

ECONOMIC DEVELOPMENT AND BUDGET COMMITTEE

Council of the County of Maui

MINUTES

March 27, 2019

Council Chamber

CONVENE: 9:35 a.m.

PRESENT: Councilmember Keani N.W. Rawlins-Fernandez, Chair
Councilmember Kelly T. King, Vice-Chair
Councilmember Tasha Kama, Member
Councilmember Michael J. Molina, Member
Councilmember Tamara Paltin, Member
Councilmember Shane M. Sinenci, Member
Councilmember Yuki Lei K. Sugimura, Member

EXCUSED: VOTING MEMBERS:
Councilmember Riki Hokama, Member
Councilmember Alice L. Lee, Member

STAFF: Leslee Matthews, Legislative Analyst
Yvette Bouthillier, Committee Secretary

Zhantell Lindo, Council Aide, Molokai Council Office (via telephone conference bridge)
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)

ADMIN.: Sananda K. Baz, Managing Director, Department of Management
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Additional 20

PRESS: Akaku: Maui Community Television, Inc.

CHAIR RAWLINS-FERNANDEZ: ...*(gavel)*... Aloha kakahiaka kakou. Aloha. It is March 27th at 9:35. Will the Economic Development and Budget Committee please come to order? Please silence any noise-making devices you have. With us this morning we have Committee Vice-Chair Kelly King.

VICE-CHAIR KING: Good morning.

CHAIR RAWLINS-FERNANDEZ: Good morning.

VICE-CHAIR KING: Aloha kakahiaka.

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CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. Member Shane Sinenci.

COUNCILMEMBER SINENCI: Aloha kakahiaka, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. Member Mike Molina.

COUNCILMEMBER MOLINA: Aloha, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha. Member Tamara Paltin.

COUNCILMEMBER PALTIN: Aloha kakahiaka, Chair.

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

COUNCILMEMBER SUGIMURA: I'll be different. Good morning.

CHAIR RAWLINS-FERNANDEZ: Good morning. And Member Tasha Kama.

COUNCILMEMBER KAMA: Aloha kakahiaka, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha kakahiaka. Alice Lee called in, and she will not be joining us today. And Riki...Member Riki Hokama is excused so both Member Lee and Member Hokama. Thank you, Members, for joining us for this training today. With us we have from the Administration, Mr. Sandy Baz, Managing Director.

MR. BAZ: Aloha, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha. From Corporation Counsel, Jeff Ueoka, Deputy Corporation Counsel.

MR. UEOKA: Good morning, Chair.

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

MS. MATTHEWS: Aloha, Chair.

CHAIR RAWLINS-FERNANDEZ: Aloha. And Yvette Bouthillier.

MS. BOUTHILLIER: Good morning.

CHAIR RAWLINS-FERNANDEZ: Good morning. Okay, we have one item on today's agenda, EDB-24(10), Presentation on Fiscal Year Budget Process. Okay, let's begin with public testimony on our one agenda item today. Testimony will be limited to the items on the agenda. To testify, please sign up with Staff. 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

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your name and who you're representing, and also indicate if you're a paid lobbyist. Let's first check with our District Office.

. . .BEGIN PUBLIC TESTIMONY. . .

CHAIR RAWLINS-FERNANDEZ: Denise Fernandez with the Lanai District Office, could you please call your first testifier?

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

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Fernandez. Ms. Zhantell Lindo, at the Molokai Office, will you please call your first testifier?

MS. LINDO: Aloha, Chair. . . .*(inaudible)*. . .

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo, Ms. Lindo. So, there's no one at the Lanai or Molokai Office. And we do not have connection with our Hana Office because our Staff is joining us here today for the training. Mahalo, Ms. Olivera-Medeiros. Okay, Ms. Matthews, will you please call our first testifier in the Chamber?

MS. MATTHEWS: Yes, Madam Chair, we have no one signed up to testify in the Chamber.

CHAIR RAWLINS-FERNANDEZ: Okay, great. Okay, seeing no one is testifying today, I will now close public testimony, if there are no objections.

COUNCILMEMBERS: No objections.

CHAIR RAWLINS-FERNANDEZ: Okay, great, mahalo.

ITEM 24(10): PRESENTATION ON FISCAL YEAR BUDGET PROCESS (EDB-24(10)) (Rule 7B)

CHAIR RAWLINS-FERNANDEZ: Okay. So, mahalo again, Members, for coming today and to the community who are interested in this Budget training. I felt everyone would be better off with a good solid training, and so I appreciate Director Baz, his willingness to help us with this. And I'll ask Members to hold their questions until an acknowledged time by me. Let's see, anything else? Okay, that's everything. All right, Mr. Baz, you're ready?

MR. BAZ: Sure.

CHAIR RAWLINS-FERNANDEZ: Okay.

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MR. BAZ: Good morning, Chair, Members, happy to be here. Two disclaimers, one is that if I seem a little out of place, I got about an hour-and-a-half sleep 'cause my son has the stomach flu. So, he was a little up all night. Anyway, the second is that, you know, I've spent eight years at the County, seven of them as the Budget Director. There's a lot in this document that we could not go over today. So, just to let you know that there's going to be a lot of scenarios and things that as you go through the Budget, you're just going to have to ask, you know, the relevant people, either Corporation Counsel, or Budget Director, or your own staff, whoever's available to determine some of the questions that you might have. So, the information is a general overview that I'm going to provide. I'll try to give you a basic understanding of the document itself and where to find things so that you can make a determination yourself on different issues. So, just those two disclaimers, Madam Chair and Members. I'll start off with the Charter. The Charter is our constitution. It is what governs our County along with the State Constitution, HRS, and the County Code. Those four main focuses are the legal structure, and all four of them touch on the County Budget. So, just to understand that there are items in the Charter, there are items in the Code that do present and restrict the budgetary process. But then there are also State, you know, Constitution and HRS requirements that must be met to implement this budget and to solidify it. First, so Article 9 is the financial procedures of the County in the Charter and defines the fiscal year which, of course, is July 1st through June 30th. And I'm not going to go over the whole thing. Section 9.2 is pretty much the core of what's happening right now. On or before the 25th day of March before the ensuing fiscal year begins, the Mayor shall submit to the Council (a) an operating budget for the ensuing fiscal year including an executive operating budget and the legislative operating budget; (b) a capital program; and (c) an accompanying message. So, really what the Charter requires the Administration to present to the Council are those three items, operating budget which includes your own budget, which is a little interesting. But it includes the legislative budget as well as the administrative budget, as well as a capital program, you know, our CIP. It's the ensuing year and six, excuse me, five additional years. And then an accompanying message, which is that letter at the front of the document that we'll go through. So, those are the basic requirements that are a part of the item. The rest of the documents that are presented to you are informational and hopefully can help you make better decisions. But they are not a requirement of the Charter itself. The rest of the Section 9 talks about, you know, the scope, the message, the capital program itself, requires that you have a public hearing in April basically. And that you have to pass the budget before the 10th day of June, right. So, you guys understand that you have a legal requirement to pass the budget. If not, then the Mayor's proposed budget goes into effect. That's really the Charter. Go real quickly, the Maui County Code is online obviously, but the Title 3 of the Maui County Code talks about revenue and finances. A lot of the discussions that you'll have are related to items that are spelled out in Title 3. The procedures as well as the administration and the special purpose revenues, the special purpose funds, all the Code descriptions of what you can use that for are all pretty much in Title 3. And so if you have a question about what any of those special purposes revenues are...can be utilized for, that's...the revenue sources and restrictions and purposes are all defined in Title 3. So, our Corporation Counsel Mr. Ueoka can always refer back to that and help you guide through any questions you may have regarding the actual use of

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special funds. Okay, so we'll get into the document itself. So, the main document that we provide to you is the Program Budget. It's the Mayor's proposed budget...or Mayor's budget proposal, and it's a pretty thick document. I didn't count how many pages were in '19, usually 800 or so pages. One of those big, thick documents that you have. And it's what we call the narrative portion because it talks about the information that's in there related to the departments, the programs, the missions. It's got the goals and objectives. It's got the different budgets as well, financial information. But most of it is in a narrative format. And the other documents that you're provided are all basically numbers. So, this is what we try to refer to so that you can have a better understanding of what the document's about, what the County is doing, what the programs are about, and then how you're going to make decisions on whether or not financially they need the resources that they're requesting. So, in the document itself, I'm going to refer specifically to what's called the Reader's Guide to the Budget. And this is for Fiscal Year '19. This is on Page 9. And this is in the budget every year. But it does describe how to read the budget, right, so, most of my presentation this morning will be going over that. It pretty much answers most of the questions I think that the Committee might have related to the structure of the document and how to manage the budget process itself. So, it does have an introduction, includes the Mayor's budget message which is that required letter presenting information about the proposed budget, the changes to rates and fees, and highlighting major capital improvement projects as well. The overview section is just a broad overview of the budget and summary of organizational changes. So, you'll see if there's any changes to the structure of any of the programs, added E/Ps, different things like that. That's in the budget overview. Another section that we're going to discuss today is the budget financial...Budget and Financial Policies. These are guidelines and financial policies of the County of Maui. And they do set some limitations and discussion of things that you should be reviewing as a part of this budget presentation...deliberations. It goes through...provides financial summaries, and then each department has a program. They have a summary related to the department. And then for each program, there's detailed information about that. It has a Capital Improvement Program section which is the...by department each of the requested capital improvement projects and it has a six-year plan in there, but each of the project sheets are just for the upcoming year. So, if there's a requested project in the Fiscal Year '20 Budget, there'll be a project sheet for it. And then there's a glossary. You know, government loves acronyms and words that you probably never even heard of before. And this glossary is fairly extensive. We've upgraded it over the years to include a lot of financial information that you might have questions about when they're talking about certain things. So, we can briefly go over the glossary as well. So, in the department summary...let me see if I can get a better...so, yeah, if you're following on the Fiscal Year '19 Budget, I am on...starting on Page 10. Department summary is...includes an organizational chart. So, you have the structure of the department itself, you know, usually a reporting structure, different programs that are participating in that department. And they talk again about the mission, the purpose of the department, links to any of the Countywide outcomes, description of the department's purpose, and then it's got charts for financial information which we'll go over the details of, summary of the personnel that are in that department, and then related to kind of a SWOT analysis some of the external

