant we got less money than we had forecast. But if you could focus on the upper-right chart, this just shows you for example what we assume and what occurred in fact and how it impacts the benefits and the unfunded liabilities. Looking at general employees, we assume that their benefits are going to go up on, about 3½ percent a year and that's just not across the board. It means that for every factor, for promotions, for step increases, a whole variety of things. I think differentials related to shifts, all of those things get factored into what we think the increase is going to be annually. So, for general employees we assumed there was going to be about 3½ percent, the actual was about 2.8 percent. The actual average was 2.8 so it went down for 2018, but if you look at over the last three years, it was averaging 4.2 percent and that's about 20 percent higher than the, we had assumed. Similarly, for teachers, we assumed they were going to have increases in 2018 of 3¾ percent, it actual was 2.8 percent. But again over the three-year period, it was 4.1 percent and that's about 9 percent above our assumption. And significantly for police and fire, we assumed 5 percent, the actual was 5.8 percent. The average over the last three years was 7.4 percent and that's actually 48 percent higher than our assumption. So, those increases do directly impact the benefits that are payable and the liabilities that we incur. I think it's important to also recognize that the employees contribute substantially to these programs. This is sort of a lot of numbers here but it's divided between July...well, pre-reform which occurred in July 1 of 2012. These are the employee contribution rates for the different classes of employees. Most people are in the general employee contributory group and since June 30 of 2012, they're contributing 8 percent. But you can see for judges and for police and fire different contributions. The majority of the contributions are made of course by the counties, by the employers. Back in 2017, we proposed and got contribution rate increases, employer rate increases to amortize the unfunded liability, and that's why it's going down over the 25-year forecast period. We're now right in the middle of this where it says effective date is July 1 of 2018. We're at the rates of 31 percent, police and fire and 19 percent for general employees, but as you can see, that that's going to go up over the next couple of years. So, from the start back in July of 2016 to when it's fully implemented, I think there's about a 64 percent increase in police and fire rates and for general employees about a 41 percent increase over the full timeframe. So, 36 million, there are almost $37 million contributed by employers, the County of Maui in 2018, and that compares to 847 million by employers Statewide. So, that's, that 37 million is of course your component of this. This slide attempts to show the impact of the new benefit tiers. As I think most of you know and I know we have some new Members, but in 2012 there was a new tier of benefits added that lowered the multiplier. It reduced the benefits for new hires in large measure by a number of different ways, and so this chart illustrates retirees, inactive vested, previous plans, and the post...right through the post '12 hires and have stacked them that way. And so the red lines or segments of the chart, the bar chart represent the after July 1 of 2012 hires, and you can see they're a pretty significant piece of the population. I think it represents as illustrated here about 33 percent of the membership. But when you go to the next page, this shows the liabilities by these same groups and the red is very minimal there. So, the new hires while they're 33 percent of the population, they're less than 6 percent of the liabilities. The liabilities really relate to the prior to July 2012 hires because those individuals their benefits were not changed. I think you know there're constitutional guarantees that do not allow you to reduce benefits that have already been accrued for services that are already earned. You can as we understand it alter benefits even for existing employees, pre-hires going forward. But the benefits for that earlier group remains static and they were lowered for the new group of employees. And so the new group is helping to amortize that unfunded liability over time, but they'll have a greater impact and larger their presence in the plan becomes. These are your contributions forecast over the period from the current fiscal year through 2022, and again as you can see there, this year forecasted to be about 41 million, going up to 49 in '19 and 57 in 2020 and 59 in 2021. And I can appreciate the challenge that that represents in terms of your budgets, but there are a lot of reasons why we have to consistently fund this program because if you don't, what's going to happen, it affects other aspects of the State's and the County's funding. The rating agencies look at your funding status as it relates to these OPEB benefits, and if you don't have a plan to pay them that's demonstrable, you...they lower your ratings and when they lower your ratings you have higher borrowing costs. So, while you may...if you don't make the contributions, you seem to save it in one side, but you'll pay for it at even sometimes a higher cost on the other side. So, it's important the message that we, both Derek and I send that it's important to maintain the funding discipline that we're...that has been agreed to. One of the concerns and impacts on our program is so-called pension spiking, and there's an act, Act 153 that was introduced that passed in 2012, that allows the ERS to charge the employers for the excess benefits that their employees earn oftentimes in those last few years just prior to retirement. This tends to occur most often in the police and fire categories. It can occur in others but it occurs most often at least in our experience there. And as you can see, for Fiscal Year 2014, you paid about $1.2 million in these additional contributions to offset the spiking charges. And in Fiscal Year 2018, one point almost nine million dollars in additional contributions for pension spiking. And I know that there are...that this is an area of focus and that you're attempting to manage that and control those added costs. A projection of our funded ratio, it just...this shows that begin in 2017, we were at, you know, 54 percent funded, but in 2043, actually we'll be at 100 percent funded. This looks at two different valuations but it shows pretty much that we're on track. This particular slide shows the sensitivity to investment returns. So, the line to the far left is if we get the 7 percent. The middle line is if we only earned 6 percent, and then the far, the green line is if we only earn 5 percent. This shows we'll get the full funding but it takes a lot more years to do it, and each year represents additional billions of dollars in contributions by both employers and employees. It's hard to know exactly what'll happen next year, but we developed this slide to give you a sense of what impact the investment return might have and this is made relevant because of the volatility we experienced in December. And what this shows you that for...if we get the 7 percent, this is the left column under market return, we get the 7 percent, we think our unfunded liability is going to be 13.7 billion and we'll go up to 55 percent, almost 56 percent funded ratio. Let me say that the liabilities are going to go up for the next few years regardless of these increased contributions. They're going to go up until 2023, they'll level off and then they'll begin to trend down, and to 2043 when they'll be eliminated in its entirety. But if we only earn 2 percent this year, as of June 30th it shows you what the liabilities would be. Unfunded 14, funded ratios would change a little bit, two-tenths of a percent, and it shows zero and even negative returns. It shows that the one-year results don't have a big impact on our funded level. We stay...even if the...at zero, we would stay at 25 or 27 years funded. We're well within the 30 years that the statute requires, but obviously we can't forecast with any precision which one of these we'll get this year, but we think our long-term forecasts are more reliable. Each year we're required by the Legislature to perform a stress test, and that test is an attempt to illustrate how the fund would perform in adverse economic environments. We show first what the fund would do if we get our numbers, what happens if we were to fall short of those numbers by 2 percent a year. So, rather than earning 7 percent we earn 5 percent. What happens if we have a significant decline in the market, say 20 percent decline followed by 20 years of lower rates. And the stress test shows that our plan is sustainable. It'll cost a lot more if we have those kinds of returns, but we don't find ourselves in an amortization environment where we would be moving toward bankruptcy. So, these are one of tests that the rating agencies and legislatures around the country are now requiring in order to assure that the plan is sustainable. Because if you run these tests and it shows that under near-term scenarios, you're likely to run out of money then, you know, that causes another set of deliberations. So, again, this shows that our system is sustainable in a low-return environment. The date for achieving full funding would extend and of course the cost would extend as well. We don't have much in the context of Legislative activity this year that we've introduced. There's a bill to help us recover overpayments. The majority of overpayments that we make are related to members who have passed away. It's about 100 or $200,000 a year. They pass away and we don't get notified, the beneficiaries tend to sometimes continue to cash the checks, and we go and try and get those monies back. If we made an overpayment to an active member, we can reduce it from their benefit checks. We work with them to assure it's something that we can recover over their lifetimes and it doesn't impose an undue hardship. But for deceased members, there's nowhere to recover that but from their estates or from the beneficiaries, and so we don't have any specific capacity to do that, and the legislation that we proposed would strengthen our capacity to characterize these overpayments as debts owed to the ERS and allow us to recover those legally. Every year, there's legislation that we don't introduce but others do that impact our program. There's one that is called felony forfeiture and it would require that if...or allow a court to decree the forfeiture of retirement benefits to the extent the individual was convicted of a felony related to their work. So, if they're working for the State or the counties and they engaged in some behaviors that was felonious, a misappropriation of funds, the court could mandate some loss of those benefits, all or a portion thereof. The program or the statute...not statute, the proposal would protect the beneficiaries of those individuals so that the families wouldn't necessarily be hurt. This Legislative approval of State agencies creating corporate entities, I think that was intended to prevent certain fraudulent transfers of money. I think the intent is good. We opposed it because the ERS creates corporate entities as a matter of course all the time in the context of our investment program. We have limited liability corporations, general partnerships, and the like. And so the proposal as going forward would exclude the ERS, but as initially drafted it did not. There is a bill that relates to protecting the confidentiality of the, sort of a deliberative process, as well as a proposal to create a Hawaii private sector savings plan for small employers. So, I've taken quite a bit of time and I want to give Derek an opportunity to present. But he and I will be happy to answer questions perhaps after Derek concludes.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Williams. I'd like to acknowledge that Committee Vice-Chair and Council Chair Kelly King has joined us.

VICE-CHAIR KING: Aloha, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha. Okay.

MR. MIZUNO: Aloha, Chair and Councilmembers.

CHAIR RAWLINS-FERNANDEZ: Aloha.

MR. MIZUNO: Thank you for the opportunity to be here today. My name is Derek Mizuno, I am the EUTF Administrator. And as Tom said, for me I think this is the third time I'm here and I...you guys are actually the only County that invites me. Yeah, Tom is invited to Kauai but I don't know why they don't invite me. I reached out to them, they still don't want me. So, thank you for that. It's always good to be able to come out and share what we're doing at the EUTF and hear any feedback from you guys if...what your concerns are. So, let's get right in. I have about 40 slides so I'm going to go kind of quickly through these. In terms of, you know, the EUTF, we started in '03, we are governed by ten trustees, five employer, five employee. Each group has their own one vote, and so to pass any motion, you would need two votes. So, effectively one side can block the other. We cover almost 192 members, you know, employees, retirees, as well as their dependents. And the board is responsible for designing the health benefit plans, procuring vendors like HMSA and Kaiser to provide the benefits, as well as negotiating the premiums. In terms of how we fund our plans, there's different methods that, you know, states and counties do across the nation. On the far left, the fully insured is more like your car insurance where we would negotiate a premium with Kaiser. We would pay that every month. If claims are higher than the premium, Kaiser will eat the loss. If there's a surplus and claims are lower than premiums, Kaiser gets the surplus. Okay. On the far right, the total opposite of that is for our drug plans. We self-insure so we have a benefits consultant that will help the board determine what a premium should be to charge the membership and we'll collect that. If claims are higher than the premiums, the plan will eat the loss. If there's a surplus, the surplus will stay with the plan. In the middle it's kind of a hybrid where we'll negotiate the premium, if there's a surplus at the end of the year, we'll get that back from HMSA, but if it's a loss that loss stays with HMSA. The downside on this is we pay a slight charge to have that insurance. As well there's an ACA insurer fee that's tacked on. Every three years for the medical and drug, we do an RFP. Every four years for dental, vision, and life, we do an RFP as well. When we do the RFP, we also look at whether we're going to self-fund or fully insure the plans. Kaiser it's always going to be fully insured, that's their motto. Before HMSA, the board can self-insure if they wanted to. In terms of the active employee plans, you know, just some things to look at when a member would want to select a plan. You know first is deciding between HMSA and Kaiser. You know Kaiser model is you gotta stay within the Kaiser group. We also look at, you know, premiums, a thing called the maximum out-of-pocket that really caps the members' liability. If there's something tragic that happens and they have a lot of out-of-pocket costs, it caps it at 200 [*sic*] say for single. We also look at the co-insurance, how much a member pays each time they go in for services, as well as if there's a deductible or not. This is our active enrollment as a whole. So, if you look at say the far right, it's the premiums for a member who is just in a self-plan, just themselves, their monthly premium. So, what you can see for 7/1/16, I want to highlight the Kaiser or the HMSA, so H-75/25 plan as compared to the 80/20 plan for HMSA. So, in 2016, 7/1/16, 80/20 plan cost $215 a month whereas the 75/25 cost 142. The board made some changes, they got...renegotiated the premiums down or kept it...actually it went down for HMSA. Going into 7/1/17 we did some, made some changes with the drug plan, the 75/25 premiums came down to $54 per month while the 80/20 went up slightly. And so you can see in an enrollment counts, you know, from 7/1/16 we had about 49 percent of our members, about over 16,000 members in the 80/20 plan and only 5 percent in the 75/25. But go, going to 7/1/17 we saw a lot of people move from the 80/20 to the 75/25 plan so now 7/1/17, 36 percent are in the 80/20, 22 percent are in the 75/25 plan. In 7/1/18 we saw more people move so now a third of our membership is in the 80/20 and almost 30 percent is in the 75/25. And when you're looking at say the K for Kaiser standard and the H-75/25 for HMSA, those are the lower-cost plans, lower benefit. They're really set up for, you know, maybe newer employees who maybe don't work as much and they're, you know, generally healthier so they don't need such an extensive benefit. So, you know, now we have, you know, these really low-cost plans for our members if they want to choose and then that's what we're seeing a lot of going on, people moving to the lower-cost plans. Comparing this to the County of Maui enrollment, so it's a little different. So, if we're looking at the last few columns, 7/1/18 that's the County of Maui, the 2,034 members versus the plan as a whole. We can see that the Kaiser groups are a lot higher, so 20 percent in the Kaiser comprehensive which is the higher benefit, and 28 percent in the Kaiser standard, so almost half of your County of Maui employees are in the Kaiser plans versus 27 percent in the EUTF. I did ask Kaiser once why they thought that, they actually really didn't have a good answer. I think, you know, I think just maybe over time there's more clinics, more people are just kind of built on moving into Kaiser. We'll skip this line. The next slide is on the retirees. Even more so the membership is in HMSA, 85 percent as of 1/1/19 for the Medicare and 86 percent for non-Medicare. When we talk about retirees, you always distinguish between Medicare and non-Medicare. Medicare is generally when people hit 65, they're required to enroll in Medical Part B for, to be in our plans. Comparing that to the Maui group, again we see the difference where there's a lot more people in Kaiser, so almost a third are in Kaiser versus 15 percent for the group as a whole. The cost for the Maui, for Maui County members, so if you look at the bottom, from '17 to '18, the total premiums, both the member as well as the employer share decreased for the active employees. And that's really because of the movement to the 75/25 plan. It's a lower premium so in total lower premiums are being paid. And most of that savings went to the employee because they're paying higher out-of-pocket costs. So, if you look at the employee percentage line from '17 to '18, it went from 37 percent that the employee was paying down to 34 percent. But the County as a whole did save a little bit or actually didn't save, but the increase from year to year was 1.9 percent which has been lower than the past. So, overall that change, having people move to the 75/25 has reduced premiums. The retiree cost, if you look at the bottom the increase, this past year was a 7½ percent increase. It's better in the past years but we wanted...we do want to try and get that number down. And if you look at the retiree cost line, the retirees paid less than 2 percent of the total cost of the premiums. That should be changing over time as retirees are in the different tiers that we'll cover later. Looking at trends, you know, the far right is the national trend. If we look at the 80/20 which has been our most popular plan, just the medical portion alone from 1/1/12 to 7/1/19, it's been growing at about 5 percent annually which is slightly lower than the national trend. What we've been struggling with has been the drug trend. We're at 10.8 percent. The board has made some changes over the past few years. Instead of seeing, you know, double-digit increases year to year the last couple years, one year was a decline by 2.7 percent, this past year was an increase of 2.7, so hopefully we're getting a better handle on the drug trend. This is for the HSTA VB, a separate plan we have. We'll skip that. Retiree premium trend, a little better on the Medicare side, 4.4 percent from 2012 to '19, on the prescription drug over that time period it actually went down. We took advantage of some Medicare subsidies and that's really why we saw...we see the decrease of 1 percent annualized. Some changes for the retirees 1/1/19, the board is trying to add programs that will help our members become healthier. So, the diabetes prevention program was added. A vision change was added for frame allowance. It's $120 previously, for Costco it was only 65, we're now at 120 for everyone. We have a new life insurance carrier, Securian, and the life insurance benefit is decreasing from 2,235 to $1,815 for retirees. In terms of active plan changes coming 7/1/19, I think the big one is the first one is BU12 currently right now since 2007, they've had their own separate premiums, they're generally a healthier group so their claims are lower. So, the board back in 2007, provided them with their own premiums. This current board made a change so come 7/1/19, SHOPO will be back in the group and they'll have the same premiums as everybody else. Because SHOPO is such a small portion, there's only about 2,500 SHOPO members that we have, it's not going to increase the overall premium very much, about 1 percent, but the SHOPO members will have a big increase. Seven one nineteen, it's a new period in terms of the employee contribution for EUTF so it hasn't been set yet. That's part of why the board made it effective 7/1/19 to give SHOPO some time to negotiate a new employer contribution based on this higher premium. So, we're hopeful that agreements can be made before the new rates come into effect, because by collective bargaining we're going...or the employers are going to continue to pay the current employee contribution until there's a new agreement. So, premiums are going to go up but the employer contribution will stay the same until there's an agreement in place. The board also added the diabetes prevention program to some of our HSTA VB members and we're adding the prevention, diabetes prevention program for the Kaiser members as well. We're making some changes to the prescription drug plan. We've gotten better control of the drug trend overall, but we're still struggling with the specialties trend. We're seeing year-to-year growth of about 20 percent, and that's really because, you know, there's a lot of new specialty drugs that are coming onboard that are great drugs but they're very expensive. So, one thing the board decided to do come 7/1/19, is tier the specialty drug benefit. So, right now members pay 20 percent, but it's capped at $250 per prescription with an annual maximum of $2,000. There's going to be tiers now, so if you use a generic specialty, you'll have a lower co-insurance and a lower maximum versus say taking a non-preferred, and we're also increasing the annual maximum. There's an enhancement to the dental benefit. If you're in certain high-risk categories, you'll get more cleanings and fluorides covered. We have the same vision plan change on the frame allowance. And the life insurance benefit will be with Securian as well and that benefit slightly goes down too. Our proposed legislation, they're pretty...this is just cleaning up some...our statute. This change in some of our definitions will only affect maybe 20 people going forward. One thing maybe more for the administration is we want to put in a new system, a benefits administration system. We're asking the Legislature for about $10 million. We hope to get those monies, put something in by the end of 2021. One thing we want to offer is self-service to the members so they can go online and make changes to their plans that we would review but they could be able to do that. Be able to work with the employers as well as the carriers so that we can exchange data better. Now, I'm just going to talk about the retiree benefit a little bit. When people talk about, you know, if you're 100 percent retiree, I think the misconception is that 100 percent will be contributed by the employers for your premiums. It's not quite that, it's 100 percent of this thing called the base monthly contribution, and the base monthly contribution was set up in statute, our Statute 87A 33-36. And it increases every year as the Medicare Part B premiums increase. Okay. And the Medicare Part B premiums as I mentioned earlier, if you're in...if you're eligible for Medicare Part B and you want to enroll in our medical or drug plans, you are required to enroll in Medicare Part B. The employers reimburse that amount so you get that back. And right now that Medicare Part B premium is about 17 percent, 17.5 percent of our total OPEB liability. So, over the years the Legislature has reduced the retiree benefit. So, if you started before 7/1/96, all you had to do was work ten years and you would get 100 percent of the BMC for you and your dependents. In '96, that was changed to add in tiers, so now you had to work 25 years to get that 100 percent of the BMC but it still covered your dependents. In 2001, the Leg took away the dependent benefit. Dependents can still enroll in our plan but the employer will not contribute for those dependents. So, this slide compares the BMC or the base monthly contribution with the actual premiums. So, if we're comparing say the HMSA column, the top for Medicare, self, with 100 percent of the BMC. So, if you are in this group you're just enrolling yourself as a retiree, you're 100 percent, BMC is 678, the premium for HMSA plus the...for the drug, dental, and vision is 472, that retiree won't have to pay anything. But because the BMC is so high, even at 75 percent retiree won't have to pay any premiums as well. So, right now it's helping the retirees but it's hurting the employers because the BMC is so high. When we talk about O-P-E-B or OPEB, it stands for other post-employment benefits and really the only other post-employment benefit other than pension is the healthcare benefit so that encapsulates what we do. As Tom said, you know, the EUTF is an agent multiple employer plan, so we'll take all the contributions, we'll comingle them and invest them, but we'll keep accounts separate for every employer and we'll look at the different employer accounts. Act 268 from 2013, put in a funding plan. Prior to 2013 most of the employers as well as across the nation weren't prefunding this OPEB liability. They were doing the pay as you go where the employers would just pay the premiums for the retirees each year, but they weren't putting anything away for the long term. Act 268 required that the employers pay the annual required contribution or ARC. The ARC is comprised of the normal cost which is what all the employees for that year earn related to their retiree health benefit as well as amortization to pay down the unfunded liability over a period of 30 years. Okay. Act 268 payments started phasing in, in FY '15. FY '19 all the employers are going to have to pay 100 percent of that ARC and we'll look at the ARC. So, right now our OPEB trust is at...well as of the end of the year was at 2.7 billion, the County of Maui share was at 237.8 million. Right now, it's back up to about 253 million. These are our historical returns. Really, we started our diversified portfolio in 2011. The inception to date return is 6.1 so slightly below our hurdle rate. It's back up to about 6.7 percent as of 1/31/19. This is just how we allocate or how we invest our monies. In terms of the liability, you know, we use the same assumptions that the retirement system does. Including we also use a 7 percent investment return rate. The one big difference that we have is we have to have a future health benefit inflation rate. You know that's, that and the investment return assumptions are our two big assumptions. So, this slide looks at each of the employers, so County of Maui, COM in the middle. Back in 7/1/13, you guys are at 7 percent, as of 7/1/18, our last valuation, you guys are at 42.9, so you and the County of Kauai are at the top, well, with Board of Water, but in terms of the counties, you and the County of Kauai are at the best funded ratio. And you guys have made tremendous progress from 7/1/13 when you guys are at 7 percent, now you guys are almost at 43 percent. The far left, the State, you know, they started the game a little later. They were at 0 percent 7/1/13, but with Act 268 as well, they're making more contributions than what's been required, they're at 12.1 percent. If Act 268 is followed, that funded ratio should increase 2 to 4 percent each year. This is a really busy slide but it's an excerpt from the, your annual valuation, actual valuation. But I think there's some really interesting numbers here. Column G, annual required contributions, that's what's going to be required to be paid in. Again, it's the normal cost plus the amortization payment. So, it peaks in 2037 at 66, almost 67 million. As compared to the benefit payment total for that year, it's about 61 million. So, the last column is the cost of the prefunding that you guys are going to have to be putting in above the pay-as-you-go amount. Okay. So, that number is at 7...starts at 17.5 million. For 2019, it starts going down, and when you see in 2038, that actually becomes less, so your ARC becomes less than your retiree premium. So, that's really, you know, what the goal is to just pay the normal cost over time. The other I think column that's interesting is the contribution as a percent of payroll. For '19, it's

20 percent so it's a huge number. The State is about 24 percent, so when you think every dollar you pay an employee, you gotta pay about 20 percent into the OPEB trust. But really when you get down to say 2038 when most of your liability is paid off, then that comes down to about 10 percent, and that's really what the normal cost is of the benefit for your members or your employees. You know right now that percentage is actually about 72.3 [*sic*]. So, you know, I think sometimes they talk about 20 percent, or, you know, that's a huge number, it is but it's really because it hasn't been funded over the years. The real cost is about 7.3 percent. Just some ways that at EUTF how we're trying to address the long-term liability as well as what the Legislature has done. Enrollment audits, you know, in 2016, the Leg gave us a position just to audit our enrollment and our eligibility. What we're trying to do is, you know, target the people who we believe or who may be ineligible. So, maybe I'll mention a couple. The unreported divorce, you know, prior to this new position, our information was self-reported by our members. So, if there was a divorce, we wouldn't know unless that member reported it to us. With this position, we're trying to target and find these people who haven't reported divorces say. So, we gotta file from the Judiciary going back to 2001, and there's about 60,000 divorces and we're bumping that up against our system to see if anyone has gotten divorced during that time. Surviving spouses, if you're a retiree, you pass away, your surviving spouse steps into your place, but if they get remarried, they're terminated from the plan. Again, that's self-reported so we give a file every month to the Department of Health, they tell us if a surviving spouse got married after the date of death of the retiree. So, we're trying to do different ways to try and find these people. So, you know, based on the people we found so far, we're saving the employers about $600,000 a month [*sic*].

VICE-CHAIR KING: Chair, can I ask a quick question?

CHAIR RAWLINS-FERNANDEZ: We're going to wait for after --

VICE-CHAIR KING: Oh, okay.

CHAIR RAWLINS-FERNANDEZ: --the presentations to ask questions.

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: If you don't mind. Okay, thank you.