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factors, and things that impact the department or agency's operations. And so basically things to think about as you're deliberating on the budget. The program narratives are specifically on each program, and they include a brief statement of the program's purpose. So, maybe I should take half a step back. In a department there are...there's the department level, and then there's programs, right. So, in Environmental Management, let's say there are...I think there's five programs in there. There's the Administration Program...six programs, there's Administration Program, there is the Solid Waste Administration, Solid Waste Operations, Sewer...or Wastewater Administration, Wastewater Operations, and then the Environmental Protection and Sustainability Program, right. So, there's six different programs. Each of those are our budgetary...and these are called budgetary programs. These are budgetary structures that, if you look back at the ordinance, are restricted to expenditures within that specific program 'cause we have what's called a program-based budget, right. So, as you go through those, some of the departments use different terms. They'll use divisions, but the budgetary structure is a program. There are departments like Housing and Human Concerns that has a number of divisions in one program. So, the Housing, excuse me, the Human Concerns Program has Immigration Services. It has Aging. It has Grants. It has Kaunoa. Yeah, actually Animal Management is a different program. So, yeah, so there's different...they have different divisions within one program. Sometimes one division will have multiple programs, and sometimes one program will have multiple divisions. So, you can't really utilize that same term directly when you're looking at it from a budgetary structure. You're going to look at it from a program level. And if you ever have a question about what's included in that program, that's what those program narratives describe, everything that's involved in that specific program. And then the ordinance itself will show you what's the restricted dollar amounts for each of those. So, I lost that again...there we go. So, continuation, budget changes are a part of this, and we'll get into what that looks like here. There's been a request, I think the department, excuse me, the Council asked for fixed costs versus the discretionary costs. The County has pretty much used different terms. We've used the continuation budget, which describes basically the...we'll get into that...but the continuation is what's...what it takes to run the department as it's running right now. And then the expansion would be basically, you know, more discretionary stuff as well, if you want to expand services or if you want to expand different areas, then the expansion dollars would be utilized for that. But the document itself talks about the budget changes from one year to another. The continuation budget changes are all described. If they're larger than \$10,000 increase or decrease, then they're described in details. If...and it talks about different things that are a part of that. So, personnel-related items for longevity pay based on the most current bargaining unit contracts. So, I think we don't have a full set of contracts right now. So, you might not see a whole bunch of changes in that specific area in '20. But, and then different concepts that are a part of the continuation budget, these are different items in here. One of the pieces that are a part of the continuation budget to be aware of is inflationary factors. And these inflationary factors are based on, for Fiscal Year '20, they're based on the budgeted item for Fiscal Year '19 plus or minus any inflationary factor, right. So, if we projected that fuel will increase or decrease, then those would be a factor that would be presented in here and automatically calculated to majority of the departments and

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programs. And then, of course, there's expansion budget requests. Those are things that are addition to usually services that we're providing, or additional personnel, different things like that. And then we provide a County Grants Subsidy Detail. Grant subsidies are the grants that we give out to usually nonprofits. So, those are described in there, especially line item grants or different pots of money. Those are...the descriptions are in the budget like that. You can, you know, get a good idea. Grant revenue, just to describe that grant revenue is money that we're receiving. Grant subsidies is money that we're giving out. So, when you talk about a grant, it could be one of those two different types of things. Most of the grant revenue received is Federal, State, those kinds of things. And the grants that we give out are those grants in OED, DHHC, Transportation, Parks, Water. They have those grant subsidies. Yeah. Okay, so we're going to get into the actual document, what it looks like here. And this is the financial piece of it. So, when you're looking at the summary, we're going to talk about different things that are here. And I wanted to describe what they are. You hear generally a discussion about ABCs, right. ABC classifications is in the general budget provisions. The County, its financial system uses character level description. So, when you see that ABC classification, it's based on what's called a character. And character is the...there's three main characters. There's a few more that we can get into, but majority of the expenditures are related to either salaries and wages, operations, or equipment. And there's some ancillary ones that are rolled up into the actual operations. But those are the three main...they're called character level descriptions. And so if you're ever either reading an IFAS report, that character level is what that description is. Then what there's...the next level down from that is what's called an object level. So, the object description gets into a little bit more detail. So, for example, the Salaries and Wages, the objects that are encompassed in that character are regular Wages and Salaries, and then Premium Pay. And the main description is called Other Premium Pay, but it encompasses all kinds of different things, not just overtime, but also night differential, standby, T/A, you know, a lot of those different factors are included in what's called other premium pay. And so for Operations, you can see the different object levels are Materials and Supplies, Services, Utilities, Travel, Other Costs, and Special Projects. And for Equipment, there's two main categories. One is Leased Equipment which is generally our copiers. We have a few other leased equipment, but most of it is our copiers. And Machinery and Equipment is us purchasing new equipment with the cash available in the operating budget. So, when you get into the budget details, which we won't get into on the screen here, the next level down from the object is what's called the subobject code level. And so that gets into a granular description of these different categories. So, in like Materials and Supplies, you'll see that there's office supplies. There's safety supplies. There's medical supplies. There's miscellaneous supplies, you know. So, in that subobject code level is a very granular description of basically what we're spending the money on. The Council budgets on a character level, right. So, by program, and then by character. So, when you look at the budget ordinance which becomes the legal document, the actual restrictions are based on the program, and then based on those ABCs which is the three different characters, those main characters. A description of each of those in detail is here at the object level. You can see...so like I mentioned there's the Countywide expenditures which go roll up in basically into Operations, and most of it is fringe benefits, different things like that.

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Debt Service also is a separate one. And then Transfers In and Out, and those are transfers that we make in between funds. And so you'll see in the ordinance a intergovernmental transfers category, revenue. So, we have to account for...if revenue...if money is going between funds, we have to account for it in as this, a transfer in and a transfer out. So, it kind of falsely adds money to the budget. That's not really being...it's not additional revenue. It's just revenue that's going between funds. And then the description of the character of Equipment is there as well. In the summary of Equivalent Personnel, there's a position title and then the number of what's called Equivalent Personnel for each of those position titles. And so you can see if there's one person there or 20 people that are the same title that will be referenced on this here. The Continuation Budget changes as I just, oops...as I described before is a reflection of changes that are plus or minus \$10,000. So, in there you'll see if, you know, there's an adjustment because the position was filled at a lower pay scale, that would be described in there. There's a deletion of one-time appropriations. A lot of times if there's a one-time appropriation, we automatically delete it out of the budget. And so you'll see that referenced in this section. And then in the expansion section, they are, you know, if there's additional personnel that's requested, then, you know, of course there'll be an increase in Salaries and Wages. Operations, you'll see the different subobject code level descriptions of changes to the operations. And Expansion Budget is all expansions, whether it's a dollar, which probably wouldn't be budgeting an extra dollar, but there's no lower limit to that expansion description in the budget itself. All of the items are described in there. And so you can get an idea of what the programs are requesting. I do want to point out here, there's a bunch of numbers in front of that description there. And you can see the...so like for Services there, it says 913012B-5101. The County uses what's called an index code as what normal people would call a cost center. So, you know, for us to describe individually certain different levels of cost areas, we call 'em index codes. And so that index code is described there. So, that will reference back to either...sometimes one program will have one index code. And sometimes one program will have a whole bunch of different index codes. And that's just how the program managers use that, how departments use that to identify their own separation between, you know, items within that program. Sometimes it'll be by district. Sometimes it'll be by different function within that program, and so you'll see different index codes. And then that 5101 is...actually it's supposed to be 6101 probably the subobject code level. The subobject codes are, again, those are the detailed description of the object level services. There's a subobject code for advertisement specifically, okay. And then Equipment, you'll see all equipment is generally expansion. So, even if we buy, you know, 30 vehicles every year for the Police Department and they're just replacement vehicles, it's still considered expansion. So, all equipment basically we make them justify requests for equipment every year as an expansion item. In the County Grant Subsidy Detail, you'll see...first of all there's a table that describes the subsidies that we give out. You know this one, so you know, UH-Maui College Sea Grant here shows, actual, and adopted, and then proposed as well as then a narrative description of what the grant is being utilized to pay for. So, that's the Operating section of the budget. Then in the Capital Program, we have a description of the project sheets themselves. And these have the project name, you know, basically what the project title is. This generally correlates to the

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project title within the actual ordinance itself, and so you can align the two. We have what's called CBS numbers. This is a unique identifier in our capital budgeting system that was developed by our in-house IT staff that allows us to be able to consolidate these and track them from year to year. There are projects that are continuing on from when we first initiated this in 2013 to new projects that are presented each year. So, you'll see numbers going back into the 1,000, and you'll see numbers in 5,000, and that's generally because if it's a 1,000 one, it's an on-going project like road repaving or something like that, right. So, you'll have a department name, of course, that it relates to. District is not your Councilmember district. It is your community plan district, yeah. So, there's eight community plan districts, and then the Countywide is a general catchall. There are items in there that cross districts that are generally put into the Countywide district itself. Project type, there's eight different project types. Drainage is for road drainage, gulch improvements, drainage master plans. Government Facilities are generally buildings like the service center that we're building down in Kahului is a government facility. If we build police stations, fire stations, those kinds of things, are all considered government facilities. Other Projects is kind of catchall description of a project if we don't have another of those different categories. Parks and Recreation is for facilities related to the Parks and Recreation Department, and they include usually playing fields, gym improvements, swimming pool construction, repair, court resurfacing, all those kinds of things. Road Improvements, pretty self-explanatory. It's the actual road itself as well as bikeways, sidewalks, and bridge and repair and maintenance, anything that affects as related to the road itself. Sanitation is related to landfill. Those are our solid waste-type projects and anything related to that. Wastewater is our sewer projects. And of course, Water Supply is related to providing clean, safe drinking water. There is an Anticipated Life Cycle on each of the project sheets. So, if we expect it to be 5 years, 10 years, 50 years, those are usually described in there. Project Description is describing the project in a narrative form so that you can get a better understanding of what the projects encompasses. There will be a Project Justification section which is a description from the department of why the project is important, and what it needs, it's fulfilling any demands, inadequacies, or service increases, those kinds of things. There'll be all relayed in the Project Justification. The Strategic Plan Alignment is related to the Countywide priority results and the County General Plan, or island plans. Right now we only have one island plan. So, I think they, yeah, anyway, it would be...if the Maui Island Plan is encompassed in that project, they try to describe how it aligns to that as well. Some of the projects have operating impacts and will provide some information related to operating impact costs, if they know there's going to be, you know, a new police station, or a new fire station...probably not police station...a new fire station might include new personnel required, right, or something like that. So, or if there's going to be increase or decrease in operational costs based on the project's implementation. They try to provide estimated start and end dates of projects. And a lot of these are estimates that are available at the time of the presenting of the project. And you know, they fluctuate. So, you can't really hold 'em to those start and end dates, but they fairly have a good idea of what they're doing with that. Project Phase describes the different project phases of the project itself, whether it's acquisition, that's acquisition generally of the land or...so vacant land, if we're buying vacant land, or land and building.

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Planning, Design, New Construction, Renovations, Furniture, Fixture, Equipment, and then Other which includes like construction management, different things like that. So, I'll leave you to read those descriptions as you go through the projects. There's a Funding Code on each of those. We'll get into the description of the funds in a little bit here. But the Funding Code is related to just basically another acronym, different funding sources that you would see provided for these capital improvement projects. And that's really the Reader's Guide to the Budget which describes the function and structure of that program narrative budget. So, we can...if you want to take a pause there, we can take a pause and see if you want me to move forward or if you want to go on to any questions related to that.

CHAIR RAWLINS-FERNANDEZ: Okay, Members, we'll take a pause at this section. If you...I'll now open the floor to questions. Vice-Chair King?

VICE-CHAIR KING: Thank you, Chair. Sorry if I'm coughing, but I'm still getting over that virus. So, I guess my first question is to Mr. Baz is what was your...were you intimately involved in creating the budget this year? We heard from the Mayor that he was shoed out of the room often. So...or just, you know, I'm a little disappointed our Budget Director isn't here. But I'm glad you're here because I know you know the process. And just who was basically responsible for this budget and why isn't that person here, I guess is my first question?

MR. BAZ: Well, today's presentation is on the Fiscal Year '19 Budget structure, the documents themselves. So, it's not on the '20 Budget.

VICE-CHAIR KING: It's not about the budget we're looking at that we were just handed?

MR. BAZ: No.

CHAIR RAWLINS-FERNANDEZ: No, yeah, we're looking at the Fiscal Year '19.

VICE-CHAIR KING: Oh, okay.

CHAIR RAWLINS-FERNANDEZ: Because of the posting deadlines. And --

VICE-CHAIR KING: Oh, okay.