MR. MIZUNO: I'm sorry, 600,000 a year. I wish it was a month. We're going to do some audits in the future as well. In terms of the health claims trend, you probably heard HMSA is changing how they reimburse their providers, their PCPs, their primary care providers, internists, pediatricians. Instead of fee for service they're going to be reimbursing them on a capitated rate. So, hopefully that over time will help the trend. We're trying to educate our membership, you know, how to better utilize the benefits through using mail order, generics, going to the urgent care instead of emergency room. When we talked about the different tiers and how the Leg has reduced the benefit, going from that first pre-'96 tier to what we have today was actually they cut the benefit in half. So, it was a big change. That base monthly contribution, it really serves as a cap to what the employer should be paying. But the Leg has kind of artificially increased it along the way so in...it's not really serving as a cap. So, that's one thing when we...when I talk to the Legislators, we kind of let them know that that serves as a cap so not to change it if the premiums start getting close to the cap. Other states have shifted out-of-pocket costs to the retirees. There's a lawsuit called the Dannenberg lawsuit in which the Hawaii Supreme Court ruled that basically we can't do that. So, once an employee starts, they vest in whatever retiree benefit is in place at that time. So, basically when they retire, they should get that same benefit. One way to...another way to look at the or address the liability is to look at the Medicare Part B reimbursements. One thing that we've talked about is, you know, even for those 2001 retirees . . .*(inaudible)*. . . their spouse can be on the plan but the employer is not going to contribute for that dependent, but we will still reimburse the spouse's Medicare Part B premiums which analogically doesn't make too much sense but no real movement has taken place on that. And that's it, thank you for your time and as Tom mentioned we'll be open for questions.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Mizuno. Okay, at this time I will open up to questions. Vice-Chair, Committee Vice-Chair King?

VICE-CHAIR KING: Oh, okay. Thank you, Chair. So, just on the last few slides, it looked like...and I just wanted to verify because I couldn't follow from sitting so far back, the numbers across. But it looked like our contribution for 2020 was about 7.5 million?

MR. MIZUNO: Is it this one?

VICE-CHAIR KING: Yeah, that one.

MR. MIZUNO: So, your required contribution for 2020 will be 35.7 million.

VICE-CHAIR KING: Okay, and then the, what's the additional cost of prefunding?

MR. MIZUNO: Yeah, so the...so if you were just paying the premiums, the estimate on the premiums is 19.1 million, 19.2 million. So, the additional cost is about 16.6 million.

VICE-CHAIR KING: Sixteen?

MR. MIZUNO: Yeah.

VICE-CHAIR KING: Oh, okay.

MR. MIZUNO: So, the difference between the 35.7 and the 19.2.

VICE-CHAIR KING: Okay. So, what's that figure in the last column then? I can't read the...

MR. MIZUNO: Yeah, that's the additional cost of the prefunding.

VICE-CHAIR KING: Okay.

MR. MIZUNO: So, by prefunding, that's what you're paying, and that's...so what happens is the County will pay the 35.7, what we'll do at EUTF is we'll pay from that 35.7 the premiums and the difference we'll put in the long term.

VICE-CHAIR KING: Oh, okay. So, that's the estimated difference? Is that what that...

MR. MIZUNO: Yeah, because --

VICE-CHAIR KING: Okay.

MR. MIZUNO: --the premiums, you know, it's going to come out however the trustees --

VICE-CHAIR KING: Okay.

MR. MIZUNO: --negotiate the premiums.

VICE-CHAIR KING: Okay. And then the other question I wanted to ask you when you were talking about divorces, can you...do you go back into, if you find out that somebody has not reported a divorce or a death or something like that, do you...is that money that they owe back to the County or back to your fund?

MR. MIZUNO: Yeah, so what we're doing is we're trying to collect the employer's contribution, and if we can collect that contribution, we'll give it back to the employer.

VICE-CHAIR KING: How far back are you going?

MR. MIZUNO: Till when they got divorced.

VICE-CHAIR KING: Oh, okay.

MR. MIZUNO: Yeah.

VICE-CHAIR KING: So, you're doing, you're trying to do a thorough search --

MR. MIZUNO: We try and...yeah.

VICE-CHAIR KING: --then. Okay.

MR. MIZUNO: We're trying to get it all back. It's...

VICE-CHAIR KING: All right, thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Member Hokama?

COUNCILMEMBER HOKAMA: Gentlemen, thank you for returning once more. For me this is about maybe my 30th review of the system I can tell you from the early '70s. So, for me again knowing some of the history of the system, I can appreciate where we are today with some of, a better fiscal discipline in place than previously. So, again, yeah, you folks know my standard issues, yeah, why retirement system cannot be more like EUTF where everything is by an actuary. So, I understand Mr. Williams. Tom, you've been very consistent that in your responses to this County, but my issue, Chair, has always been if an actuary can tell this County how much we owe for retirement then why can't we give advance payment and get the appropriate recognition and credit against our balances due? Okay. This is something we do with EUTF and that's why we're at the percentage rate of funding that we are, and if we keep going, the program that we've started that I think even our County Auditor is quite supportive of, in five to seven years, this County will be fully funded in EUTF. That is a positive thing for our tax base. I think Mr. Mizuno would agree that that's a positive thing if this County can say we funded our health benefits, especially for our retirees. So, saying that, gentlemen, part of the issue of course is the return of investment to make up the difference between contributions. We get that, okay, we gotta deal with it on our own level. So, one of the things we've heard in the last few weeks was how then maybe retirement systems such as the one that bought 41,000 acres of land in this island, is there a way that the State retirement system can participate in investing back into our own communities through programs such as government affordable housing projects? Is that an investment that is, has some discussion at least? Does it totally make any sense for us to even consider it so we don't do it? But your portfolio has cash, we know that, just like our short-term portfolio has cash. What is the ability of your system to look at investments within Hawaii to support our own communities?

CHAIR RAWLINS-FERNANDEZ: Mr. Williams?

MR. WILLIAMS: Councilmember Hokama, thank you for your question. First, as it relates to the advance contributions to the ERS, we have had a law passed that allows employers to make advance contributions and those are credited against your future contributions. They don't necessarily reduce your liability because your liability is not disaggregated from that of the other employers, but you can use it as a credit to future contributions so that if you decided in a subsequent year, you wanted to use your monies otherwise and you had a credit, you could say look, we've already paid. And we intend to provide earnings on those. So, it's a little hybrid and different than the EUTF. As it relates to investments in the community, across the State, I'm a firm believer that the retirement system has a responsibility and obligation to invest where appropriate and get a reasonable return in one's own community. And we have a number of investments across the State. We have an investment program, it's called the HiTIP, Hawaii Technology Investment Program. It was started about four, maybe five years ago with an initial $20 million investment. Two years ago, we increased that to $25 million, and just last year, we increased it for $35 million, and those contributions are creating sort of an entrepreneurial developmental infrastructure to create jobs in Hawaii. We have a number of investments, real estate investments across the State, and one that you're probably very familiar with and Councilman Paltin is very familiar with, as are most here I suspect is Kaanapali Golf Course and we've been working to try to identify ways in which we might enhance its value both to the community as well as to the ERS. So, we believe and invest in the community.

We are always looking at ways in which we can do that and particularly as it relates to some of the environmental and social issues that arise. Affordable housing was one of the components that we have looked at and proposed as it relates to redevelopment of the Kaanapali Golf Courses. So, you know, where we can find a reasonable return, meet our fiduciary obligation, we see benefit in the community as an appropriate focus.

MR. MIZUNO: Kind of similar to --

COUNCILMEMBER HOKAMA: Yeah, please.

MR. MIZUNO: --to Tom as far as the EUTF. You know both the ERS and EUTF there's no mandate for our trustees to invest in Hawaii, so they're looking at the best return with the least risk. So, depending on how an investment will play out, you know, it could be part of the portfolio or not. We have talked with a private equity manager who focuses on Hawaii, but for the EUTF at this time to concentrate in a Hawaii fund will probably not be appropriate at this time because we're so small. As we get bigger, that type of investment may make sense depending on the return risk profile. Thank you.

COUNCILMEMBER HOKAMA: No, we understand the parameters of your investment portfolio. Yeah. You need to look at your marks you need to hit to make your numbers work so we appreciate that. Our point is that though we believe our community is worthy of being invested, being reinvested in for a greater future return, yeah, not only for the fund itself but just for our overall community requirements. The State is pretty much old in age regarding infrastructure, we're going to need to find ways to pay our future bills. And if we keep going the way we're going, we don't have enough cash, okay, we understand that. So, we're looking at how government can use its cash to make smart reinvestment back in our own people, because we feel that the return from our own community and our own residents greatly outweighs the investment, initial investment. So, we would hope you would look at our own opportunities at home where our residents get the benefit of that investment too, not just the fund for government employees. But the general community may have the benefit of a subdivision that brings it in at the price that we believe is truly affordable. Because people like me are tired of paying the subsidies. Okay. And my group is growing because I hear a lot more of those that are tired of paying the subsidies. Okay. That group is shrinking. It's not like we're a growing group who pays subsides, we're the shrinking group. So, our burden is increasing and yet we get minimum benefits out of our subsidy payments. So, I would appreciate the...that with your discussions of your trustees.

MR. MIZUNO: Okay, understand.

COUNCILMEMBER HOKAMA: Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Hokama. Members, any other questions? Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. I just have a few questions. First one, I just wanted to clarify, so you check with the Department of Health monthly on their divorce record so that we can get the money back? Is that...

MR. MIZUNO: Yeah, so the divorce one is with the Judiciary.

COUNCILMEMBER PALTIN: Oh.

MR. MIZUNO: But yeah, we get a file from them each month that we compare to our records to identify divorces. Department of Health is for the surviving spouses, if any of them get remarried.

COUNCILMEMBER PALTIN: Oh okay, okay. And then I was wondering, Mr. Williams, if you do the same for like the deceased like when you were saying about the overpayments, do you check with the Department of Health monthly?

MR. WILLIAMS: Yes, in fact we do. We have maybe four different sources. There's something called LexisNexis, it's a national database. We attempt to use that. We have an actuary which has all of our membership data, it has the death records service that we employ. We go with a private enterprise in fact that monitors the obituaries from virtually every paper in the nation, because we have a significant...well, I won't say significant but several thousand members, retirees who are on the mainland and we lose track of those individuals apart from having a national database to pursue. So, we've cut back on the overpayments to deceased members substantially, but what still happens is we check those on a monthly basis. But some fall through the cracks, and I mentioned earlier our efforts to try to recover those.

COUNCILMEMBER PALTIN: Thank you. Also, I was wondering if you could briefly go into the, on Slide 4 of your presentation, the GSB...GASB Number 67 requirements, the reason for the big jump in 2014?

MR. WILLIAMS: The big jump in...and I'll...I'm being assisted here ably by someone who's more technically astute than I, but let me just see. You said the big jump in the GASB requirements in 2014? Well, those are just, that's just the membership. That's the growth in our total numbers of members, so...and retirees. So, there must have been a substantial growth in the employee e-base across the State in that timeframe. Because that's again from 2005 through 2018 of just our total membership and that's reflected by how it had grown. And I believe that was 41 percent from, growth from 2005 up through 2018 so that doesn't reflect the liability. And GASB as I understand it relates to the Governmental Accounting Standards Board that require us to show for individual employers, for the County, for example, its separate share of the so-called net pension liability, and we provide that to the County on an annual basis in accordance with those governmental standards. But what had occurred in 2016 I believe more importantly was there was a big jump in the liability of the system, and it related to adoption of new assumptions, new earnings assumptions. We were assuming that the assets would grow at about 7.65 a year and we changed that to 7 percent, and that added about $2 billion to the unfunded liability. And then in, concurrent to that, we adopted new mortality tables that show that Hawaiians living longer, people in the State of Hawaii I should say living longer on average than any population in the nation. And that added another billion dollars to the unfunded liability. So, there was this big jump in liability by us trying to true up really our assumptions with the actual experience. We do that experience study which in the past we've done every five years, we now do it every three years and we have one coming up this summer.

COUNCILMEMBER PALTIN: Thank you. One more question, Chair. You know I wanted to thank you for coming out to my community and facing the music, so to speak. I just was wondering and I know we had this discussion in Lahaina as well, is there any way that the 1.6 billion diverted by the State Legislature could be returned to the fund ever?

MR. WILLIAMS: Well, it's a good question. It is being returned to the fund but through these higher contribution rates that everyone's being charged. I mean that's not the way you'd want it to occur. I guess if we could have a lump-sum deposit that would help us greatly but it's unrealistic. So, it's being paid back now with interest. Because of the deferral, prior means you pay more today. And not unlike what Derek mentioned, when our plan is back to so-called normal cost where you're just paying for the benefits that you accrue today, you'll be about 10 percent of pay. So, whereas right now employers are going to be paying up to, you know, 24 percent for just the employ...well the employer piece alone, the employee's paying 8 percent. So, you're looking at 32 percent of pay for a general employee in total. That'll go down to 10 percent in total. So, the cost of our having deferred those monies for all those years is substantial, that's that unfunded liability that we got today.

COUNCILMEMBER PALTIN: And just to follow up, do you know if that would ever be a possibility in the future of them deferring the money or...the payments?

MR. WILLIAMS: Well, I think it's possible, we hope it does not arise, because the contribution levels are set by the Legislature so they have agreed that to increase these contributions to address the unfunded liability. But, you know, that's one of my major concerns is the sustainability of these contributions, because our plan along with EUTF, Medicare, and debt service I think comprise about 52 percent of the State's revenues. So, that leaves 48 percent or thereabouts for everything else which is education and infrastructure and healthcare and you name it, and so during periods of economic stress, there's going to be challenge to maintain that level of contribution. So, we hope that we can retain it because if you don't, the cost continues to just extend it, the timeframe and the cost goes up. And of course if we don't have a plan or don't adhere to it, I mentioned earlier the borrowing cost that goes up. So, I don't want to make this longwinded, but one of the, the only other way you lower that cost is to lower the benefits for...again or for existing members or create another tier. But new tiers don't do much because there are not new people in the new tiers, prospective. And the other way is to support the investment program, and I think that's the area of strategic focus for me is to make sure that we optimize our investment program not by taking unnecessary risk but by making sure we've got the resources and tools available to optimize our investments. And I can tell you that to date we've not invested sufficiently in our investment capabilities, because our portfolio is more complex, it's a global portfolio, and we have to keep our resources and tools and our talent in sync with the opportunities on a global basis and that's something that I'm discussing with the Legislature to try to get that gap closed.

COUNCILMEMBER PALTIN: Thank you. And thank you, gentlemen, for your service to our community.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. I have a question to follow up on Member Paltin's. So, she asked about overpayments and I'm happy to hear that you're doing as much as you can to address that. How big of a problem is it? Like in cost, how much is it costing us annually?

MR. WILLIAMS: Overpayments for the ERS range in between 100 and 200,000 on an annual basis.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you.

MR. MIZUNO: In terms of the EUTF as I mentioned, it's saving maybe about 600,000 a year for the employers through what we found already, and we're trying to stay on top of it by searching each month to make sure we're on top of it.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Okay. One more question. So, on Slide 34 for the EUTF presentation, it balloons from next fiscal year $35.7 million to $66.9 million in 2038. Would you be able to explain a little bit about that to our Members?

MR. MIZUNO: Okay. So, the way that the actuary calculates the annual required contribution, it increases as payroll increases. So, payroll is projected to increase about 3½ percent so the ARC increases 3½ percent, that's the method that the actuary uses.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. And I was hoping, Mr. Williams, would we be able to get a spreadsheet like that, the projection of funding progress from ERS?

MR. WILLIAMS: Yes, in fact we can and have one. We have available today online and but we can arrange to get it to you more directly is an actuarial valuation that has all of the details of the expected contributions of each of our employers for the next I'd say 40 years through the period of full funding. And it's the annual actuarial valuation, the most recent was June 30th of 2018, and it has incredibly detailed charts of the distribution of our membership by age, by gender, by benefit levels. It's the data that's used to cost out the program, and so I can surely make sure that that's available to you, but it is available to any of you who want to see it online as we speak.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Last question and then Mr. Molina. On February 7th *Star Advertiser*--Mr. Williams--the *Star Advertiser* reported a 1 billion drop in the last quarter, a loss of 5.88 percent. Would you be able to share some thoughts on that please?

MR. WILLIAMS: Yes. You know the markets are notoriously unpredictable and they're volatile, at least in the short term. And the $1 billion number is attention grabbing because it's big. I mean, you know, but the bigger the portfolio, the bigger the pool of assets, the same relative percentage drop means more dollars. So, you know, a 10 percent drop in a $100 portfolio is $10. If it was a million-dollar portfolio then it's $100 million [*sic*]. And so while it was, you know, a 5.8 percent or thereabouts drop in the market value during December which was part of that final quarter of the year, it translated to a billion dollars in loss, but it's paper loss because we're not required to liquidate. You know if you sold in the down market, you've realized that loss, but we didn't have to sell and we held our investments and as I had mentioned during my earlier presentation, December was one of the worst months in two decades in terms of investment performance. But January was one of the better months in three decades and we made up all of the losses that we incurred in December, but, you know, it gets you back to kind of flat and we gotta, we have to go up by 7 percent over time. And so, you know, the newspaper asks us every quarter, we know that we're going to get a call and we're going to explain what happened and our response to it and mine is not to get terribly worried about it. No one likes to lose but the markets don't assure only ups, I mean you can't...you have to incur risk and we're trying to do that at an appropriate level. And we try to get folks focused on the long term because that's what really matters. And it's the focus on the short term that causes people and organizations to sometime do irrational things. If you, you know, if you start selling because the market went down, you know, that's exactly what the wisdom says don't do. You buy when it goes down and you sell while it's up and we try to employ that wisdom.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Member Molina?

COUNCILMEMBER MOLINA: Yeah, thank you very much, Madam Chair. And thank you again, Mr. Williams and Mr. Mizuno, for the update. Following up on investment strategy, both your entities tend to take a very...well maybe by law you have to take a very conservative approach as it relates to investing, and would you categorize it as being maybe a bit aggressive or you have to stay within everything being low risk?

MR. WILLIAMS: Well, let me say that I think both the EUTF and the ERS have significant latitude today in terms of what we can invest in. I would think that we invest differently in some respects because of the size of our portfolios. ERS is substantially larger today and hopefully will remain that way, but I'm sure EUTF is growing dramatically as you saw on the slides. But more importantly, we're a pension fund and they're, you know, an OPEB benefit fund and so that generally requires a level of conservatism, but it doesn't mean that you invest only in conservative investments, it relates to the mix of investments. So, you can have some investments that have somewhat greater risk, but you wouldn't have as large a proportion of those in a prudently managed conservative program. So, we're not constrained. I mean there are things that we won't do because the risk return relationship is inappropriate for a pension plan, but we have the full array of investments, private equity, private debt, emerging markets, real estate, you know, we've got the commercial, residential, storage units, you name it. So, we can go across the investment spectrum, but the proportion that you'll have in any of these categories is governed by our relevant prudence as a retirement plan. And also for the ERS in particular, we have an investment strategy or a segment that's now about 16 percent of the portfolio, growing to 20 percent of the portfolio and it's called a risk offset. And what it is attempting to do is to mitigate the downside risk. And even when we were just talking about the billion-dollar drop that occurred in December, the market was down significantly more than we were down because we have a core strategy that mitigates against the downside because that's our greatest risk. When you're at 55 percent funded what you can't afford is to go down and stay down because of with us being a mature plan and paying out benefits, we'd have to liquidate assets and you'd be liquidating them at exactly the wrong time so we have this risk mitigating strategy that's unique to us because of our funding status. So, we can invest across the investment horizon, but the proportion in any of those is reflective of this realization that we've gotta be conservative and we've gotta meet our commitments to our members.

COUNCILMEMBER MOLINA: Thank you for that. And you mentioned I guess globally you're investing so we have investments all over the world and besides just the US mainland?

MR. WILLIAMS: That is accurate, yes. Increasingly the commerce and the, our corporations are global. They're based, you know, whether Ford is in Germany or China or in Kentucky, you know, yeah, we do invest globally.

COUNCILMEMBER MOLINA: Yeah, okay, thank you.

MR. MIZUNO: And for the EUTF in terms of when you think about a traditional 65 or 60 percent equity, 40 percent fixed income, we're about 65/35 when, you know, our risk kind of tolerance. If you look at this slide, you know, similar to what Tom is talking about, you know, we tried to with our investment consultant look at our investments based on risk. And so we'll have the more aggressive areas like private equity, real small kind of US companies and we're thinking of putting 17 percent in there and then, you know, you have your traditional risk. So, we're trying to look at it more from a risk perspective but, you know, I think we're pretty close to the public median plan. We're slightly maybe not as risky because we are trying to get into private equity, it's taking a little bit of time to get into private equity.

COUNCILMEMBER MOLINA: Thank you. And, you know, speaking of risk I just gotta share this with you guys real quickly. I had numerous people over the years who've thought about how the State can generate more revenue, whether it be for ERS or EUTF, and since a lot of people I know love to go to the State of Nevada to help patronize the local economy there with the monetary activities, the thought process was why doesn't the State purchase a piece of land up there and build a hotel casino. And that way for those folks, myself notwithstanding who go up there to, you know, take part in those activities, you're sort of investing in something that's owned by the State of Hawaii and the profit margin assuming there is a profit margin comes back to the State. So, I know, that's pretty high risk but anyway, thought I'd share that with you.

MR. WILLIAMS: If I might, I think that one of the best investments that the State makes is in the ERS quite frankly because of every dollar that we pay out in benefits and I mentioned that we're paying out $1.4 billion this year or did in 2018, about 60 cents of every one of those dollars comes from the investments. The employer and employee contributions comprise the rest. But nationally between 50 and 65, even 70 percent of every dollar that gets paid out in a public pension plan comes from the investments. So, I like to see the ERS as not a net consumer of State resources, we actually create additional resources for the State. So, I think that with that in mind, the investments and particularly if they were made timely are one of the best and most secure investments the State can make.

COUNCILMEMBER MOLINA: Yeah, thank you. And also I want to give a big shout out for, you know, Paul and Emalu from your Maui office. Good job for us ERS-wise, and your websites have been very helpful for my own, you know, curiosity as it relates to my future retirement. Thank you, gentlemen. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. If the Members wouldn't mind, I'd like to defer any further questions to the end of the agenda.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you. Okay, so at this time I'd like to recess for our morning break--ten minutes. Please be back by 11 o'clock. Mr. Williams and Mr. Mizuno, thank you so much.

MR. WILLIAMS: Thank you. Thank you, Members --

MR. MIZUNO: Thank you.

MR. WILLIAMS: --of the Council.

MR. MIZUNO: Thank you.

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . .

RECESS: **10:51 a.m.**

RECONVENE: **11:04 a.m.**

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Mahalo, Members. Calling our EDB Committee back to order. It is 11:04 on February 28th.

ITEM 187: AMENDING THE FISCAL YEAR 2019 BUDGET: DEPARTMENT OF MANAGEMENT (MAUI REDEVELOPMENT PROGRAM) (CC 18-391)

CHAIR RAWLINS-FERNANDEZ: Members, I realize that this is an ambitious agenda but I know we can do it. So, the next item on our agenda is to amend Fiscal Year 2019 Budget by increasing Carryover/Savings from the General Fund by $250,000; amending Section 3.B.8.c, Department of Management, Maui Redevelopment Program by adding a grant entitled "Grant to Lokahi Pacific, Inc.," with an adoption...appropriation for Category B, Operations in the amount of $250,000; and adjusting the totals accordingly to renovate the County-owned Harry and Jeanette Weinberg Pono Center located on 62 North Market Street, Wailuku, Maui. Susie Thieman is the Executive Director of Lokahi Pacific, and I would like to designate her as a resource person pursuant to Rule 18A of the Rules of the Council as someone with special expertise in the matter. Any objections?

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Okay, so today we have with us Erin Wade from the Managing Department in place of Sandy Baz. And I'll ask Ms. Wade to please provide comments to the Committee with information on this grant application.

MS. WADE: Thank you, Chair. Good morning, Members.

UNIDENTIFIED SPEAKER: Good morning.

MS. WADE: We...thank you. We've come today because in our conversations with Lokahi Pacific, the Pono Center Building as you may know is located on Market Street directly adjacent to the Iao Theatre. That parcel where there is the Iao Theatre we recently built Kipuka Square, the plaza and the restroom building, and then the parking behind is all County-owned. So, all that whole parcel and area surrounding is County-owned property. The...and as with the Iao Theatre, that property is leased to a nonprofit organization to run the facility. In the case of the Pono Center, the ground, just the property is County-owned. Lokahi Pacific built the structure that is there. Okay. So, in their operations, they have had many things occurring and lots of positive activity within the district. In the lease agreement that was provided to you, you will note that in reference 18 it does refer to the Maui Redevelopment Agency as the contact and reviewer for changes to the property which is why the Department of Management redevelopment program is here representing this request today. And from there I will let Susie Thieman and Budget Director address any additional questions. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Thank you, Ms. Wade. Before we go to Ms. Thieman, Budget Director Yoshimura, do you have anything additional to add?

MS. YOSHIMURA: No, Chair.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Okay, Ms. Thieman, would you mind sharing some additional information and also clarify who owns the Harry and Jeanette Weinberg Pono Center?