CHAIR RAWLINS-FERNANDEZ: --we wanted to have this training --

VICE-CHAIR KING: I guess, yeah --

CHAIR RAWLINS-FERNANDEZ: --prior.

VICE-CHAIR KING: --I guess I didn't realize. Is there a difference between the previous and this budget as far as the structure?

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MR. BAZ: Not much, yeah. As for my understanding, not much of a difference of the structure itself. Obviously, the numbers have changed.

VICE-CHAIR KING: Yeah, yeah, that's understandable. But so, can you highlight any of the change if there any changes between this previous structure and this structure?

MR. BAZ: No.

CHAIR RAWLINS-FERNANDEZ: We're just going like broad overview of --

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: --what the...how the budget is formatted.

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: So, that the Members all are comfortable --

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: --reviewing it.

VICE-CHAIR KING: But we also should know that if there are any changes to the format for this budget, then we're getting training on something that may have changed. So, are there any major changes or anything that's significant that we should know about?

MR. BAZ: I can't highlight anything. I didn't go through the '20 Budget enough to be able to tell you that. Budget Director, as you get into the discussion of the Fiscal Year '20 Budget, then, you know, and you have questions, then you ask the Budget Director about that.

VICE-CHAIR KING: Okay, that's...

CHAIR RAWLINS-FERNANDEZ: And on April 1st Mr. Baz and Ms. Yoshimura will be with us and then we can ask those questions because then the Fiscal Year '20 Budget will have been posted.

VICE-CHAIR KING: Okay. Yeah, I'm a little disappointed because it was posted that Ms. Yoshimura would be here. So, that's disappointing that she's not here to answer those questions because I think that speaks to the relevancy of looking at last year's budget, you know, compared to this year's budget, is the format the same? So, I guess...I don't know if, can I ask questions based on what we received on Monday? Okay, I was a little...okay, I'll just ask two more questions. And I was a little bit confused about the expansion...the replacement of vehicles being called expansion. So, even if we're replacing a vehicle and we're going to sell the old vehicle supposedly, how is that expansion? Because I know there was proposed in this upcoming budget 30 more vehicles and, you know, I guess I won't ask that today whether those are

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replacement. But I'm just curious as to why replacement would be characterized as expansion?

MR. BAZ: Sure.

CHAIR RAWLINS-FERNANDEZ: Baz?

MR. BAZ: Yeah, I can...I mean historically that's been in existence from before I became Budget Director. Any equipment has always been considered expansion. And the general purpose for that is that it is...equipment is not...I mean yes, it's an ongoing requirement of a program, but the cost of those isn't really an ongoing cost of that, other than leases, right, you know. Leases are of copier machines, or leases of mowers, or whatever we're leasing is an ongoing cost. But anything else than that, the departments should be justifying the need for that. And we have a vehicle usage policy that includes any requirements...any requests for new vehicles or replacements of vehicles, they need to justify, you know, is the vehicle really needed to be replaced. You know, is it utilized? Do they incur enough miles on it a year to justify a new piece of equipment? Do they...is the piece of equipment that they're replacing, you know, really...can it last another year? Can it last five more years? You know, those are the kind of factors that the Administration will review before it allows a new, rather than it just being a continuation request.

VICE-CHAIR KING: Okay. 'Cause generally, you know, most businesses will plan for that in their, you know, five-year plan. They know which vehicles are going to need to be replaced, and they have to kind of budget that in every year going forward. But so what you're saying is they wait till every year then they decide which vehicles they want to replace? Or is there like some kind of an ongoing plan and --

MR. BAZ: Well...

VICE-CHAIR KING: --because I'll tell you why I'm asking this. It's because if we're going to look at in trying to cut down on, you know, scrutinizing every line item in this book here, what we want to...and you know, this has been said before, we want to look at fixed costs. And one of the things that we were considering fixed costs I think was replacement vehicles. But if we don't...if we don't know if it's characterized as an expansion or a replacement, then it's hard to put that in there as a fixed cost. But I mean overall if you have 30 vehicles, or if you 50 vehicles and you're replacing 30 of them, you still have 50 vehicles. So, you know, for us, you know, in my mind necessary replacement of vehicles that are out of warranty or almost breaking down like our fire truck in Kihei was last year, those are fixed costs because you can't have our, you know, first responders driving around in a fire truck that's on the hazard list. So, to me that makes a big difference whether it's a new vehicle, an additional vehicle, or if it's a replacement. And if it's a replacement, I would think that those departments that have vehicles would have a replacement plan going forward into at least five years of they know when vehicles are out of warranty. They know kind of which ones are taking a lot of repair time. And so, you know, there are people in the

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departments that should be kind of tracking that. So, maybe you can just speak to that.

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Yeah, Madam Chair. The departments from, you know, my working with them in the past generally do have replacement schedules. They know, yeah, the lifespan of a vehicle, when it should be replaced according to whatever standards they are following. And they do present that. But from what's presented to the Council, you know, that's...yeah, and you're going to have make that determination yourself when you decide, you know, whether or not something is going to be budgeted. It does identify whether it's a replacement or a new vehicle in the budget details so --

VICE-CHAIR KING: Okay.

MR. BAZ: --you will be...to easily identify that.

VICE-CHAIR KING: Okay. So, that's...and the third question is on the IFAS report. You know, the report that keeps us up to date with what the department actually has spent out of its budget. And that report last budget...last two budget years was only made available to the Chair. So, and I've asked several people about that, why that's not more widely available, and they said they didn't know. Is that something that every Councilmember can have access to? I know it's a huge report, but it came in handy because as we were going forward looking at the budget for these departments for the coming year, we kind of need to know how they've been spending the money, you know. And some of the expenditures that were requested, if you looked at their current budget, it hadn't even been spent up to 50 percent. So, those are kind of important things going forward, see how much you've spent before you ask for more money for a certain program.

MR. BAZ: Okay. Madam Chair?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: I'll...two things. One is, you know, you make a request for whatever, you know, if you want a report, you can make a request for a report. The...I will just, my own personal opinion here, the information in there is not necessarily something that I would make too much of a decision on. Not that the information is not accurate necessarily, but it is unaudited for one thing. They do make, you know, changes to the expenditure reports up to the finishing of the audit, right, so there are changes to that. But also there are a number of factors you gotta look at in those reports. If it's a grant subsidy, then...or a contract, you may see that they've spent 100 percent of the funds in July. And so you can't really determine that they've spent, you know, that they have 50 percent leftover in December or anything like that. So, generally, what the Administration is looking at is, actually they're still looking at unaudited numbers as they're preparing their own department proposed budgets because the CAFR is not done yet when Budget Office looks for those. So, they have a pretty good

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understanding of what their prior expenditures were. By the time you guys get it, yeah, the CAFR done and the prior fiscal year is complete. But when you're, you know, reviewing the budget in, and again this is, sorry, my own personal opinion, but when you're reviewing the budget in March and you're looking at a report as of December 31st, I mean it's more information than the department has to maybe even have to respond to. But also you gotta have an understanding that that information isn't a complete year's picture, right. So, going back and making a determination that they've spent, oh, they've spent only 30 percent of their budget, so maybe they should be cut 20 percent for the next fiscal year. I think it's not necessarily a very prudent thing to do.

VICE-CHAIR KING: Yeah, and I understand that. But it's kind of a piece the picture, and especially where employees, you know, new employees that we've allocated haven't been hired on time. You know, we've allocated three-quarters of a position, giving a quarter to do the, you know, the RFP, the recruitment. And then if that person hasn't been hired by the end of the year, then that really is a 50 percent. We've given three-quarters percent. So, it's a piece of the puzzle to me. And, but you know, it's frustrating because last year our Chair kept bringing it up and quoting things from it. None of the rest of us had that report. So, every time we wanted to know something about whether a particular position that we had allocated the year before had actually been hired, it was looking at him and asking him to look up in the report. And, you know, it's frustrating for me because I would've liked to have a copy of that myself so I could make that determination too of what parts of that. And I understand because, you know, I've been in business. I know when you allocate something it doesn't always get spent upfront. But I would like to be able to see those pieces 'cause to me that's not...it wouldn't be a document we should make all our decisions on, but it is kind of a piece of the puzzle. So, I just wanted to make sure that that could be available if any of the Councilmembers wanted it because it was not made available to us last year.

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Yeah, Madam Chair, thank you. So, yeah, as the Chair mentioned in her opening remarks a few days ago, any requests that you have go, you know, go through the Chair, and she can determine what requests will go to the Administration, and we can respond.

VICE-CHAIR KING: Okay.

MR. BAZ: The IFAS report won't show you if a position is filled or not. The only thing that shows you that is actually a report that you already requested that's being transmitted already, which is the vacancy report by the Department of Personnel Services. And that's not a...it's an interesting report which we can get into. But, yeah, that vacancy report would show you whether or not there's a vacancy in that program and department.

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VICE-CHAIR KING: Okay. Chair, if we could just request that that be available. If any Councilmembers want it, I mean, it's just another piece. I know...I understand everything Mr. Baz is saying, and I agree that, you know, we wouldn't make our decisions, or major decisions, based on that. But I do think it's important to know, you know, up to that point how the money is being spent in each department. Thank you.

CHAIR RAWLINS-FERNANDEZ: I'll get that report for our Committee. Mahalo, Committee Vice-Chair King. So, Members, I'm planning to start with Member Kama to see if everyone...to let everyone have a chance to ask a question. And I would like to just ask that...so Mr. Baz's presentation is not over. He just did one section. So, if you can try to keep your questions specific to the section that he just went over because he may answer your question later if you ask about things that's, you know, deeper into the book. Member Kama?

COUNCILMEMBER KAMA: Thank you, Chair. First of all, I just want to ask, Chair, when I first came, I wanted a detailed budget, and I was told I couldn't get one, and this is all I got. So, I'm kind of sitting here and everybody else has got a detailed budget, but I don't. So, I'd like to request one if it's possible to do that. So, my question to Mr. Baz right now is, how do you define premium pay?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Yeah, actually we do have a section of that in here which it's probably easier for me to...well, I'll have to get to it. But premium pay is basically overtime, night differential, meals...

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

MR. BAZ: Yeah, temporary assignment, temporary reallocations.

COUNCILMEMBER PALTIN: . . .(*inaudible*). . .

MR. BAZ: Yeah, Councilmember Paltin is probably a little more familiar with this 'cause she has to deal with it from an employee standpoint. But, yeah, it's basically...it's not just overtime. You know, generally we think of overtime as, you know, work beyond eight hours a day or 40 hours a week. But it doesn't encompass a lot of other items that are basically contracted requirements.

COUNCILMEMBER KAMA: And that would've been found in the glossary that would be in this section here? In the big one?

MR. BAZ: Yeah.

COUNCILMEMBER KAMA: 'Cause I don't have the big one, I only got the small one. So, I'm missing some pieces, so.

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MR. BAZ: Yeah, it's not in the small one. It may be...

COUNCILMEMBER KAMA: It may be in the big one.

MR. BAZ: Yeah.

COUNCILMEMBER KAMA: Thank you, Chair. Thank you, Mr. Baz.

CHAIR RAWLINS-FERNANDEZ: So, Member Kama, we did receive for Fiscal Year '20 the Details and the Program Budget, so for this next year. I'm sorry you didn't have the Fiscal Year '19 for the review for today.