MS. THIEMAN: Thank you, Chair. Councilmembers, thank you for being here today and listening to this request that we're making. There seems to be a lot of confusion in the community in general as to who owns that building. The whole situation started back in 1999, the County put out an RFP looking for someone to develop and reconstruct the dilapidated Blue Hawaii Building that was located on 62 Market Street. In response to that, Lokahi Pacific developed a project and during the negotiations for that contract with the Apana Administration, the proposal that was put on the table was to...that they would lease...the lease would--excuse me, sat too long--the lease that was put together required that three things would be included in this renovated/new building. One, a commercial a kitchen; two, an incubator office space; and three, affordable apartments. I'm told that this concept was to be used by the County for future projects if it proved successful. The original two-story, 5,000-square-foot building on the site was constructed in the 1920s, and while the property is owned by the County of Maui, Lokahi Pacific received a 30-year lease at a dollar a year to facilitate the project. The building had been vacant for many years and was rapidly deteriorating which led to it having to be totally demolished when the front façade fell in November of 2003 during the early stages of construction. The new building's façade was constructed to reflect the original appearance, including fabrication of the original canopy over the sidewalk to maintain the turn of the century street-front appearance of Old Wailuku Town. The Harry and Jeanette Weinberg Pono Center now consists of 9,700 square feet which is double the original size of the building and has three floors. On the ground floor, there's the restaurant space that you're all familiar with and many of you have eaten in from one...at one time or another, to the back of the building where there's the licensed commercial kitchens which are the first shared-use operated here on Maui. And they are for the...they're available for use to all of the community. The second floor is residential, it includes four 1-bedroom apartments with a laundry facility, storage, and a community room for the residents. The top floor houses the small business incubator offices comprising a shared office space concept for up to ten startup businesses and a conference room and a state-of-the-art training center. Everything included in the services were Internet, telephone service, you name it, it was there for them to use. The original project was estimated to cost just under $900,000; however, with the rebuilding of the front façade and other cost overruns, the final cost to construct was just over 4 million when it was completed in the fall of 2007. Funding sources for construction included various Federal, State, County grants, as well as local foundation grants, corporate donations, the Harry and Jeanette Weinberg Foundation also participated in the financing. Final funding came from a loan with Central Pacific Bank in the amount of a half million dollars, and Lokahi Pacific also invested more than a million dollars of its own resources into the project. During the first three years of operation of this multiuse building, the net loss accumulated was just over $800,000 as Lokahi Pacific tried to meet the expectations created for this project's success. Three things contributed to these losses. Number one, too much money being spent on personnel for the Pono Center activities as laid out in the lease. Number two, a bad restaurant lease that was more than favorably written to the benefit of the lessee, and third, an unexpected high cost of...the unexpected high cost of utilities to operate the building. In the fourth year, some costs were saved by reducing the number of personnel; however, the utility cost continued to spiral out of control and there was no change in the terms of the restaurant lease. At the end of the fifth and final year of the original restaurant lease, a new restaurant opened with much improved lease terms, and while the overall income dropped for the next few years, the cost to provide services also dropped with careful redirection of personnel time available only as needed. The utility cost began to be shared with the restaurant tenant, thus also reducing some of the expenses of operation. These improvements were made under the direction of a new executive director at Lokahi. Costs continued to be watched and worked on until last year when in its tenth year of operation, equipment began to fail and maintenance and replacement became a major issue for the property. Being in an area of salty air from the ocean, much of the equipment on the roof of the building is disintegrating before our eyes. With all the years of net losses from operations, there were no funds being set aside for repair and replacement. This is the reason for the request for help from Maui County. Our analysis of the losses for the first half of the Fiscal Year 2019 are more than the entire fiscal year of 2018, and this number will only get worse as there is much more that needs to be fixed and replaced. We began talking with OED last February about how we could get some help with this matter. Through many meetings with them and the County Administration, we were about to take the major step of cancelling our lease with the County. The terms of the lease allow us to give 30-days notice to cancel. We were prepared to do that in September. It was then that collectively we came up with the idea of turning the third floor into more apartments rather than...and the use currently of incubator offices. That is part of what the funds we are requesting will go toward. We talked about a feasibility study but the money we're asking for is actually for doing the architectural renderings as we discussed the possibility of converting this with Jim Niess who was one the original architects on the project, and he believes that we could add as many as six new apartments with this plan. Between the additional income from the six new apartments and the redirection in cost...excuse me, the reduction in cost to operate the third floor as apartments, the project could become financially stable for the first time ever. With 13 years to go on the County lease for this property, Lokahi Pacific looks forward to turning around the project and giving the County a successful project on its books. The bottom line is that according to the current lease, in 2032 or sooner, the County of Maui gets this $4 million building free and clear. Questions?

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo, Ms. Thieman. And, Members, the breakdown of the request, the $250,000 request is in Granicus, so if you wanted to see that. Okay. Now, I'll open to Committee Vice-Chair King and then Member Hokama.

VICE-CHAIR KING: Thank you, Chair. So, I'm just going through your last page on your handout, Ms. Thieman, it looks like 130, almost 138,000 is for repairs. So, that means that the balance, the 112,000 --

MS. THIEMAN: Hundred and twelve.

VICE-CHAIR KING: --or so is going to be for design of the apartments?

MS. THIEMAN: Right, for the actual plans.

VICE-CHAIR KING: Okay. So, is that adequate for the apartment design? Is it too much? I mean...

MS. THIEMAN: According to Mr. Niess, he figures between 100 and $120,000.

VICE-CHAIR KING: Okay.

MS. THIEMAN: The estimate sheet that I gave you, as you know when people give you estimates, they're good for 30, 60, or 90 days. So, some of these will go up. A couple of them we may find better options for when we actually have some money that we can spend on the item. And so we figure the 250,000 will cover both.

VICE-CHAIR KING: Okay. So, when did you get these estimates?

MS. THIEMAN: They started back in September when we were working...

VICE-CHAIR KING: September of last year?

MS. THIEMAN: Yes.

VICE-CHAIR KING: Okay, so they're out of, they're basically out of date now?

MS. THIEMAN: Well, the first, I think that's the first three or four. The rest of them are more recent. So, I think they're pretty accurate from what my last, latest discussions have been with all these people.

VICE-CHAIR KING: Okay. And then the other question I had was how much did the County put in originally for the building?

MS. THIEMAN: For the construction of the building they did not put any money in.

VICE-CHAIR KING: Okay. It says funding sources for the construction included various Federal, State, and County grants. So, is that, was that in Maui County but not Maui County itself?

MS. THIEMAN: Well, there were two Maui County agencies that took part in furnishing the interior of the building. OED took part in building the commercial kitchen out, buying the equipment in the kitchen. And the...what's the other one, HOME funds which is County pass-through money for the apartments was 600,000.

VICE-CHAIR KING: For the apartments. We don't have those yet.

MS. THIEMAN: The apartments on...no, the apartments on the fourth floor.

VICE-CHAIR KING: Oh, oh.

MS. THIEMAN: Excuse me, the four apartments on the second floor.

VICE-CHAIR KING: Okay. Okay, so how much was that that OED put in and that the housing...

MS. THIEMAN: OED put in 102,000.

VICE-CHAIR KING: Okay. Hundred and two and then...

MS. THIEMAN: So, they've got a little over 700,000 in it.

VICE-CHAIR KING: Okay. So, most of the funding came from the Federal, State, and then --

MS. THIEMAN: Federal, State...

VICE-CHAIR KING: --corporate...

MS. THIEMAN: Foundations, corporations.

VICE-CHAIR KING: Okay.

MS. THIEMAN: Right.

VICE-CHAIR KING: And then the last question I had was what did you mean when you said we could own this in 2032 or sooner? What's the caveat there, or sooner?

MS. THIEMAN: According...oh sooner. According to the lease, there's a section in there which talks about 30-day notice, in other words we have, both the lessor and the lessee have the right to terminate this lease with 30 days written notice to the other party.

VICE-CHAIR KING: Oh.

MS. THIEMAN: It's that simple.

VICE-CHAIR KING: Okay. So, anytime sooner if that happens?

MS. THIEMAN: Right.

VICE-CHAIR KING: Okay.

MS. THIEMAN: I mean if weren't to get this money and couldn't make these improvements, I don't want to keep the building and have it continue to run down because I can't afford it.

VICE-CHAIR KING: Right. I mean that was kind of my follow-up question was how have you been able to keep this if it's losing money for you, for Lokahi Pacific?

MS. THIEMAN: Well, we've spent a lot of money trying to maintain it and trying to work this. It was a bad deal to start with but, you know, sometimes you get into bad deals and you gotta make them work.

VICE-CHAIR KING: Okay. So, that...did this happen before your tenure?

MS. THIEMAN: Oh, yeah.

VICE-CHAIR KING: Okay.

MS. THIEMAN: Yes, it did.

VICE-CHAIR KING: Okay, so if this doesn't happen then is it your option to vacate the lease?

MS. THIEMAN: My board of directors is prepared to issue a letter cancelling the lease with the 30-day notice.

VICE-CHAIR KING: Okay, and then it would go back to the County.

MS. THIEMAN: And then it goes to the County and of course they're going to have to make these repair, you know, add --

VICE-CHAIR KING: Okay.

MS. THIEMAN: --make these fixes.

VICE-CHAIR KING: Okay. Alright, thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. King. Mr. Hokama?

COUNCILMEMBER HOKAMA: That was a pretty good summary of the history, Ms. Thieman.

MS. THIEMAN: Thank you.

COUNCILMEMBER HOKAMA: 'Cause I know this project and it has been a problem project from day one, especially with the kitchen.

MS. THIEMAN: Right.

COUNCILMEMBER HOKAMA: So, it befuddles me that we screwed up our own project. We screwed up our own project by making it pretty hard to work and make it successful. So, stating that, the Administration has determined that this is the best option regarding this County site?

MS. THIEMAN: In our discuss...excuse me, may I answer?

CHAIR RAWLINS-FERNANDEZ: Yes, please.

MS. THIEMAN: In our discussions over that basically a year that we've been trying to figure out what to do to solve this issue, when we talked with the folks at OED, they had thoughts of putting in some of their employment sector things like the Great American Job Center last year was an item. They needed a place for it. That was their first thought and then the State said no to that building for that so now they're over here with the unemployment office.

COUNCILMEMBER HOKAMA: So that we're very clear, yeah, Ms. Thieman, the issue with part of this problem, yeah, what we want to do with it is that the State and other agencies have a say in what we do?

MS. THIEMAN: No, the idea with that, putting that job center in there was OED is responsible for the job center but the State would pay the bill for the job center. So, it wasn't really...well, I guess it was their decision not to go in, 'cause they had a better deal that they could put over here in this building. But that was just what...one of the things that OED thought about doing with it. I mean they had some other ideas too of bringing in other nonprofits to work in there, create a center for like the youth after school to come in and do some workshop activities. But none of that quite filled the bill for the incubator office space. Now, the reason...and I'm going to elaborate just, if I can just a second, we can do this change with the incubator space, because it was funded by the EDA, Economic Development Administration, and their term of that grant is up in two years so then it becomes ours to do what we want. We figure it's going to be two years before we get all the incubators out of there and apartments in there, given the time it takes to do plans and get permits and construction. But at the time we were talking, we kind of had our hands tied.

COUNCILMEMBER HOKAMA: So, the Administration is, you understand it or from our representatives here this morning, a process went through where it's not to the County's benefit to take over the control of the site and redo what we would like to do instead of try and fix something that doesn't...never worked?

MS. THIEMAN: That's my understanding, they would like for us to keep it and make it a success.

COUNCILMEMBER HOKAMA: Well, hard to make a raisin back into a grape, you know.

MS. THIEMAN: That's true. That's true but I, as you know, I would not be pushing this if I didn't think we could make it happen.

COUNCILMEMBER HOKAMA: I got some good confidence in you, I just have issues with the other players at the table.

MS. THIEMAN: Oh. Well, if we can...oh, I thought I heard something back there. If we continue to own the building, I mean it's going to be our ballgame once we get the...if we get the plans in place. I mean we're going to have to go out and raise the money to build those apartments.

COUNCILMEMBER HOKAMA: So, this 100...what you asking us for, a quarter-million dollars? Hundred thirty and 120, so you're looking at 250 from the County.

MS. THIEMAN: Right.

COUNCILMEMBER HOKAMA: That's it you're going to ask us?

MS. THIEMAN: That's all I'm going to ask you for.

COUNCILMEMBER HOKAMA: No construction money down the road?

MS. THIEMAN: I...

COUNCILMEMBER HOKAMA: No equipment? I want to know what I'm committing to. I want to know.

MS. THIEMAN: To the best of my knowledge and to the best of my ability, it's not my intent to ask for any more money.

UNIDENTIFIED SPEAKER: Well said.

MS. THIEMAN: Did I say that? No, serious, and you know me.

COUNCILMEMBER HOKAMA: No, yeah, I do, you know, and again I appreciate because we should be talking about what you saying because this is our asset.

MS. THIEMAN: Well, it's going to become your asset.

COUNCILMEMBER HOKAMA: This is the County's asset.

MS. THIEMAN: Yes.

COUNCILMEMBER HOKAMA: Okay, this is the County's asset actually.

MS. THIEMAN: Right.

COUNCILMEMBER HOKAMA: That we allow a third party to do a beneficial...

MS. THIEMAN: It could be your asset on April 1.

COUNCILMEMBER HOKAMA: I know that too, okay. And somebody whose asset pays the bills, yeah, I'm getting tired of that bill.

MS. THIEMAN: Right. Well, you've not had a request from us for all the time we've been putting money into this, so...

COUNCILMEMBER HOKAMA: No, no, no, that's true but you've done other better things. Mokuhau Project, that was a great project.

MS. THIEMAN: And it helps pay some of the bills for these other things, yes.

COUNCILMEMBER HOKAMA: You know we put people in those houses in Mokuhau.

MS. THIEMAN: There are. It's, we're very proud of the success of those folks.

COUNCILMEMBER HOKAMA: Okay, no, I'm just wondering whether it was better we just scrap this whole thing and start from bottom.

MS. THIEMAN: I guess we looked at it from the standpoint of as badly as we need houses, housing, six more apartments, I mean it may not be a lot but it's something. And it's right in the heart of the activity here so parking and driving is not an issue for...we're thinking. That's the way we're thinking. And even during the construction of the garage complex, those 11-lot parking spots behind our building are ours according to this lease so, you know, I'm thinking that this is a go as far as we're concerned.

CHAIR RAWLINS-FERNANDEZ: Ms. Wade, is there anything that you'd like to add?

MS. WADE: Thank you, Chair. I appreciate the chance to respond. Since Lokahi Pacific has such an exceptional record in terms of their housing development and management, and in talking with them about the residents that they have had on the fourth floor, those have been fully rented the entire time that the building has been operational. We felt like given both the ground floor and the third floor have posed challenges financially in terms of management and knowing what their strength is, it made the best sense to move towards housing especially given the high demand for housing in the area.

CHAIR RAWLINS-FERNANDEZ: Thank you. Okay, Member Lee and then Member Sugimura.

COUNCILMEMBER LEE: Thank you, Madam Chair. Hi, Susie.

MS. THIEMAN: Hi, Councilmember.

COUNCILMEMBER LEE: Okay, oh geez, what was I going to ask? I've used as you know that building, especially the conference room a number of times, so I've...and I know that there's dedicated parking in back, I think 12 spaces, something like that.

MS. THIEMAN: Eleven spaces.

COUNCILMEMBER LEE: Eleven spaces. Okay. So, you know, I really like the setup of that building and I think it has a lot of potential, and I was wondering though what is your monthly maintenance cost?

MS. THIEMAN: That's a number I can't pull out of my head, I'm sorry, because it varies.

COUNCILMEMBER LEE: Okay, let me put it this way, how much are you losing a month?

MS. THIEMAN: We are losing as of the last, over the last three years, the average has been about 5,000 a month.

COUNCILMEMBER LEE: So, that's what we would incur possibly? Or but we wouldn't be keeping that restaurant though.

MS. THIEMAN: Yeah, I mean it would depend on what you do with it.

COUNCILMEMBER LEE: Yeah.

MS. THIEMAN: I can't really answer that. And I think the numbers actually, probably get larger when it becomes a County property, because that's what I hear from most people when they do contracts with the County. So, I, you know, the thing that works for us with the apartments is a lot of that maintenance is for that third floor, because we have those ten different offices in there. There's a little higher maintenance for that than there certainly would be for an apartment complex. And we also...we already have the folks onboard for maintaining apartments, because we have over 100 of those, you know, on our books already.

COUNCILMEMBER LEE: Okay, but the business plan is such that you're losing money on the restaurant, right?

MS. THIEMAN: We're not necessarily losing money on the restaurant. We did the first five years because of the poorly written lease. The restaurant did not have to pay any utilities, and the utilities alone for that restaurant ran 5 to $6,000 a month because of the hours they were open and the use of the kitchen that they needed to produce their products. And it was after that, end of that lease that we started to be able to control some of the costs by sharing them with whoever leased the restaurant.

COUNCILMEMBER LEE: How long is the next lease with the restaurant?

MS. THIEMAN: We are negotiating right now, actually we're in discussion with two different groups 'cause it is empty. We're negotiating contracts with two potential people. The biggest problem that they are having is that they both have investors that are coming in with them because they're brand new restaurants, and the parking garage issue is worrisome to folks who are looking at investing $300,000 in renovations to build out the restaurant. Now, that, you know, that can go either way. I mean because of the location of the property, it could be a gold mine for somebody in there with the right food at the right price. I mean you've got all the County buildings, you've got the State buildings, you've the Maui Medical Group, you've got the courthouses. What else have we got up here? I mean --

COUNCILMEMBER LEE: Yeah, I realize that.

MS. THIEMAN: --everybody's gotta eat at noon, right? And afterwards...

COUNCILMEMBER LEE: And you did have a successful restaurant there with Cafe O'Lei.

MS. THIEMAN: Cafe O'Lei. Right. And the evening I think it would be successful too, because you do have the parking in the back which is going to be pretty open at night because during the day, you're going to have a lot of people trying to park everywhere they can find space. But I think in the evening hours, it's going to be pretty much available to whoever wants to come and eat.

COUNCILMEMBER LEE: Yeah. Okay, but --

MS. THIEMAN: So...

COUNCILMEMBER LEE: --we just want to...I would just like to be comfortable with the, knowing how much it costs to operate that building and how much do you...and then you said over the years it's been a loss of 5,000 but that doesn't include all the costs.

MS. THIEMAN: What...one of the proposals that we had from the County Administration when we were first talking about turning this building over to the County, they said we have two...we think we have two options, we can either pay you...give you a grant for $70,000 a year which would cover your losses and you continue running it, or we can take the building back and pay you a management contract to manage it for 100,000 a year and we pay all the expenses. And I'm going okay, I'm not comfortable with that one because what are we going to be managing? We don't know.

COUNCILMEMBER LEE: Okay, and then the other thing, two more questions. How is the other building on Main Street?

MS. THIEMAN: Our office building?

COUNCILMEMBER LEE: Yeah.

MS. THIEMAN: Oh, it's great, we've got, you know, we've got the same two other tenants that we've always had.

COUNCILMEMBER LEE: Profitable? Profitable?

MS. THIEMAN: Actually it's...the, again the structure of the arrangement there was that the cost because it's the three nonprofits, the cost of paying for the building, maintaining the building, setting up reserves for the building gets split three ways based on the square footage each one has. So, there's not a profit margin as such built into the leases, it's a cost-basis operation.

COUNCILMEMBER LEE: Okay, but you're not losing --

MS. THIEMAN: No.

COUNCILMEMBER LEE: --your shirt on it. Okay.

MS. THIEMAN: Right.

COUNCILMEMBER LEE: And the last thing is do you really need that building?

MS. THIEMAN: Need is a tricky word.

COUNCILMEMBER LEE: Do you really want that building?

MS. THIEMAN: I would like to be able to say we turned it around and we did what we were supposed to do with that building when we did the original lease but that's my ego.

COUNCILMEMBER LEE: Okay.

MS. THIEMAN: Does Lokahi need it? No.

COUNCILMEMBER LEE: Okay. That's why I asked the question because really this is my own personal preference, but we have so many offices scattered out, scattered through Wailuku and lately our Housing office moved to Wells Street. Okay. And there's hardly any parking over there for the public. Yeah. And the good thing about our Housing division is that it gets money from the Federal government for administrative costs and rent. See so the County wouldn't be paying rent, the Feds would be paying the rent. And so that's the reason why...and that's only one division, I'm sure there are other divisions throughout the County like with Public Works and other division...departments that could use that size of a building, you know. So, and that might be paid for by another source other than our taxpayers necessarily. So, if you...I think, you know, that's a good subject for discussion, Madam Chair, because our overhead is just getting out of control, it's spiraling upward, you know,

MS. THIEMAN: Right.

COUNCILMEMBER LEE: And we need to start cutting costs on our end. So, if it's not crucial for Lokahi to have that building, I think we need to have a discussion on whether the County should take it back. Thank you, Susie.

MS. THIEMAN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Lee. Member Sugimura and then Member Kama.

COUNCILMEMBER SUGIMURA: So, I like the idea of more apartments. I do know that when the building came up, I will tell you that Senator Inouye when I was working at OED with some of you here, Senator Inouye helped send funding through Gail Fujita --

MS. THIEMAN: Yeah.

COUNCILMEMBER SUGIMURA: --remember that name?

MS. THIEMAN: Well, $300,000 from Senator Inouye's Office, yeah.

COUNCILMEMBER SUGIMURA: Yeah. So, he helped, you know, there was Federal cooperation just to revitalize what was called the Blue Hawaii Building.

MS. THIEMAN: Right.

COUNCILMEMBER SUGIMURA: And I think there was a beauty shop at the very top when I was growing up but and a dress store.

MS. THIEMAN: It was only two stories.

COUNCILMEMBER SUGIMURA: Oh, it was only two stories?

MS. THIEMAN: Yeah.

COUNCILMEMBER SUGIMURA: Oh, okay.

MS. THIEMAN: Yeah.

COUNCILMEMBER SUGIMURA: I will say that I remember that through the help of Lokahi Pacific and doing, you know, when you decided to help with that building, you also helped with infrastructure to include...to help with infrastructure for the Iao Theatre. So, that's a little bit of history where again Lokahi Pacific went way over and beyond the call of duty just to make this whole thing happen. So, thank you for that. I do hear your commitment to try to make this into something more than it is today, and I think the original thought which was all good was supposed to be economic development, it was supposed to be, you know, revitalization of Wailuku Town. It was supposed to add to all those things and as 13 years later, we can see there's some challenges. So, we need housing and if it can solve some of our housing problem...I think all the time that there was Cafe O'Lei downstairs it was nice, I didn't realize they didn't have to pay electricity. I mean that's...is a huge savings.

MS. THIEMAN: Right.

COUNCILMEMBER SUGIMURA: And at some point, unfortunately, they left and that restaurant has never been able to capture that same essence maybe because the benefits have changed.

MS. THIEMAN: Maybe because the lease was a little different, yes.

COUNCILMEMBER SUGIMURA: Yeah, yeah. But I support your thought process on this because yes, we need housing. Yesterday through another committee, we heard concerns and maybe Erin would have to explain to the merchants there why Lokahi Pacific has the 11 spaces, 'cause that came up yesterday when we talked about what the Wailuku Civic Complex and Wailuku Town, but it's in your lease.

MS. THIEMAN: Right.

COUNCILMEMBER SUGIMURA: So, maybe if, Erin, you could confirm with, you know, some of the merchants who I've heard that over the years too, but it's an obligation that the County has for your, for the building and your tenants. But I like this discussion. I would like to support what Susie is trying to do. And I think what is happening now is she's being released from the chains of what it was supposed to be that's not working, and she's telling us what could work and how she could make it happen, so, I like the...I would like to support her. Thank you.

MS. THIEMAN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Member Kama?

COUNCILMEMBER KAMA: Thank you, Chair. So, Ms. Thieman, just a real rough guesstimate, what would it cost to build out the apartments, those six apartments?

MS. THIEMAN: The number that has been thrown around is a million to a million two. Now, that's before we have, you know, any solid numbers.

COUNCILMEMBER KAMA: Right.

MS. THIEMAN: But that's the architect. Like I said he was one of the original architects on the project. He went up and he took a look and he's got the original plans, and he came up with the combination of...what was it, it was one...four studios, one two-bedroom...or no, four one-bedrooms, one studio, and one two-bedroom apartments.

COUNCILMEMBER KAMA: So, your sense is that if you put those six apartments there and people actually moved in, how many people do you think those six apartments would serve?

MS. THIEMAN: If it's similar to what we have on the second floor, we're looking at in the one-bedroom's of course basically two people, it could be three if there's a child. The studio of course would be one, maybe two, and of course the two-bedroom could be five to six. What we were looking at was the total revenue from that versus the revenue that we now get from the offices is a difference between roughly 8,000 and 4,000 so it's like doubling the revenue --

COUNCILMEMBER KAMA: Yeah.

MS. THIEMAN: --but the cost drops dramatically because we don't have to have someone there full-time to serve the offices.

COUNCILMEMBER KAMA: So, is the building ADA accessible?

MS. THIEMAN: Yes.

COUNCILMEMBER KAMA: Okay. And then last question, how do you think the Wailuku Civic Complex will impact that project as you're starting to think about that and move forward?

MS. THIEMAN: I...that's hard for me to say. Just looking at, I mean we are kind of one street removed from the actual construction area, and I think as I said earlier with a new restaurant going in there, I think it could be a really good time to go in there. And we're certainly willing to negotiate lease terms based on what we know is going to be happening over the next three to four years. As far as the complex itself, is it going to help us? I think it'll help from the standpoint that there'll be more accessibility, because we know now the street parking is almost always full all day long. The 11 spots we have behind were not meant for people coming to see anyone there, they're meant for the residents and the office, the incubator office people, and I think one or two are for the restaurant, so that fills those up. But I think having additional spaces across the street in a parking lot will be a benefit.