COUNCILMEMBER KAMA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Yeah, okay. Member Sugimura, no questions? Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. Just kind of a little bit following up on Council Chair King's question about the vehicles. If we're replacing the vehicles and the previous vehicle is in an okay condition to still drive, how do we find out like in this structure, how much they got for that okay vehicle? When we transferred from Parks and Rec to Fire, I think one of the vehicles they sold was like for ten bucks or something crazy, and it was a still-working vehicle. And we had vehicles that were not working. And our Chief at the time tried to switch it out 'cause ten bucks is a little bit amount of money. And it was too long had gone before the contract. So, how do you find out how much money they get for the equipment that is like, you know, not suitable for first responders but okay for parts, or Maui cruiser, or what-have-you?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Thank you. Actually you'd have to ask the individual question to each of the departments that has requested to replace the equipment 'cause there's not a general standard for that.

COUNCILMEMBER PALTIN: Not a way to write it in here and like what is...what the...where does the money category, like once they get the money from selling the vehicle or trading it in, there's no way to find out where that money goes?

MR. BAZ: Well, it would go into the General Fund, or actually whatever fund, if they did sell it. And again, you'd have to ask the individual departments that are replacing equipment. But if...there are sometimes standards where when we bid out new vehicles, we will actually say that we're replacing this vehicle so give us a trade-in value. And so we do...and then the dealer takes that back as part of the deal if there is some trade-in value left to that. A long time ago we used to do auctions of County vehicles. I don't believe we do that anymore. We do auction abandoned vehicles so those are a lot of Maui cruisers. But the County vehicles are either kept in the department for continued operations, backup vehicles, or used as trade-ins for some

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of the new replacement vehicles. And yeah, you'd have to ask each department individually that.

COUNCILMEMBER PALTIN: Oh, and so like, you know, if they have money appropriated for say other types of equipment, is it also taking into account disposal of the previous equipment? Like I know we have a jet ski graveyard somewhere. But is there monies to dispose of cars or jet skis or quads that get replaced? Is that like part of the purchase price?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Again, sorry, Member Paltin, really you gotta ask each department because they're going to handle each one differently. And with different types of equipment, they may want to...a department may want to keep a stock on hand of even stuff that is...may not be operating at the time because they might be able to use it for parts on some of the other...you know, especially if they have, say, and then, you know, this is all hypothetical, but say they have, you know, five of the same type of jet ski, one of 'em is completely down. They might keep it in stock for parts to fix the other four. Even though they're getting one replaced, you know, using that one as a replacement, they might still have it in the stock yard, yeah.

COUNCILMEMBER PALTIN: Thanks.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Paltin. I wanted to follow up for Member Paltin, Mr. Baz. So, would we ask, you know, a specific department for the list of equipment or vehicles they have? Or is that located in the Details? And if it is, how do we know...or how do we identify...is there an identification number for a vehicle so that we would be able to track it?

MR. BAZ: Thank you, Madam Chair. I'm trying to think. The majority of them have a County...well, they all have a County asset tag and so the fixed asset log within Department of Finance will have that fixed asset tag whether it's a vehicle plate, you know, a CM-1234, vehicle plate or an actual, you know, fixed asset tag that goes onto the different types of equipment. That will be listed in that fixed asset log within the Department of Finance, something you can request. The departments will...and I think there's a general question that's usually asked. You may have already asked it about, you know, what's being replaced, you know, the age of the vehicles, the mileage, the condition, those kinds of things, as part of, it's a general question that gets requested by the Committee every year.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Mr. Baz. Member Molina? Sorry.

COUNCILMEMBER MOLINA: Sorry, but no, Madam Chair. Nothing on this part but I think the whole issue of the vehicle disposal policy, I think maybe in the future we should look at developing a consistent policy for all departments, you know, 'cause it seems like everybody's got a different policy usage. And you know, in this day and age of transparency and I think just for public's knowledge, I think it's important. So, that

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way everybody's, you know, getting rid of their vehicles the same way, so to speak, instead of, you know, sort of a hodge-podge right now. But, no, for another discussion. But for as far as this, no, nothing. But appreciate the department.

CHAIR RAWLINS-FERNANDEZ: Great suggestion. Mahalo, Mr. Molina. Mr. Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. I just had a clarification and question for Mr. Baz about the expansion budget. And if that was part of the Mayor's proposed budget? Can you explain the expansion budget?

MR. BAZ: Yeah, the expansion budgets are a part of the individual programs. You know they'll have a description of all the expansion requests.

COUNCILMEMBER SINENCI: And that would be included...

CHAIR RAWLINS-FERNANDEZ: So, I think it might be part of the continued presentation for Mr. Baz, that part.

COUNCILMEMBER SINENCI: Okay. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: . . .*(inaudible)*. . . Am I correct?

MR. BAZ: Yeah, actually...I mean I wasn't going to go in, further into them. After the Reader's Guide to the Budget, that describes everything that's in here including the expansion continuation changes. So, those are generally, you know, the Clerk's Office, I'll give you an example of that. So, again there's the, you know, goals, measures as you can see on there, then expenditure summaries as well as their personnel listing as we mentioned. And then here any changes to the different continuation budget items and the expansion. So, in the expansion budget this is, you know, what it looks like specifically was for the Clerk's Office. Again, you know, this was an election year so they had quite a bit of expansion specifically related to the last election, right. So, Mr. Sinenci, I don't know if that answers your question.

CHAIR RAWLINS-FERNANDEZ: So, maybe I can add to that. At the end of each department in your Program Budget, there is what Mr. Baz talked about. There's...after the goals and measures, there's...I'm sorry...where is it? The continuation budget which is the plus or minus \$10,000, and then there's the expansion budget. And that's broken down by each department. So, you'll find it at the end of each of the sections. Does that help?

UNIDENTIFIED SPEAKER: Yeah.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo.

MR. BAZ: Yeah, Madam Chair, one of the things I didn't go over was this actual table itself. Yeah, all these tables will have two fiscal years of actual expenditures. Then the fiscal year, current fiscal year's adopted budget, and the proposed budget for the next fiscal

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year. And so...and then you'll see the change amount is the change from the adopted budget to the proposed budget, yeah. So, and you'll see...to understand that there may be discrepancies...not discrepancies, but large differences in the totals. So, you know, if you look at the Clerk's one I just brought up here, you'll see that they had in 2017, 478,000 in actual expenditures. That doesn't necessarily...and in 2018 those had \$747,000. That doesn't necessarily mean that they got a \$300,000 increase in their budget between '17 and '18. It's just how much they actually spent versus '17 to the budgeted amount in '18. To go back to find out what the budgeted amount was for '17, you'd have to go back to the '17 documents to see what was actually adopted. So, 'cause they may have had \$700,000 in adopted budget, right. They just didn't spend 250,000 of it. Okay? And then the change amount again is the current adopted budget so it doesn't include amendments to that budget, and then whatever just the proposed changes are. And then we put a percentage column in there just for your reference to see if there is a correlation. You can kind of put a percentage allocation to that. Thank you.

CHAIR RAWLINS-FERNANDEZ: And, Mr. Sinenci, if you'd like to turn to Page 268, for example, under Fire and Public Safety, you'll see what the tables look like. And part of why that's helpful is it'll highlight the changes in the budget from last year to this year, okay. Okay, Mr. Baz, would you like to continue with your presentation?

MR. BAZ: Sure. So, let me get back up here. In the Program Budget, there is also a section about budgetary financial policies and guidelines. And let me get back up there. Okay, so in here is basically the structure, the policy. We go back to the Charter again for the policy of the declaration of the concepts of...as we prepare the budget looking at the...declared policy basically is saying to promote economy, efficiency, and improve service in the transaction of public business in the Legislative and Executive branches of the County by limiting expenditures, limiting duplication of overlapping services, consolidating services, abolishing services as needed. And again, this is right out of the Charter. So, that was one of the concepts that we utilize in determining what the proposed budget is going to look like. We also follow laws and standards as they relate to different things like the Generally Accepted Accounting Principles. Government Finance Officers Association has best practices and standards, criteria for the distinguished budget award. The main document that we're describing here gets presented to GFOA for distinguished budget award request. They have best practices, again, you know, Constitution, HRS, Code and Charter are basically the laws and standards that we follow in developing this. And that disappeared now. I apologize. For some reason this...yeah, this PDF jumps around a lot. As soon as I press a button, it changes. Okay, there we go. So, there's some guidelines that we follow, budgetary process going through creating the document, what the document is about. Basically it's a communication tool for the public and for the Administration. There's a budgetary calendar. It describes the process of how we get to a final budget. And there's...a balanced budget is required. So, we have to have revenues meet expenditures, right. So, if you want to spend a dollar, you have to have a dollar in estimated revenues. And that's a requirement by our Charter. And it also has to be balanced by fund. There's different fund types as I kind of described earlier. But those...it basically has to be a balanced budget. Budgetary controls are again it's a

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program-based budget. The budgetary controls that the Council has the ability to put in. First level is that ordinance with the programs. Then there's the classifications that are set forth, the ABCs. And it can provide further budgetary control allowed by Charter through what's called provisos, right. So, those are the restrictions that you can put in the budget itself. Let's see, the rest of this is kind of details. Here's the budgetary fund structure. It talks about the...we have two different types of funds, the Governmental Funds and Proprietary Funds. And those get further broken down into General Funds, Special Revenue Funds, Debt Service Fund for governmental, and then for proprietary, we actually only have the Water Supply Fund now. The Golf Fund was eliminated last year as a...actually I think it was eliminated completely, right? Yeah, so it's...now the golf course operations are part of the General Fund operations. So, in here, so we're looking at Page 68. It starts description of the funds themselves. So, there's, you know, question usually about, you know, what the funds are. And these are descriptions of the different funds. General Fund is, you know, kind of a general pot of money that's available for general source of operations for the County. It takes into account the Real Property Tax, TAT, PSC, some other intergovernmental revenues, and other revenues that are part of the General Fund. There are some of the Special Purpose revenues that are also encompassed in what is considered the General Fund. So, when you hear discussion of the Affordable Housing Fund or the Open Space Fund, those are actually just restricted use portions of the General Fund. Then you have Special Revenue funds, the Highway Fund which is fuel taxes, franchise tax, public transit fares, motor vehicle weight tax. They all go into the Highway Fund for use specifically. It's a HRS authorized fund and so the restrictions and uses of those funds are limited by HRS and by County Code. Wastewater Fund is for our sewer system, our monthly sewer charges and different things like that. Not that we do any pumping of cesspools anymore, but yeah, basically the same thing. And as you get into these different funds, they...the descriptions are...most of them are in Title 3 of our Maui County Code. If you have any question about the use, then I'd suggest that you, you know, request it from Corporation Counsel. I'll punt to Jeff there. And he can, you know, if there's a specific... 'cause a lot of times it'll be a...well, can we use it for this specific request. In general it's hard to describe. Other than the general description of the funds themselves we're providing here, it's hard to say yes or no. If you're questioning it, that means that it probably needs, you know, further review to be able to define it. If it's pretty general, like if it's really to fund the operations of the wastewater system, then yeah, that's, you know, going to be pretty clear. But there's, you know, if there is requests to that, I'd suggest that you work with Corporation Counsel or your own Staff to develop that. The Debt Service Fund is basically just an accumulation of resources to pay debt service. You'll see a debt service appropriation in the Countywide costs allocation. But and we'll go specifically to that. But this fund basically just collects the money and pays out. It's kind of a pass through. And then there's what are described as Revolving Funds or Special Purpose Revenues, I know it gets very difficult to try to comprehend all of these types of funds that we have, but these are generally funds that are in Appendix B, excuse me, Appendix A, Part 2, I think. Appendix A, Part 2 describes the Special Purpose Revenues so it's the schedule of revolving special funds. And those are things that you hear about. We have DSA has a revolving fund, you know. So, when you pay a portion of your building permit fee goes into this fund to pay for their staff operations.