COUNCILMEMBER KAMA: Thank you, sir [*sic*]. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Kama. Vice-Chair King and then Member Paltin.

VICE-CHAIR KING: Thank you, Chair. So, I wanted to kind of follow up on...'cause you said there's...if you have a restaurant there and there's not going to be a problem with parking, but those 11 spaces I was going to point out, those are going to have to go to, you know, at least half of them if not more are going to have to go to tenants if you're building apartments, because if you rent an apartment to somebody they're going to want a place to park their car. And if you've got two bedrooms, it's like you gonna have two cars, so parking is, I just wanted to kind of put that out there is still going to be an issue --

MS. THIEMAN: Right.

VICE-CHAIR KING: --for you if you have a restaurant there. I just wanted to follow up on the apartments that you're planning to build because I'm assuming you're building affordable housing.

MS. THIEMAN: Yes.

VICE-CHAIR KING: So, are you going to come back to, you know, to Mr. Hokama's earlier point, are you going to come back to the County for funding for that from the Affordable Housing Fund?

MS. THIEMAN: We have several sources for funding. We do not have the County on the list at this time.

VICE-CHAIR KING: Okay. But it's a possibility?

MS. THIEMAN: Anything is a possibility when you get down to it.

VICE-CHAIR KING: Okay. Yeah, I mean I just was concerned because I, you know, in your statement it was noted that the original cost of the project was estimated to be just over 900,000 and then it ended up being just over 4 million. So, it's hard to look at your estimates and say, you know, yeah it is --

MS. THIEMAN: Right.

VICE-CHAIR KING: --that those are going to hold true when, you know, there was like this exponential...

MS. THIEMAN: This is me. That wasn't --

VICE-CHAIR KING: Okay.

MS. THIEMAN: --me.

VICE-CHAIR KING: Oh, okay. Okay, so we can hold you to that?

MS. THIEMAN: There you go.

VICE-CHAIR KING: Okay. Okay, those are my main issues. I think with the financing that has already been approved for this parking for the civic center that they mentioned yesterday they are going to...they are committed to the roads and the infrastructure for utilities and for parking. So, regardless of what happens from here, there's going to be extra parking. But I just think you need to understand that, you know, when you rent an apartment, you rent a two-bedroom apartment, you probably need two. Especially if you look at the expanding Parking Code that we're doing, you may be looking at two parking spaces to commit to a two-bedroom and at least one to commit to the other ones. So, that may actually encompass most of those 11 spots.

MS. THIEMAN: Right. We will check into that but --

VICE-CHAIR KING: Okay.

MS. THIEMAN: --I was of the understanding that there was some sort of a relief from that in the Wailuku area.

VICE-CHAIR KING: I haven't seen that.

CHAIR RAWLINS-FERNANDEZ: Ms. Wade?

VICE-CHAIR KING: I haven't seen any really, but maybe, yeah, Ms. Wade knows.

MS. WADE: Thank you, Chair. The Code requires one stall per unit...per bedroom, I apologize; however, with the construction of the municipal parking structure, the intention is to offer residential parking permits as well. So, if...and within the Wailuku redevelopment area, any of the businesses within a 400-foot radius of the parking lot--and this is today, this is what the ordinance says today--can utilize the municipal parking lot as their source of parking. So, into the future they're certainly within 400 feet and if, the residents if they found it marketable because, ultimately, it's will people still rent the unit if they don't have a dedicated parking stall, you know, or if they only have one but need two. I think that's going to have to be Lokahi determining if there's a market for that and if people can still get around. I know she said one of the tenants currently doesn't have a car in the space --

VICE-CHAIR KING: Okay.

MS. WADE: --so it's...

VICE-CHAIR KING: So, there's no dedicated parking, in that Code you just talked about, there's no...there still wouldn't be a dedicated parking for any of the businesses or any of the apartments?

MS. THIEMAN: If I may? There's --

CHAIR RAWLINS-FERNANDEZ: Ms. Thieman?

MS. THIEMAN: --the four apartments that we have now, there's only one person in there that has a car.

VICE-CHAIR KING: Right, but that's not going to be guaranteed going forward.

MS. THIEMAN: No, I'm just...

VICE-CHAIR KING: I just like...I just wanted to find out from Ms. Wade --

MS. THIEMAN: Right.

VICE-CHAIR KING: --if...so that Code that you're talking about, that's...if there's a parking...they're still not going to get a dedicated parking spot, is that...

CHAIR RAWLINS-FERNANDEZ: Ms. Wade?

MS. THIEMAN: Well...

VICE-CHAIR KING: Are you...well, can I ask Ms. Wade to answer?

MS. THIEMAN: Sure. Sure, I'm sorry.

VICE-CHAIR KING: 'Cause I just wanted to find out this parking structure that we're looking at, are we...are there going to be any dedicated parking spots in there for any particular businesses or residents?

MS. WADE: Thank you.

CHAIR RAWLINS-FERNANDEZ: Ms. Wade?

MS. WADE: Thank you, Chair. The intention is not to provide any reserved stalls for any --

VICE-CHAIR KING: Okay.

MS. WADE: --purpose in the facility --

VICE-CHAIR KING: Okay.

MS. WADE: --so it would all be public.

VICE-CHAIR KING: Okay. 'Cause I think if you did, you've have to pull those numbers out of the additional parking you're providing. Okay. Thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Thank you.

MS. THIEMAN: Chair, may I comment on that?

CHAIR RAWLINS-FERNANDEZ: Go ahead, Ms. Thieman.

MS. THIEMAN: The other thing is that because we're doing away with the incubator offices there are five stalls that will become available.

VICE-CHAIR KING: And those are in addition to the other 11?

MS. THIEMAN: No, those are part of the 11.

VICE-CHAIR KING: Okay. That...yeah.

MS. THIEMAN: So, there's basically one stall per apartment that would be available.

VICE-CHAIR KING: Okay.

MS. THIEMAN: Yeah.

VICE-CHAIR KING: Yeah.

MS. THIEMAN: Thank you.

VICE-CHAIR KING: I just wanted to make you aware because if you have a two-bedroom, you need two stalls.

MS. THIEMAN: I understand.

VICE-CHAIR KING: Okay.

MS. THIEMAN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. I had a few questions. Just going on, following up on that, is there a possibility that you could give preference to tenants that don't have vehicles and work in the area like where they could walk to work or things like that? Is that a possibility?

MS. THIEMAN: I don't think so but we could certainly look into it.

COUNCILMEMBER PALTIN: And then so my understanding of this breakdown is the building was completed about ten years ago, and in that ten years, all this rooftop and things deteriorated to this point.

MS. THIEMAN: Right, right.

COUNCILMEMBER PALTIN: Is that like a foreshadowing like ten years from now we're going to have to replace all this stuff again, or is there better materials that could be used that won't or is it the maintenance of what's going on?

MS. THIEMAN: A combination of things. One, there's better materials for rooftop air conditioning units now than there was then, and there's also some coverings and some barriers that can be put up to kind of create a protection which we certainly would do when we make these changes.

COUNCILMEMBER PALTIN: And my last question is about the incubator businesses. Are they not...will...the cost to run it and all is pretty high compared to like the apartments, but will there be a significant negative effect on the ones that are using the space right now?

MS. THIEMAN: No, there won't be because the leases for the incubator offices are a three-year term. Basically, that's to give the person...incubator offices is like somebody starts a business at home, but they realize that if they're going to grow and be serious about their business, they have to be in an office setting, someplace where people can come and meet with them or where they can go from that's convenient, and obviously Wailuku is that. So, the office space rentals start at like 350 a month and that's so that they can afford to make this trial run. It goes up by $50 each year so it goes from 350 to 400 to 450. At the end of the third year, they should be ready to go out on their own and pay market rent if they need an office, or they may have found out they don't, they didn't really need it. We had a couple of very successful people who realized that in today's marketplace, you don't really need an office. You meet people at the coffee shop or you meet them, you know, wherever to go over things, because people carry their laptop computers with them and they've got everything they need to discuss their issues. So, it's kind of a combination of they finish, they graduate, they go out on their own, or they shift gears and go the other direction. But the three years for most of these people is up in the next year or so.

COUNCILMEMBER PALTIN: And just a follow-up question on that, how many offices were there?

MS. THIEMAN: Ten.

COUNCILMEMBER PALTIN: And what if you just rented them out as not incubator offices and real offices?

MS. THIEMAN: According to the grant that we got from the Economic Development Administration, they had to be incubator designed and that's where the price came from. And we probably offer a few more things than is required, but we wanted to make it the full office setting for them so they could see what they could have.

COUNCILMEMBER PALTIN: So, would the grant...sorry, follow-up, would the grant requirement allow you to now change these incubator offices into apartments?

MS. THIEMAN: That grant is up in two years and that's about what we figure it's going to take to get in there and start building the apartments, so the timing should be just about right. And we've been talking with the folks at EDA about what we plan to do, and I think if we get close to that date, they'll be fine with our going ahead.

COUNCILMEMBER PALTIN: And then if you don't...sorry, following on one more time. If this doesn't go through in two years, you could offer it as market-value offices?

MS. THIEMAN: Yes. However, remember, these offices are like 119 square feet and they're glass partitioned so they're not totally quiet.

COUNCILMEMBER PALTIN: So, kind of like our offices?

MS. THIEMAN: Yeah, right. Yeah, just about.

COUNCILMEMBER PALTIN: Okay, thank you. Thank you for your presentation.

MS. THIEMAN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Member Molina?

COUNCILMEMBER MOLINA: Yeah, thank you, Madam Chair. Good morning, Susie. Just following up on Member Lee's questions regarding your monthly expenses, with regards to the proposed six apartments, well, currently what are you charging the tenants you have there now? And with the addition of six new apartments, what are you looking at charging them? Because I'm thinking these are six new apartments versus the older apartments you have. And I know you're trying to, hopefully reduce your deficit. Can you share any projections what you're going to charge?

MS. THIEMAN: We're looking at hopefully getting more people in there that have Section 8 so that we can charge the higher price and yet they only pay a certain amount. In the current setup, we have only one person who has Section 8, and the amount that the, any of them pay is like 700 to 750 a month. So, the second floor with the four rentals brings in just under $3,000 a month.

COUNCILMEMBER MOLINA: Okay. All right, thank you. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Molina. Okay, Members, it's...

COUNCILMEMBER HOKAMA: One request.

CHAIR RAWLINS-FERNANDEZ: Okay. Go ahead, Member Hokama.

COUNCILMEMBER HOKAMA: Chair, if you would send a request, I would like to see that, the original lease agreement between the original --

CHAIR RAWLINS-FERNANDEZ: Oh I --

COUNCILMEMBER HOKAMA: --tenants.

CHAIR RAWLINS-FERNANDEZ: --believe it's up on...it was distributed by Staff --

COUNCILMEMBER HOKAMA: Okay, thank you.

CHAIR RAWLINS-FERNANDEZ: --this morning, just this morning. Sorry. And, Ms. Lee?

COUNCILMEMBER LEE: Okay, one quick question. Susie, if we took back the building, do we have to call it the Harry and Jeanette Weinberg Building?

MS. THIEMAN: It's interesting that you ask that because I asked the same question, and I talked with Gail over at the Harry and Jeanette Weinberg Foundation and she said we'd like it to be. There's no formal requirement but she said it would go in the file that you changed the name, which that gives an over, you know, kind of a cover for like if you come to us again and want to get the final piece of money for some other building and you ask us, we're probably going to decline because the name's not going to be on there forever.

COUNCILMEMBER LEE: Yeah, so there are no other requirements from funders and there's no liability as far as loans on the building?

MS. THIEMAN: There's no...no. The money that we borrowed from Central Pacific Bank is a Lokahi loan and it will be paid off in full in February, I mean in January next year. The HOME funds have a restriction on them that they must be apartments during the duration of the lease and that's in the lease documents that I think were given to you all. So, that's it. Now, there could be some issues with the HOME funds if those apartments get changed into something else, the ones that are currently on the second floor. And we've talked briefly about it, but I think the overall tone of all of our discussions in this past...over this past year, has been we need so much housing, why would we take out four apartments?

COUNCILMEMBER LEE: Thank you.

MS. THIEMAN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Lee. Okay, Members, you know, housing is the greatest concern right now. I think it would be great to add another six additional units for our community. And a lot of these repairs would be something that if we were to take the building back, would be something that we would have to pay for anyway. And like Ms. Thieman stressed that we don't have the luxury of too much time right now to decide, that Lokahi Pacific is, has already considered terminating their lease with us. So, at this time, I would entertain a motion to recommend passage of the proposed bill entitled A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for the County of Maui as it Pertains to Estimated Revenues; Department of Management, Maui Redevelopment Program; Total Operating Appropriations; and Total Appropriations on first reading; incorporating any nonsubstantive revisions; any adjustments required by prior amendments to the Fiscal Year 2019 Budget; and the filing of County Communication 18-391.

VICE-CHAIR KING: So moved.

COUNCILMEMBER KAMA: So moved. Second.

CHAIR RAWLINS-FERNANDEZ: Moved by Committee Vice-Chair King, seconded by Member Kama. All those...any discussion?

COUNCILMEMBER MOLINA: Call for the question.

CHAIR RAWLINS-FERNANDEZ: Thank you. All those in favor say "aye."

COUNCILMEMBERS: Aye.

CHAIR RAWLINS-FERNANDEZ: Any opposed? Okay. So, motion passes with nine "ayes," zero "noes," and zero excused. Mahalo, Members.

VOTE: AYES: Chair Rawlins-Fernandez, Vice-Chair King, and Councilmembers Hokama, Kama, Lee, Molina, Paltin, Sinenci, and Sugimura.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: None.

MOTION CARRIED.

ACTION: Recommending FIRST READING of bill and FILING of communication.

MS. THIEMAN: Thank you very much.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Thieman.

MS. THIEMAN: Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Members, we have Department of Transportation here. I realize it's almost 12 o'clock. So, would the Members be willing to attempt to take action on the next agenda item? It looks like yes. Okay, so we'll just take a five-minute recess--please don't leave your seats--to change up the directors and brief recess. Five minutes...okay, call of the Chair. Okay. Thank you. . . .*(gavel)*. . .

RECESS: 11:56 a.m.

RECONVENE: 12:01 a.m.

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Okay. Calling our EDB Committee meeting back to order. It is 12:01 on February 28th. Mahalo, Members, for indulging me and giving up some of your lunch. I will try...we can try to get to as far as we can get until 12:30 and I'll end the meeting then.

ITEM 22: AMENDING THE FISCAL YEAR 2019 BUDGET: DEPARTMENT OF TRANSPORTATION (PUBLIC TRANSIT PROGRAM - HIGHWAY FUND) (CC 19-19)

CHAIR RAWLINS-FERNANDEZ: So, next on our agenda is an amendment to the Fiscal Year 2019 Budget. It amends...it proposes to amend it by increasing Carryover/Savings from the Highway Fund by $352,900; amending Section 3.B.16.e, Department of Transportation, Public Transit Program - Highway Fund, by increasing Category B and Total appropriations by $352,900 to fund a projected budgetary shortfall in paratransit services provided by Maui Economic Opportunity, Inc.; and adjusting the totals accordingly. Debra Cabebe is Chief Executive Officer, Maui Economic Opportunity, Inc., and I would like to designate her as a resource person pursuant to Rule 18A of the Rules of the Council, as someone with special expertise in the matter. Any objections?

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Members. Director of Transportation, Marc Takamori, will you please provide the Committee information about this item?

MR. TAKAMORI: Good afternoon, Chair Rawlins-Fernandez and --

CHAIR RAWLINS-FERNANDEZ: Aloha.

MR. TAKAMORI: --and Committee Members. I'm Marc Takamori, I'm the Deputy of...or I'm the Director of Transportation, sorry. With me is my Deputy, Michael Du Pont. Thank you for having us this afternoon. We are here requesting an amendment to our Fiscal Year 2019 Budget, for our Maui Bus ADA Paratransit contract. Based on what we requested last fiscal year, what received at the end of the Budget Session last year, we weren't fully funded for this contract, and so here we are asking for a budget amendment because there will be a shortfall in the needed revenue service hours for us to continue our services through the end of this fiscal year. We are here asking for a budget amendment of $352,900 just so that we are able to finish off the rest of this fiscal year. And again, Debbie Cabebe of, CEO of MEO is here to answer any questions. And we are here to assist and answer any of your questions as well.

CHAIR RAWLINS-FERNANDEZ: Okay. Budget Director Yoshimura, do you have anything you would like to add to that?

MS. YOSHIMURA: No, Chair. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Okay, Ms. Cabebe, is there anything you would like to share before I open the floor to questions?

MS. CABEBE: I have no comments. I think Mr. Takamori explained our situation. I'm open to questions. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay, great. Okay, Members, the floor is now open for questions.

COUNCILMEMBER LEE: Chair's recommendation.

CHAIR RAWLINS-FERNANDEZ: Great. Okay, Members, the Chair will entertain a motion to recommend passage of the proposed bill entitled A Bill for an Ordinance Amending the Fiscal Year 2019 Budget for the County of Maui as it Pertains to Estimated Revenues; Department of Transportation, Public Transit Program - Highway Fund; Total Operating Appropriations; and Total Appropriations; on first reading; incorporating nonsubstantive revisions; and any adjustments required by prior amendments to the Fiscal Year 2019 Budget; and the filing of County Communication 19-19.

COUNCILMEMBER KAMA: So moved.

COUNCILMEMBER SUGIMURA: So moved. Oh, second.

CHAIR RAWLINS-FERNANDEZ: Moved by Member Kama, seconded by Member Sugimura. Any discussion? Thank you, Members. All those in favor say "aye."

COUNCILMEMBERS: Aye.

CHAIR RAWLINS-FERNANDEZ: Any opposed? Mahalo. We have...the motion passes with seven "ayes," zero "noes," two excused, Committee Vice-Chair King and Member Hokama. Mahalo, Members.

VOTE:	**AYES:**	**Chair Rawlins-Fernandez, and Councilmembers Kama, Lee, Molina, Paltin, Sinenci, and Sugimura.**
	NOES:	**None.**
	ABSTAIN:	**None.**
	ABSENT:	**None.**
	EXC.:	**Vice-Chair King and Councilmember Hokama.**

MOTION CARRIED.

ACTION:	**Recommending FIRST READING of bill and FILING of communication.**

CHAIR RAWLINS-FERNANDEZ: Do you think we can take up the last agenda item? Yay, okay.

MS. CABEBE: Mahalo.

CHAIR RAWLINS-FERNANDEZ: Thank you so much, Ms. --

MR. TAKAMORI: Thank you very much.

CHAIR RAWLINS-FERNANDEZ: --Cabebe and Director Takamori and Deputy Director.

ITEM 156(2): AMENDMENTS TO THE FISCAL YEAR 2019 BUDGET TO AUTHORIZE TRANSFERS RELATING TO CATEGORIES OF USE WITHIN A PROGRAM OR DEPARTMENT (DEPARTMENT OF LIQUOR CONTROL) (CC 18-246)

CHAIR RAWLINS-FERNANDEZ: Okay. Members, the last item on today's agenda is to amend the Fiscal Year 2019 Budget within the Department of Liquor Control by transferring $2,300 from the Liquor Control Program, Category A to Category C to fund a budgetary shortfall for the purchase of three mid-size hybrid four-door sedans. Director of Liquor Control...sorry, thank you. Would you please provide the Committee information about the increase?

MR. MUKAI: Good morning, Chair, Members.

COUNCILMEMBER KAMA: Good morning.

CHAIR RAWLINS-FERNANDEZ: Good morning or afternoon.

COUNCILMEMBER KAMA: Oh yeah, it is.

MR. MUKAI: My name is Glenn Mukai, Director of Liquor Control, and with me I have Georgette Tyau who's the Deputy Director of Liquor Control

UNIDENTIFIED SPEAKER: Good morning.

MR. MUKAI: Basically, what we're asking for is transfer of fund to make up the shortfall on what the County Council approved for three replacement vehicles for our Enforcement Division. What was approved and what the County bid came in, we had a shortfall of $2,300. You have any questions?

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Mukai. Before I open the floor to questions, Budget Director Yoshimura, do you have anything you would like to add?

MS. YOSHIMURA: Chair, a copy of the bid results is attached to the resolution.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Members, questions? Member Molina?

COUNCILMEMBER MOLINA: Yeah, thank you, Madam Chair. Good afternoon, Mister...Director. Just quickly, do you know the vehicles were purchased off island and I guess the local dealership couldn't give us a better deal than what was given to us?

MR. MUKAI: We had...we...Chair?

CHAIR RAWLINS-FERNANDEZ: Mr. Mukai?

MR. MUKAI: We do not handle the bidding process. We submit it to the County and the County goes out for bid.

COUNCILMEMBER MOLINA: Okay.

MS. YOSHIMURA: Chair?

COUNCILMEMBER MOLINA: Yeah.

CHAIR RAWLINS-FERNANDEZ: Budget Director?

MS. YOSHIMURA: Councilmember Molina, one of the issues is because the replacements are hybrids, they don't have it here locally on Maui, and so the bids have been coming in from Oahu.

COUNCILMEMBER MOLINA: Okay. And hybrids I guess that's over the long term it's supposed to save the County money I guess in terms of gasoline?

MS. YOSHIMURA: Correct.

COUNCILMEMBER MOLINA: That's...that was the intent to go hybrid? Okay, thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Members...Member Sugimura and then Member Paltin.

COUNCILMEMBER SUGIMURA: She can go, I was going to ask for recommendation.

CHAIR RAWLINS-FERNANDEZ: Okay, go ahead, Member Paltin.

COUNCILMEMBER PALTIN: I just was wondering because they don't offer the hybrids locally, is it going to be a problem to maintain them locally? And the expected longevity of the vehicles?

CHAIR RAWLINS-FERNANDEZ: Good question. Mr. Mukai or Budget Director?

MS. YOSHIMURA: Chair, Member Paltin, I believe our County garage has been doing some of the repairs on our hybrid vehicles, but I think in the last Administration, there was a, I don't want to say a mandate but to look into hybrid vehicles. And that's why the departments have been replacing their utility vehicles with hybrids.

CHAIR RAWLINS-FERNANDEZ: Go ahead.

COUNCILMEMBER PALTIN: One quick follow-up, and they prefer hybrid over the EV?

MS. YOSHIMURA: We haven't been doing the EV vehicles because we don't have the facility or the infrastructure for it, the chargers. So, we need to enhance that program first before we can mandate EVs.

COUNCILMEMBER PALTIN: Okay, thank you so much.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. Any other questions, Members? Okay, great. So, the Chair will entertain a motion to recommend adoption of the proposed bill Authorizing the Transfer of an Unencumbered Appropriation Balance within the Department of Liquor Control - Liquor Fund, Fiscal Year 2019 Budget on first reading; incorporating any nonsubstantive revisions; and any adjustments required by provision...prior amendments to the Fiscal Year 2019 Budget; and the filing of the correspondence.

COUNCILMEMBER SUGIMURA: So move.

COUNCILMEMBER KAMA: Second.

COUNCILMEMBER SINENCI: Second.

CHAIR RAWLINS-FERNANDEZ: Moved by Member Sugimura, seconded by Member Kama. Any discussion? Okay. All those in favor please say "aye."

COUNCILMEMBERS: Aye.

CHAIR RAWLINS-FERNANDEZ: Any opposed? Mahalo. Okay, motion passes with seven "ayes," zero "noes," two excused, Committee Vice-Chair King and Member Hokama.

VOTE: **AYES:** **Chair Rawlins-Fernandez, and Councilmembers Kama, Lee, Molina, Paltin, Sinenci, and Sugimura.**

NOES: **None.**

ABSTAIN: **None.**

ABSENT: **None.**

EXC.: **Vice-Chair King and Councilmember Hokama.**

MOTION CARRIED.

ACTION: **Recommending ADOPTION of resolution.**

CHAIR RAWLINS-FERNANDEZ: Yay! Thank you so much, Mr. Mukai, Budget Director. Thank you so much, Members, for completing today's agenda. I really appreciate you bearing with me and I will adjourn the meeting. . . .*(short pause)*. . . Oh, I didn't do that? Okay, sorry. Procedural matter, sorry. Okay. Thank you, Mr. Mukai.

ITEM 24(9): PRESENTATIONS ON OTHER POST-EMPLOYMENT BENEFITS (RULE 7(B))

CHAIR RAWLINS-FERNANDEZ: Okay. If there are no objections --

COUNCILMEMBER SUGIMURA: No objections.

CHAIR RAWLINS-FERNANDEZ: --I would like to defer EDB-24(9), which is the presentation on ERS and the EUTF.

COUNCILMEMBERS VOICED NO OBJECTIONS. (Excused: KTK and RH)

ACTION: **DEFER PENDING FURTHER DISCUSSION.**

CHAIR RAWLINS-FERNANDEZ: Mahalo, Members. Okay, so I will adjourn. Thank you. Enjoy your lunch. . . .*(gavel)*. . .

ADJOURN: 12:12 p.m.

APPROVED:

KEANI N.W. RAWLINS-FERNANDEZ, Chair
Economic Development and Budget Committee

edb:min:190228:ds

Transcribed by: Daniel Schoenbeck

CERTIFICATE

I, Daniel Schoenbeck, hereby certify that 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 15th day of March, 2019, in Kula, Hawaii

Daniel Schoenbeck

Daniel Schoenbeck