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We have the Highway Beautification, Abandoned Vehicles, you know, as well as the Affordable Housing/Open Space Funds. Those are a part of...and Animal Management Revolving Fund, Liquor Education Fund, they're all a part of Appendix A, Part 2. Those are considered the revolving funds. Some of them are General Fund. Some of them are special funds. And then, of course, the Water Fund is for operations, maintenance, capital improvements of the Department of Water Supply. We have agency funds, deposit funds that aren't necessarily a part of the budget. They are part of our CAFR so if you want to describe those later, but they're not budgeted items. They're generally held in trust for other things. Sometimes it's deposits for certain things, or sometimes it's allocated funds that we keep set aside. Okay, so that's the basic fund structure, Madam Chair, and the description of the funds. If you want to take another pause there.

CHAIR RAWLINS-FERNANDEZ: Okay. Members, I'll open the floor to questions. Committee Vice-Chair King?

VICE-CHAIR KING: Thank you, Chair. The only question I have is can we get an up-to-the-date list of the balance in each of the revolving funds?

CHAIR RAWLINS-FERNANDEZ: Yeah. So, the Committee can put that question and submit it to the Administration.

VICE-CHAIR KING: Okay. That would be good because I know some of the, you know, I talked to some of the departments that have requested monies that would be coming out of this revolving fund. But they don't really know what the balance is. So, it would be good to have that list. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay, great. Okay, Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair. Just one question for clarification. You mentioned balanced budget. And so...where you said a dollar in, a dollar out. We need to be matching. Is there a place where we can be tracking some of the County revenues that's been accumulated? Or is that just that pie chart with real property and all those different revenues?

MR. BAZ: Madam Chair?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Thank you. So, Member Sinenci, the ordinance itself will have the estimated revenues and the appropriated expenditures so that's where the balanced budget comes into play. A report on the actual revenues will be in the CAFR, in the Consolidated Annual Financial Report, which is a historical review after the budget is complete, yeah. So, after we've received all the revenues.

CHAIR RAWLINS-FERNANDEZ: And we'll have that CAFR presentation on April 2nd.

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

CHAIR RAWLINS-FERNANDEZ: Yes.

COUNCILMEMBER SINENCI: Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: You're welcome. Member Molina?

COUNCILMEMBER MOLINA: No questions.

CHAIR RAWLINS-FERNANDEZ: No questions. Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. I just had a clarification question on the Revolving Fund. Is that part like it has to be spent every year or it can carry over?

MR. BAZ: Thank you. Madam Chair?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: So, that's actually a really good question. It's not a part of the balanced budget, and it can be carried over beyond the fiscal year. And so, yeah, those special purpose revenues are...we have, generally do have anticipated balances at the end of the year. So, if you look in the Appendix, it describes what those balances available are and then how much we're planning on spending the next year. And so like for the Affordable Housing Fund we can accumulate money in there and then spend it, you know, in a different fiscal year. The same thing with the Emergency Fund is a part of that as well. So, that's accumulated and only spent upon emergencies.

COUNCILMEMBER PALTIN: So, it's kind of like a catchall if for like savings, kind of?

MR. BAZ: Thank you, Madam Chair. So, it's not necessarily a catchall for savings. But the only reserve fund...well there's three reserve funds in the special purposes revenues. One is the Emergency Fund. They're all Charter allowed. Without the Charter allowing us to have a reserve fund, we can't have a reserve fund. The other two are capital related, one for wastewater, and one for water. And, but the funds that are received for those specific purposes like Highway Beautification fee, for example, when you pay your registration, goes into that fund. If we don't spend all the money that fiscal year, it does carry over into the next fiscal year. So, in theory I guess by that special purpose it does...any savings would be available for future expenditure. But it's not a place we can put money for savings.

COUNCILMEMBER PALTIN: Got it. Thanks.

VICE-CHAIR KING: I had a clarification.

CHAIR RAWLINS-FERNANDEZ: Committee Vice-Chair King?

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VICE-CHAIR KING: Thank you. I just wanted to add that we have specific revolving funds for specific uses like the SMA Revolving Fund that we created last year. Any fines or violations will go into that fund to be used on, and it's specific for that fund, to be used on beach access issues and things like that. And, you know, there's like an Animal Management Revolving Fund for any fees or fines that come from animal management go into that fund, and it has to be used for it. So, I don't know how many revolving funds we have. Do you have a list of all those?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Madam Chair, thank you. They're in Appendix A, Part 2 of the budget. But again Maui County Code Title 3 has each one of them listed. So, you mentioned the Special Management Area, a new fund that was created is right here. We have, you know, quite a bit of other ones, the Maui Interscholastic League Fees Fund, the Hawaiian Cultural Restoration Revolving Fund, we have number of different funds that are described in Title 3.

VICE-CHAIR KING: Okay. And I just wanted to point that out 'cause those are special purpose basically, special purpose funds, and they can only be used for relative to that item that they're collecting the fees in.

MR. BAZ: Correct. Yeah, think about it this way. Pretty much everything except for General Fund has a special purpose that it's collected for. And so you can't use it for anything else but the purpose that it's collected for.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo, Mr. Baz. Okay, and I wanted to remind Members to please put your...for everyone in here to please put your phones on silent. Okay, Member Sugimura?

COUNCILMEMBER SUGIMURA: No questions.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Member Kama?

COUNCILMEMBER KAMA: Thank you, Chair. On Page 70 of Sarah's borrowed financial statement book, it says under fiduciary funds that they're not reflected in the County's budget and financial statements. However, this type of fund is discussed in this section for informational purposes only. So, if it's not...does that mean what I think it means, that it's not anywhere in our budget?

MR. BAZ: Madam Chair?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Yeah, basically, yes. And the reason why there's even a description of this is for GFOA purposes. The Government Financial Officers Association requires us to describe all the funds that the County holds. And so it's really...it's not a part of the decision-making process to allocate funds from, but it is funds that we do hold. And

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that's why you'll see the description of those as I described, the refundable deposits, and then agency funds. So, if we collect...so a good example is when you go pay your registration at the DMV. You're paying a County fee and a State fee. And both of those are collected by our County DMV. The State funds are held in agency until we transfer them to the State itself. Yeah.

COUNCILMEMBER KAMA: Can we have a balance on them?

MR. BAZ: They...I believe they are described in the CAFR. But yeah, we'd have to talk to Finance Department. It's not something that Budget Office ever managed.

COUNCILMEMBER KAMA: Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: So, if it's not in the CAFR, then our Committee can request that information, Member Kama.

COUNCILMEMBER KAMA: Thank you.

CHAIR RAWLINS-FERNANDEZ: Yes. Okay, it's 10:50. Would Members like to take our morning recess now? Okay, we'll take a ten-minute break. Please return by 11:00. Okay, we're in recess. . . .*(gavel)*. . .

RECESS: 10:50 a.m.
RECONVENE: 11:07 a.m.

CHAIR RAWLINS-FERNANDEZ: . . .*(gavel)*. . . Will the Economic Development and Budget Committee please return to order? It is 11:07 on March 27th. And we will continue with EDB-24(10), our presentation on the budget format. Mr. Baz, will you please continue?

MR. BAZ: Thank you, Madam Chair. I realize that there's some other funds that we didn't discuss. They were more related to capital improvements. So, I just wanted to go over those briefly, and then we'll get into the ordinance itself. So, in, this is on Page 72 of the FY '19 Budget. Bikeway Fund, basically for bikeways and related costs of that. You can see in the description there. General Obligation Bond Fund, GO bonds are the money that we borrow that's basically to fund capital improvement projects. There are restrictions at the State level as well as the County levels and with IRS because we do issue tax-exempt bonds. And so there are IRS regulations that we are required to follow regarding those. So, just if you have a project that you'd like to fund with a GO Bond, I'd suggest that you request, you know, confirmation that you can spend the monies on that specific project. General Fund is, you know, cash CIP for...from General Fund. Federal Funds are generally grant revenue that we receive. Most of it is the Federal Highways Administration and Federal Trans Administration money so related to again highway and public transportation projects. And generally there's a matching requirement with that. Highway Funds is the same as the operational piece of...this hiding tool bar is irritating, okay. Lapsed Bond Fund is GO bonds that have been issued and the money went unspent, and so it therefore lapsed. And we utilize

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those funds for projects that are...it has to meet the same criteria as the GO Bond because it is basically a GO Bond. So, we don't mortgage properties. What we do is issue General Obligation Bonds. So, it's basically the full faith and credit of the County that covers the cost. So, if we're building a new, like the Service Center in Kahului, we're not mortgaging that specific property to borrow the \$20-something million for that project. It's a General Obligation Bond that we pay for. And Lapsed Bonds are...so if there's...basically it comes, most of it comes from leftover monies. Say if, you know, a project was estimated to cost \$10 million, we issue the bond for \$10 million, but it ends up costing us \$9,782,000. That extra \$218,000 comes as lapsed bonds. And so then we can reallocate that, with your permission, to another project. It's, again, still has to be authorized by Council. There might be other grant funds. Sometimes we receive monies from State or other projects. I think we received money from the State this past year for the Upcountry Ag Park, right, so another grant fund. Park Assessment Funds are funds that are received in lieu of park requirements or as part of the park requirements for projects. And those are available for use as well. State Revolving Loan Fund are funds out of...there's two different pots of money at the State level that are Federal monies that are allocated to the State for clean drinking water and safe drinking water. And basically, they're related to water projects or wastewater projects. We have funded a solid waste project before, but it has to be very, very specific criteria. These funds are generally not funds that you could just define a project for. They have to go through State Department of Health review to get on the list of projects that are approved for use of these funds. So, when there's a recommendation from the Administration to utilize these funds, generally that's what they're for. And the rest, yeah, Solid Waste, Wastewater. Water has two funds, restricted and unrestricted. Unrestricted Water Funds are basically cash that's available for purpose of allocating for capital projects. Restricted Water Funds are based on the water service development fees that are charged, what's better known as meter fees, that are charged for projects when you go and buy a meter. It's helping to fund this Restricted Water Use Fund. Those are basically the CIP funds as well, Madam Chair. And we'll get into the ordinances. So, the main budget ordinance is...this is the legal document. So, Members, as I mentioned, the previous documents that we're describing are informational purposes for you to get information about the departments and operations and understanding of the financial picture of that. The actual budget ordinance itself is the legal description of that. There are multiple sections of the budget ordinance and multiple appendices. The main budget bill is what you're looking at on the screen here and what you got in your package that got submitted to the County Clerk's Office. And Section 1 describes that this ordinance may be referred to as the Fiscal Year 2019 Budget. So, general description of that, you know, when you're amending the budget, usually that section is referred to. It's, you know, you're amending the Fiscal Year 2019 Budget. And so just that's a more of a description function so that you have an understanding of what we're doing here. Section 2 is revenue. So, this is estimated revenues of the County of Maui expected to be received in that fiscal year, right. So, we have from Taxes, Fees, and Assessments, again your Real Property Taxes are a major funding source. There's a Circuit Breaker Adjustment based on who qualifies and who applied for circuit breaker as far as real property tax goes. Charges for Current Services are most of the fees that are paid by the departments. And as you get into these, you will...you can ask, you know,

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detailed questions about these specific items. TAT is money we expect to receive from the State. Public Service Company Tax is a tax that people pay, utilities pay in lieu of the real property tax. You know, basically telephone, electric utility poles, those kinds of things. Licenses/Permits/Others, you know, description of in details. So, basically each one of these are estimated revenues by different categories. From Fees, Taxes, and Assessments is what you might consider money coming in, that is cash coming in. From other sources we have what I described a little bit before, Interfund Transfers, money that's going between funds. We have to account for that in the budget. So, that is if there's an expenditure from one department that is going to another department that, or even sometimes within the same department but different funds, that is included in this Interfund Transfer. Bond/Lapsed Bond is the estimated revenue that we expected from bond-funded or lapsed bond-funded projects. And then Carryover/Savings, you'll get into the detail when you get through to the Fiscal Year 2020 Budget, is money that is basically unspent from...or actually I shouldn't describe it that way. It's money that's available to be used for the upcoming fiscal year in those specific funds. Those are...and you can get into requesting information about that from the Budget Director about the current fiscal year, but it's based on, loosely based on the CAFR amounts that are in that fund at the end of the...unassigned fund balance from the end of the fiscal year, from the previous fiscal year, and any changes during the current fiscal year, anything that's utilized for budget amendments, different things like that. And then there's an amount that is estimated to be available for the upcoming fiscal year as a carryover amount. Just interesting to know that Hawaii is the only state that, and the jurisdictions in Hawaii, are the only ones that actually use this term. Nobody else uses Carryover/Savings. So, this is...when I first started as a Budget Director, I had to go figure out what this meant because it's not something that's a typical term that's used. So, Section 2 is estimated revenues. Section 3 is the appropriations. So, these are what's considered the operating expenditures. So, this is the operating budget, the operating expenditures. And so you can see from...if it's not listed by a specific fund, they're from the General Fund. And they are for the programs that are identified in here, and this is where any of the restrictions are as well. It's split out by the legislative functions so you have the Clerk, County Council, County Auditor, specific programs in there. And you can see those different columns. We lost the header up there. But it is...A is Salaries, B is Operations, C is Equipment. Then there's a total. So, when you see these different columns on there, that first column is the character of Salaries/Wages. The middle is the character of Operations and other characters, and the third column is Equipment. And then there's a total which add up all three of those columns, yeah. Where there are restrictions to the personnel that are allowed to be hired by a different program, those would be listed here. Otherwise, you see this generic "provided disbursement for salaries and premium pay is not restricted by Section 5." Section 5 is another section of this budget that we'll get into in a second here. So, Management, other functions, so this is the Administration side of things. Basically you see where there are again programs. So, the highest level is the department, and then there's a program, and then those same restrictions in here. For Emergency Management, you see it's limited to 6.8 E/P. So, they cannot hire more than 6.8 equivalent personnel. And we'll get into the description of what that is in a little bit. And the rest of these departments are there. There are specific other

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costs in some of the special funds have like Sewer Fund here has contribution to the General Fund for ERS and FICA, Social Security, Medicare tax, then EUTF as well as OPEB, Debt Service, and the Administrative Overhead charge which is based on the...it's a percentage based on the full-cost allocation plan that was developed by Department of Finance. So, if you have questions about that, you can ask Department of Finance about that. And then any transfers, transfer to this...last year they transferred money to the Countywide Sewer Capital Improvement Reserve Fund. And again, it has to be Charter...if you have questions about that, the Corporation Counsel can assist you with what's allowed to be transferred in there, different things like that. So, this goes through all of the different departments. There are also listings in here for specific things related to like...most of them related to grants. Some of 'em are grants to a specific organization. And some of 'em are grants and disbursements for specific things. All of these need to be...still Maui County Code 3.36 has to be followed for any grants that we disburse. And so even if there's a legislative appropriation here for a specific organization, it still has to follow Maui County Code on disbursement, yeah. So, you'll see, you know, these...we tend to categorize them as different, you know, this is a category for early childhood, and then there's a number of organizations listed for grants and disbursements for early childhood. And for grants and disbursements, it's all operations from our side of things. It's considered operations even though the nonprofit may be using it for salaries for their teachers or whatever they're using the salaries for. From our side of things, it's always an operational expense, yeah, 'cause it's a grant. And some of if it's CIP as well, right, so yeah. Lot of different grants in Housing and Human Concerns. Majority of them are in Housing and Human Concerns and then OED, yeah. And so you get used to those. Let's see. At the end of the operating expenditures, there'll be a total which is the total operating expenditures. And it's got total by category, and then a total of \$605 million in operating budget. Then it goes into Section 4 which is appropriations for the ensuing fiscal year for capital projects. So, every capital project according to the Charter is required to have an appropriation in the ensuing fiscal year. And this is where those are listed. Those project titles should match the project sheets that you received in your department, excuse me, in the program budget. And you can see the appropriations that are made, again, by, it's by department, and then by community plan district, and then by fund. So, you can see those different things there. And those are some of the descriptions there, as you get into the projects for Fiscal Year '20 then you can see where...some projects have multiple funding sources so you might see them listed a number of times. And that's just because we might have some cash, some Federal, some bond for a specific project, right. Okay, and then there's a total, capital improvement appropriations listed at the bottom of that. So, total capital improvement project appropriations for the Fiscal Year '19 approved budget was \$215 million and the total appropriations, operating and capital improvements projects, is about \$820 million. So, that's where you see that total. It has to match the estimated revenues at the...for Section 2, yeah, \$820 million to the dollar. Okay, so beyond that...so that's the actual first sections of the budget. And then it starts getting into Section 5. You heard some of the description over there. That's what's considered in the...oh, do I not have a copy of that. Oh, shucks. Okay, you guys have your ordinance in front of you? General Budget Provisions is Section 5.

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And, you know what, I'll pull it up. It's Page 36 of your budget. I'll just pull it up really quick here.

CHAIR RAWLINS-FERNANDEZ: And while Mr. Baz is doing that, I just wanted to let everyone know that the bills were put into your boxes yesterday if you're going to get 'em for Fiscal Year '20.

VICE-CHAIR KING: The bill...which bills?

CHAIR RAWLINS-FERNANDEZ: The budget bills, the ordinances.

MR. BAZ: The ordinances we're discussing now.

VICE-CHAIR KING: Oh, for the Mayor's proposed bill? . . . *(Inaudible)* . . .

CHAIR RAWLINS-FERNANDEZ: Yeah, for this coming fiscal year.

MR. BAZ: Yeah, so in Section 5, so it continues on when Section 4 was the CIPs. Section 5 is what's called the General Budget Provisions. And so I said there's a Charter. There's the County Code. And then this further level of restrictions is based on ordinance-level restrictions, General Budget Provisions. So, Section 5 describes what an E/P is. For normal business discussions, you'll hear FTE, full time equivalent. The County uses the term called E/P, or equivalent personnel. And it's basically the equivalent of a full-time position which is 2,080 hours. So, it's a portion of that. So, when you describe a .5 E/P, that basically 1,040 hours in a year. That can be split up a number of different ways, but generally it's split up in 20 hours a week, right, as a half-time employee. And, yes, so that's basically the E/P description. Section 6 describes that appropriations can be made for salaries and disbursements within the programs for also for temporary positions. So, if a person is on long-term leave, we have the ability to hire somebody temporarily into that. So, if someone is on military leave, or workers' comp, or different things like that, then we have the ability to hire temporary employees, as well as trainee positions for positions that are impending vacancies, right. So, if there's somebody's that's going to retire, or we have in the Department of Fire and Public Safety and Police, recruit classes, those are considered temporary employees, trainee positions. And so that's how those are allowed. Section 7 is kind of the meat of the restrictions of the budget. It can be used for following categories of use. Again, those are the character level or the ABC classifications. So, (a), salaries, premium pay, or reallocation pay, (b), operations and services, and (c), equipment. Provided that it's within the program and category of use for which it was appropriated, and it...so it describes...actually, Councilmember Kama, here's the description of premium pay that you can see what it includes, temporary pay, overtime, night differential, hazard pay, standby, emergency callback, reallocation, reclassifications. And we cannot use those funds, reallocations, reclassifications where there's a change in supervisory responsibility unless we notify the Council, with explanation of the change and organizational chart showing the existing and proposed organization of department. And if we're changing classifications of a position, so if a position was funded and historically used for a

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blue-collar position, and we're changing it to a white-collar position, we also...that's one of the things that we have to notify the Council of, as well as temporary assignments, temporary transfers, allocations beyond...where it's expected to go beyond 30 days. And then there's a little caveat in here, Section A of, excuse me, yeah, Section A of Section 7, notwithstanding provisions contained in Section 7, appropriations may be disbursed by a department to reimburse another department for work performed. And so like our garage services in Public Works performs functions for other departments. And so there's the ability to transfer money back and forth between that. Section 8 is discussing GO bonds and the authorization versus the appropriation, and which you have the ability to do there. Section 9 basically says that this ordinance follows laws contained in the County Code, HRS, that may affect its expenditures and rates and fees, and different things like that, and that those are incorporated in here. Appendix C is a new part of the budget that was introduced a few years ago that describes the capital improvement projects and restricts their use to that description that's defined in there. I won't go too much into details, but grant revenue we have requirements about any grants that we receive and before we can use those, notifying the Council of those as well. If we receive grants that are not expected, we can do budget amendments to accept those monies. That's why you see a lot of budget amendments for grant revenues because of these restrictions in here. If you want to get rid of those budget amendments, you could get rid of those restriction. Let's see. Same thing for donations, has to...we have to follow County Code Chapter 3.56, and they are received and described in Part 1 of A, excuse me, Part 1 of Appendix A. Part 2, as I described, is special purpose revenues, those different funds that do not lapse at the end of the year. So, any unspent monies remains in the balance of those funds. The use of those funds for actual expenditure needs to be approved by you, by the Council in this budget ordinance. Basic statement follows the Charter requirement that all fees, rates, assessments, and taxes are set forth in the budget and this just defines that they're set forth in Appendix B. So, we cannot go randomly charge people fees. It has to be in the budget. Concession licenses, there's a schedule of the concessions, leases, and licensees that the County enters into whether competitively or through a process that includes the County Council approvals, like to nonprofits for grants or leases of property. That schedule lists all of those. There's a section about any encumbered funds are basically funds that are already encumbered, means that they are contracted or specifically restricted for a use for a specific purpose. Generally, those are contracts or other kinds of agreements, POs, that are there. Unencumbered funds are those funds that are not allocated for a specific purpose and that can be utilized for Carryover/Savings. There's financial procedures documenting a section in here which describes the...you guys get reports on the transfer of funds from the General Fund to the Bond Fund. We do this to basically to save us money. A couple of reasons is so that we're not having to go issue bonds every time we want to do a project. We have the ability to transfer money from our General Fund to the Bond Fund up to \$55 million, and then get reimbursed when we issue the bonds. And so that's what allows us to do this. There's some restrictions in there. They're also further restrictions from the IRS about reimbursing ourselves. And there has to be a report that you get, received as it generally filed, but you can discuss it in Committee as well, bring up those items. Director of Finance is authorized to establish individual and separate accounts for

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receipts and expenditures, other...so basically just giving them authority to keep separate accounting and rather than just one big pot. If anybody knowingly and intentionally violates the ordinance, the fine is not more than \$1,000 or imprisoned not more than 30 days. And this is kind of the severability section. If any appropriation is found to be invalid, the rest of the document still stands. And that's the general budget provisions, yeah. So, that's the most words there are in the whole budget document. And then real briefly, I'll go through the Appendices, and then we can have question and answer. So, Appendix A is the Grant Revenue. This is monies that we were expecting to receive from different outside agencies, whether it be the State, Federal, mostly our monies that we receive as well as some of the...like we get paid back basically from the State for issuing the CDL licenses and different things. You can discuss that with the Finance Department if you have any specific...the Lifeguard Makena is a grant, right, everybody...hot topic item. Those are listed in grant revenues. Let's see here. Special Purpose Revenues are, as I described before, those funds that are available...they're collected for specific purposes and then available for use as defined in the Code. Most of them I think, maybe even all of them, have a section reference in the actual ordinance itself. So, you can see, you can refer back to that Code that authorized the collection of that as well as the use of the funds too. So, you can always go back and reference those if you have a question about those. And so those are the...so I'm kind of running through fast here. So, if you have like specific appropriations, then you would put what's considered provisos as a part of that appendix, yeah. Rates and fees, we give you two versions. One is the, what's called the Ramseyer Rule version. Again, I had to look what that...what that is. This is...Ramseyer is a representative at the, in Congress that created this rule that basically said that to be able to identify changes to a document, you have to identify them in this manner. And again I think we're the only state in the nation that uses that, other than Congress. And mostly everybody else uses a track changes version, but we tend to use Ramseyer. And so in here you'll see, here's a good example of some charges for current services. So, remember I described the funds and the revenue, this says what fund it is going into, and then what type of revenue, and then if there's a change to those fees you'll see that in the Ramseyer Rule version as bracketed out for deletions, and underlined for additions, yeah. Okay, so that's Appendix B. There's a clean version for you, for you guys to review too, but we don't need to go into that. Concession licenses, just a table. Appendix C is the capital improvement project descriptions. As I mentioned, these are descriptions and there's a section at the top there basically says that it can...CIP project funding can only be used...it may not be used for any purpose other than what's described in this Appendix, yeah. So, if there's a change to a capital improvement project, generally there'll be an amendment to this section as well. And then there's the CIP ordinance which is the, you know, the capital program. This is a separate ordinance, so remember how Section 1 of the previous ordinance said it was the Fiscal Year 2019 Budget. This is the Fiscal Year 2019 Capital Program. Just so that, you can identify those as two separate documents. And then there are appendices for there too. There's a report of ongoing projects. And this is all what's required by the Charter. You have the report on ongoing projects. There's a separate one for Water because they have a separate accounting system. And then there's the bills for State Revolving Loan Funds. Again, it's an intergovernmental agreement because we're creating a financial obligation by

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the County to the State, and so that requires Council approval for that. And then there's the Bond Authorization Bill. And then if we're going to be utilizing any lapsed bond, those bills as well. So, that's the ordinance.

CHAIR RAWLINS-FERNANDEZ: Okay, before I open up the floor to questions, I wanted to just quickly go over some of the things that I may have missed, Mr. Baz. And then you can let me know if you did cover it. These are some of the things that I spoke with Mr. Baz about covering in this training. Okay, line item grants versus category grants. Did you cover that?

MR. BAZ: Not really. It's...if you look in the budget ordinance, there are grants to a specific organization for a specific purpose. Let me get up to that here. Parks is not a good example. Okay, here's a good example here. So, there are grants to Maui Arts and Cultural Society, or Lahaina Boat Day, or Festivals of Aloha. Those are specific, what could be considered line item grants because that is a lined description of what that's going. Then there are...what did you call 'em? Sorry.

CHAIR RAWLINS-FERNANDEZ: Category grants.

MR. BAZ: Category grants. Okay, so there's a grant for, grants and disbursements for film industry promotion, right. So, that can be a grant or an expenditure out of OED for that specific purpose, but not necessarily to a specific organization. So, other pots, we talked about your district pot of money. I shouldn't say your district pot of money. But the districts have different category grants. South Maui Economic Development and Cultural Program, West Maui Economic Development and Cultural Program, and so those are listed in there as, theoretically, category grants, small business promotion. So, they're not grants to a specific organization. But they are grants for a purpose. And so those...the grants that are then issued out of those need to be for that purpose, yeah.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. And Administrative Overhead Charge. I know this is like really long but you said...

MR. BAZ: Yeah, basically the Administration requested a...contracted with a vendor to review the...yeah, basically the cost to run that program, right. And so there's a very detailed analysis that has been transmitted to Council, probably not in this item for sure. So, it wouldn't be readily available. You could ask the Director of Finance. It is on the website though, that shows...basically the idea is that the costs to provide services from central service agencies would be allocated to different programs. We then recoup those costs from the Special Funds, right. So, Sewer, Water, Solid Waste, EP&S, Highway, they're all charged Administrative Overhead Charge. We don't do it from the General Fund because it's basically we'd just be charging ourselves, you know, the main pot for the main...to get back to the main pot. The central service agencies are things like the County Council, Finance Department, Corporation Counsel, and there's quite a bit that are described in that document. Yeah, we don't...it's a pretty thick document to describe. It's not in front of us so we wouldn't want to get into too much details of it.

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CHAIR RAWLINS-FERNANDEZ: Thank you. Countywide Cost?

MR. BAZ: Oh, Countywide Costs. I didn't go over that. Countywide Costs are costs that are incurred by the County and allocated in the Department of Finance for general expenditure. Give me a second here. Did that again.

VICE-CHAIR KING: Chair? While he's going through that, I just wonder if we could get a one-page summary of the Administrative Overhead Costs and, you know, what, you know, the...what those...what the purpose of that is and the study that was done, just a little, you know, information about...I'm glad you guys did that study, but if you could get that to the Council so we could see what the bottom...what those charges are going to be and how you arrived at...

MR. BAZ: Yeah, there is a memo that the consultant provided to the County that can be...so if you request that.

VICE-CHAIR KING: Okay, yeah --

MR. BAZ: . . .*(inaudible)*. . .

VICE-CHAIR KING: --that would be...I think that would be sufficient for...

MR. BAZ: Yeah --

CHAIR RAWLINS-FERNANDEZ: I'll have the Committee request that information.

MR. BAZ: --it's not one page. I think it's about three pages.

VICE-CHAIR KING: Okay, well, that's better than a thick document but --

MR. BAZ: Sure.

VICE-CHAIR KING: --yeah, thanks for bringing it up, Chair.

CHAIR RAWLINS-FERNANDEZ: Yes. Okay, go ahead, Mr. Baz.

MR. BAZ: Okay, so on the screen now are what we consider Countywide costs in the Countywide Cost Program. So, generally, fringe benefit costs, right, EUTF, ERS, those kinds of things, Pay-as-you-go, OPEB. All those are in fringe benefits. And then fringe benefit reimbursements are monies that are collected from the special funds, you know, Highway, Sewer, Water, Wastewater to go back into the General Fund to pay for those, right. So, that's why there's a negative number there. It's a reimbursement of that. Bond Issuance and Debt Service, there's some funds allocated for issuing the bonds, you know. You know, like loan closing costs that you have. But then also majority of that is the actual debt service that we pay on bonds we've already issued as well as SRF loans or any other obligations that we have related to that kind of debt.

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And there are on occasion if we project that we're going to have future issuance and debt in the upcoming fiscal year, sometimes that's included in that Bond Issuance and Debt Service. Supplemental Transfers are transfers from one fund to another. Generally, they are transfers from the General Fund to a fund that's not self-sufficient. So, EP&S Fund is an example of that. For Fiscal Year '19 there was a supplemental transfer to the Golf Fund, but then, you know, the Golf Fund disappeared. So, that had to go away. And then Solid Waste used to get a supplemental transfer, but Fiscal Year '19 we were able to balance the budget of it without doing a supplemental transfer from the General Fund. So, that's what those are, Supplemental Transfers. Insurance Program, Self-Insurance is the cost of our premiums for insurance costs, general liability, all kinds of different insurance costs that we have. We have quite a bit of those. I encourage you to talk to Corporation Counsel about what those insurance policies are if you're interested. And then the Self-Insurance is funds that are allocated for claims and settlements that are managed by the Department of Corporation Counsel, generally with your authority...approval. But then again, talk to them about that. Open Space, Natural, Cultural Resources, Scenic Views Preservation Fund, this is the transfer of money from the General Fund, real property taxes that are collected to that special purpose revenue fund, right. So, this isn't the total fund balance. This is just that for Fiscal Year '19 based on the real property taxes. There was 1 percent of real property taxes are allocated to the Open Space Fund. So, it would have been \$3.3 million. And Affordable Housing Fund was 2 percent of the Charter. The Charter requires 2 percent of real property tax so it'd be \$6.6 million. So, those numbers fluctuate based on your end product of real property tax, yeah. So, if you make changes to real property tax, those numbers will change. General Costs are costs that are borne in the Department of Finance for sometimes it's rental of parking lots, or electricity costs, or lease costs. Those are copy machines, kind of some general cost items, and you can talk to Department of Finance about details of that. Overhead reimbursements, again, those are those administrative overhead charges we talked about. That's money coming back into the General Fund, so that's why you see a negative there. Emergency Fund would be any appropriation that you make based on the allowed use of the money from the Charter into the Emergency Fund. And then the Post-employment Obligations Fund is actually a misnomer because it's not really going to a post-employment obligations fund anymore, but that is what's paying our...you had ERS and EUTF here and one of the discussion item was post-employment obligations, or other post-employment, other than retirement, post-employment obligations, which is generally healthcare costs for retirees that ballooned in...ten years ago based on changes to the way that it was reported. And so we gotta make sure that we're paying our portion of it. There was a annual required contribution. And so over and above the typical costs that would be paid each year, we pay an additional total for that. And so for Fiscal Year '19, it was \$18 million. And then I'm not sure what the One Main Plaza lease was. I think that was leases for multiple programs that was allocated in the Countywide costs versus in...most of the lease costs are in the program. So, if you go to, you know, Housing and Human Concerns and they'll have rent costs in there. So, anyway, those are the Countywide costs.

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CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Baz. And then if the Administration has a policy on whether a project would be bonded or paid for in cash?

MR. BAZ: In the financial policies section of the document itself, I'd rather not skip back to that. But there is a description in the financial policies about use of debt and different things like that. There's priority levels, different criteria that are utilized. So, you can kind of look at what the Administration's general policies are about that. But then, you know, you'll have your own specific recommendations.

CHAIR RAWLINS-FERNANDEZ: And how to, I don't know if you...you may have went over this, but how to determine the amounts of money that have been appropriated, encumbered, lapsed for past projects?

MR. BAZ: Oh, that would be that CIP report. Let's see. So, in here you'll have, you know, this is by project type, then by community plan area, then the project title. Unfortunately, the project title because it's a IFAS index code, description doesn't necessarily always match the actual, original appropriation name. But generally, it's there. Original appropriation, what's been allotted to date, what...if there's any balance available. So, ditch improvements on Waipoli Road, \$800,000 was encumbered for that project from 2017 GO Bond appropriation, and a 2018 GO Bond appropriation, they had 798,000. So, total for that project of almost \$1.6 million was encumbered for that. They haven't spent any yet. So, that's how this report reads.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you. And then the SRF loan, General Obligation Bond, and Lapsed Bond Fund, what its purpose, parameters, and if there's a max that it could be authorized by.

MR. BAZ: As I mentioned, there's specific requirements for each of those. The Bond Authorization Bill, if you go through and read that, it does generally provide the restrictions and uses of bond appropriation, you know, what laws you have to follow, different things like that. So, come back and reference that bill for bond. And then for SRF, same thing. It references the HRS that authorizes it, and then those restricted uses will be based on those functions. And again, for those, you know, you work with the departments because they have those projects already defined with Department of Health.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo. Okay, Mr. Baz has to leave by 12:00 so I'll open the floor up for questions. If you could just limit your questions. One question per Member, and if there are additional questions, then I'll submit those questions in writing. Okay, Vice-Committee Chair...Committee Vice-Chair King?

VICE-CHAIR KING: Thank you. I don't know if I can...I'm trying to distill it down to one question. But actually I have a question on the Countywide costs. And just wondering if you can go over why there is in the fringe benefit reimbursements and the One Main Plaza, it goes from zero to a large amount. You know the fringe benefit reimbursements, what happened in Fiscal Year 2017 that it went down to zero? And the same thing on One Main Plaza, because I know we've been renting One Main Plaza

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for longer than 2018. So, was that the first, is that the first year that we had Countywide costs that couldn't be put into departments?

MR. BAZ: Yeah.

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Madam Chair, for the One Main Plaza, I apologize. I wasn't the Budget Director during that time so I don't know what the specific allocation was. For that I can't recall why those were split out. But those were split out. I think it was a collection of leases we were trying to do like basically one big agreement for multiple departments so that we could get the cheaper rate I think was the One Main Plaza issue. The...

VICE-CHAIR KING: Is that what we're doing now then going forward? We have one rate for all the departments?

MR. BAZ: No. We have different lease agreements for different units. And based on future needs, we have them being, expiring at different times. Because some people are going to be moving in to the Service Center, some...you know, we have people moving around. So, we don't want to just...

VICE-CHAIR KING: So, you didn't expect that 373,000 that started in Fiscal Year '18 through this year. You don't expect that to be there or...

MR. BAZ: I'm not sure.

CHAIR RAWLINS-FERNANDEZ: If you don't mind me interrupting. So, we can go into the details of those on April 1st when we have the budget presented to us.

VICE-CHAIR KING: Okay.

MR. BAZ: And then fringe reimbursements, that was a, basically a trial that we did to try to put the fringe reimbursements into the fringe benefits. So, if you notice the actuals for Fiscal Year '16, the net was \$43 million but, excuse me, \$53 million. And then for Fiscal Year '17, it ended up to be the net was \$57 million. So, that fringe reimbursement program, separate line item, got moved up into the fringe benefits. So, if you look at the details of that year, you would see the positives and negatives was collapsed. And so we wanted to...we decided that it was better to show it. And so the next year we split it --

VICE-CHAIR KING: Okay.

MR. BAZ: --back out. And basically, it's like showing the math when you do...yeah.

VICE-CHAIR KING: Okay.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you. Member Kama?

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COUNCILMEMBER KAMA: No questions.

CHAIR RAWLINS-FERNANDEZ: No questions. Member Sugimura? Okay, Member Paltin?

COUNCILMEMBER PALTIN: Thank you, Chair. I had a question on the ordinance bill for 2018, Section 6, Part 2 on Page 31. When it says training positions for which there is an existing or anticipated vacancy for which hiring and replacing is critical to continue the operation provided that funds are available. Does the funds have to be in the A category, or can you switch 'em?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: So, Madam Chair. Yeah, that's a good question. Yes, they have to be in the A category. If they're not in the A category and they have savings in a different category, that could be transferred via resolution, or a budget amendment...amendment to the ordinance itself.

COUNCILMEMBER PALTIN: So, most likely it would be that the position was vacant for a long time. That's the only way they would have extra money --

MR. BAZ: Typically, yes.

COUNCILMEMBER PALTIN: --in the A category?

MR. BAZ: Yes.

COUNCILMEMBER PALTIN: Okay, thanks.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Member Molina? No questions. Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair, real quick question. For the Post-Employment Obligations Fund, is that still underfunded?

MR. BAZ: Yeah...

CHAIR RAWLINS-FERNANDEZ: We're going to go over the details of that on April 1st.

MR. BAZ: The big answer is yes, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Okay.

MR. BAZ: As presented from the State when they came here. Our annual required contribution, additional monies is projected to end somewhere around 2040 is when that huge lump of...then we'll be caught up, basically is. What they're...it changes every year based on a report that we received, the actuarial statements, market, you know, how much money they actually made in the stock market and their different

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investments. But the current projections are about 2040. Then we'd have to be able to stop making that extra payment.

COUNCILMEMBER SINENCI: Okay, thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Okay. Since we have a couple minutes, I have a couple questions. Under the CIP, under Finance, there's a section that goes over the purchase of large, costly, and long-life equipment for the fiscal year. And those purchases are also under the Department itself. Would you be able to explain why this would fall under Finance?

MR. BAZ: Madam Chair, in the past the Department of Finance...basically we did that for purposes of expediency in allocating one project for equipment that was going to be bonded. And so it was in the Department of Finance. I believe that the...I haven't confirmed that but for Fiscal Year '20 it may be split out into the different departments. Yeah but in the previous fiscal years, it was always in the Department of Finance.

CHAIR RAWLINS-FERNANDEZ: Okay, thank you. Okay, so if there are any additional questions, we can submit them to the Administration from the Committee. And I need to correct myself. I misspoke earlier. So, on April 1st we will have Ms. Michele Yoshimura and Mr. Scott Teruya presenting the Fiscal Year '20 Budget to the Council. And the Word document for the template that we...that I transmitted to you on last Thursday was sent to you so you now have the Word document to fill in. And is there anything else? I think that's, yeah, that's everything. I just want to thank everyone again for coming.

VICE-CHAIR KING: Chair? Can I just ask one quick question?

CHAIR RAWLINS-FERNANDEZ: Sure.

VICE-CHAIR KING: Thank you. I just wanted to ask our Managing Director, when we looked at the ordinance and there was a total of \$819 million, is that up to date with...because, you know, we add in new grants and things and we do budget amendments, that number changes as we go through the year, correct?

CHAIR RAWLINS-FERNANDEZ: Mr. Baz?

MR. BAZ: Yeah, so...Madam Chair. The number 819 million that I presented to you was from the Mayor's proposed ordinance for Fiscal Year '19 since that was the base of the documents that --

VICE-CHAIR KING: Oh, okay.

MR. BAZ: --we were reviewing

VICE-CHAIR KING: So, that wasn't the Council.

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MR. BAZ: So, that wasn't even the Council adopted. And then as the fiscal year goes on, that is what it's amended. When you do budget amendments...

VICE-CHAIR KING: Okay. Yeah, it seemed high to me 'cause I was remembering that we were in the 700 million.

MR. BAZ: Correct.

VICE-CHAIR KING: And so that...but that ordinance, the bottom line changes as we go throughout the year, and we get new grants in, and we add to the budget.

MR. BAZ: Madam Chair, yeah, not grant revenue, but any changes, any Carryover/Savings that's certified that adds money to the budget, or if there's change to revenue for some purpose, then that would change the actual...

VICE-CHAIR KING: Okay, so when we get new grants in, which we do sometimes when Police Department, Fire Department identify new grants or additional grant monies that they didn't originally put in their budget, how is that expressed in the budget ordinance?

MR. BAZ: In Appendix A, Part 1, it lists all the grant revenue there. So, for a specific line item, if it's something that we received, generally like we might estimate that we received \$12 million in Federal Highway money for road improvements, but maybe we get an extra \$5 million to do a project. So, that will be amended from 12 million to now 17 million.

VICE-CHAIR KING: Okay. But the grants that we're getting for the budget amendments that we've seen through first responders, those don't go into the General Budget bottom line?

MR. BAZ: Correct.

VICE-CHAIR KING: Okay, just wanted to clarify that.

MR. BAZ: They're not part of the balanced budget.

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

CHAIR RAWLINS-FERNANDEZ: Okay. Thank you so much, Mr. Baz, for your presentation. I know it's going to be really helpful. And it's going to help us save time throughout the budget process. And I'm really happy that everyone was onboard in investing this time and training in the front end so that it will make our budget process smoother. So, thank you so much again.

VICE-CHAIR KING: Chair? Chair? Can I just say I want to thank you for scheduling this because this was not afforded to us in my, you know, my first term two years ago. So,

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we just kind of showed up, and we were just like thrown into the mix and had to figure out A, B, C account and all these things. So, I think this was a really good...you know, for me it's really informative to see how everybody else is assimilating the information when they haven't been on it. And I want to thank Mr. Baz for being here and guiding us through the process. And I know you'll be there throughout the budget process, but I think it was really valuable today. So, even for those of us who have sat through the budget before to see, you know, how the...to, you know, to see how everyone else...what the other concerns are. So, thanks for that.

CHAIR RAWLINS-FERNANDEZ: Thank you, Chair.

MR. BAZ: Yeah. Madam Chair? Happy to be here. Just remember my disclaimer that there's a lot more to this budget than what I talked about here today. And I may have misspoke about certain things too. So, you know, I apologize if I did in advance. But just to be aware that this is a very intricate and detailed documents and a very important process. I mean we're talking about almost a billion dollars right, so a very, very sobering thing to think about. And I appreciate the efforts of the Members in reviewing everything to make sure that we are doing things and appropriating funds that we can make sure that we're servicing the County. That's really what we're here for. You know, all the money we request is to service the County best the way we possibly can. And we appreciate your efforts as well. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Baz. Member Kama?

COUNCILMEMBER KAMA: Chair, thank you. I just wanted to say thank you because my sense is that I didn't understand anything in this, the 2020. But when I got the 2019 and going through this process, it started to click a little bit more than it did last week. But I want to say thank you because I think what it helps is for our people who are watching that they get a better understanding of how we do things in this County and that our Managing Director was able to come down and help us because he was the Budget Director last couple years. And that we're going to have another session with our new Budget Director, with our new budget, and our people would be able to clearly understand the constraints sometimes that we are under based upon the information that we're given by all the departments. So, thank you for your foresight. And I'm hoping that in the future we'll have similar trainings like this on the budget so that our people will be able to participate in a greater manner. So, thank you.

CHAIR RAWLINS-FERNANDEZ: Absolutely. That was part of the purpose. Mahalo, Member Kama. Member Sugimura, did you wanna...

COUNCILMEMBER SUGIMURA: Thank you. So, I just wanted to also thank the Administration for doing this training as it was educational. And it's interesting to see, and as Member Kama has said, for the public to see how the...our Charter is pulled together as our guiding documents for creating these lengthy budget documents. But also just kinda talking through what it all means. So, appreciate that. I look forward to seeing our new Budget Director in...when we do start our 2020 budget, you know, discussion. So, thank you, Mr. Baz, and I think you were probably

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the appropriate person to talk about Fiscal Year 2019. That was your baby. So, thanks.

CHAIR RAWLINS-FERNANDEZ: Okay, mahalo, Member Sugimura. Okay, Members, if there are no objections, I will defer this item, EDB-24(10).

COUNCILMEMBERS: No objections.

ACTION: DEFER pending further discussion.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Mahalo again, Mr. Baz. And if there are no objections, I will now adjourn our meeting.

COUNCILMEMBERS: No objections.

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

ADJOURN: 12:05 p.m.

APPROVED:



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

edb:min:190327:rlk

Transcribed by: Reinette L. Kutz

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CERTIFICATE

I, Reinette L. Kutz, 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 this 15th day of April 2019, in Makawao, Hawaii.


Reinette L. Kutz