

BUDGET, FINANCE, AND ECONOMIC DEVELOPMENT COMMITTEE

Council of the County of Maui

MINUTES

February 17, 2021

Online Only via BlueJeans

CONVENE: 1:33 p.m.

PRESENT: Councilmember Keani N.W. Rawlins-Fernandez, Chair
Councilmember Tamara Paltin, Vice-Chair
Councilmember Gabe Johnson, Member (out 3:08 p.m.)
Councilmember Tasha Kama, Member
Councilmember Kelly Takaya King, Member
Councilmember Alice L. Lee, Member
Councilmember Michael J. Molina, Member (in 1:45 p.m.)
Councilmember Shane M. Sinenci, Member
Councilmember Yuki Lei K. Sugimura, Member

STAFF: Lesley Milner, Legislative Analyst
Kasie Apo Takayama, Legislative Analyst
Traci Fujita, Director, Office of Council Services
David Raatz, Supervising Legislative Attorney
James Forrest, Legislative Attorney
Yvette Bouthillier, Committee Secretary
Lenora Dineen, Council Services Assistant Clerk

Kathy Kaohu, County Clerk, Office of the County Clerk
James Krueger, Deputy County Clerk, Office of the County Clerk

Kate Griffiths, Executive Assistant to Councilmember Gabe Johnson
Evan Dust, Executive Assistant to Councilmember Tasha Kama
Davideane Sickels, Executive Assistant to Councilmember Tasha Kama
Michelle De Rosario, Executive Assistant to Councilmember Kelly Takaya King
Axel Beers, Executive Assistant to Councilmember Kelly Takaya King
Sarah Pajimola, Executive Assistant to Councilmember Keani N.W. Rawlins-Fernandez
Jordan Helle, Executive Assistant to Councilmember Yuki Lei K. Sugimura

ADMIN.: Michele Yoshimura, Budget Director
Karla H. Peters, Director, Department of Parks and Recreation (BFED-30(2))
Samual Marvel, Chief of Planning and Development, Department of Parks and Recreation (BFED-30(2))
Scott K. Teruya, Director, Department of Finance

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Jared Masuda, Central Purchasing Agent, Department of Finance (BFED-30(2))
Helene Kau, Deputy Director, Department of Water Supply (BFED-23)
Holly Ho, Fiscal Officer, Department of Water Supply (BFED-23)
Michele N. McLean, Director, Department of Planning (BFED-24)
Sandy Baz, Managing Director, Department of Management (BFED-24)
Kristina Toshikiyo, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Jason Economou, Government Affairs Director, Realtors Association of Maui (BFED-24)
Scott Crockford
Wello
Others (5)

Shay Chan Hodges, Chair, Board of Water Supply (BFED-23)
Christine Choi, Director, PFM Financial Advisors LLC (BFED-24)
Julia Kim, Director, Wells Fargo Securities (BFED-24)

PRESS: Akaku: Maui Community Television, Inc.
Keahu Cerizo, *The Maui News*

CHAIR RAWLINS-FERNANDEZ: Aloha ‘auinalā kākou. Kanakolukūmākolū o ka hola ‘ekahi ma imi...‘umikūmāhiku o Pepeluali i ka makahiki ‘elua kaukani iwakāluakumamakahi. E ‘olu‘olu mai, ho‘omulu...e ho‘omalū ke Mo‘ohelu Kālā me Mo‘oWaiwai ‘o wai ka po‘o kēia Komike Keani Rawlins-Fernandez. It’s 1:33 on February 17th, 2021. Will the Budget, Finance, and Economic Development Committee please come to order. I’m your Chair, Keani Rawlins-Fernandez. I keia lā, me ko kākou, Committee Vice-Chair Tamara Paltin. Aloha.

VICE-CHAIR PALTIN: Aloha kakahiaka kākou.

CHAIR RAWLINS-FERNANDEZ: Aloha ‘auinalā. Council Chair Alice Lee.

COUNCILMEMBER LEE: Madam Chair, greetings from Tonga, malo e lelei. Malo e lelei.

CHAIR RAWLINS-FERNANDEZ: Malo e lelei. . . .(chuckling). . . And Member Shane Sinenci.

COUNCILMEMBER SINENCI: ‘Auinalā, Chair . . .(spoke in Hawaiian). . . and malo e lelei kākou.

CHAIR RAWLINS-FERNANDEZ: Malo e lelei. Member Gabe Johnson.

COUNCILMEMBER LEE: That’s nice.

COUNCILMEMBER JOHNSON: Aloha, Chair. Thank you. Malo e lelei. Give it a shot. Thanks

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for having us. I'm looking forward to a nice, long meeting.

CHAIR RAWLINS-FERNANDEZ: Aloha. Member Kelly King.

COUNCILMEMBER KING: Okay, I can't remember that, malo e lelei, is that right? Okay. And aloha to everyone.

CHAIR RAWLINS-FERNANDEZ: Malo e lelei. Pro Temp Tasha Kama.

COUNCILMEMBER KAMA: Aloha 'auinalā, Chair, and malo e lelei to you also.

CHAIR RAWLINS-FERNANDEZ: Malo e lelei. And Member Yuki Lei Sugimura.

COUNCILMEMBER SUGIMURA: Malo e lelei, everyone. Good afternoon from the County building, and it's...actually looks like we're going to have rain. It's all cloudy. Nice to see everybody.

CHAIR RAWLINS-FERNANDEZ: Aloha. And Member Mike Molina will be joining us momentarily. From Corporation Counsel, we have with us Deputy Corporation Counsel Kristina Toshikiyo. Aloha.

MS. TOSHIKIYO: Aloha 'auinalā and malo e lelei to all of you.

CHAIR RAWLINS-FERNANDEZ: Malo e lelei. From Office of the Mayor, Budget Director Michele Yoshimura.

MS. YOSHIMURA: Good afternoon, Chair. Good afternoon, Members.

CHAIR RAWLINS-FERNANDEZ: Good afternoon. From Department of Finance, Director Scott Teruya.

MR. TERUYA: Good afternoon, Madam Chair and Members.

CHAIR RAWLINS-FERNANDEZ: Aloha. From Department of Parks and Recreation, Director Karla Peters.

MS. PETERS: Good afternoon, Chair. Aloha, Members.

CHAIR RAWLINS-FERNANDEZ: From Parks and Recreation, Chief of Planning and Development, Sam Marvel. Aloha. From the Planning Department, Director Michele McLean. From Department of Water Supply, Deputy Director Helene Kau.

MS. KAU: Aloha, Chair and Members.

CHAIR RAWLINS-FERNANDEZ: Aloha. And Fiscal Officer Holly Ho. From the Board of Water Supply, we have the Board of Water Supply Chair Shay Chan Hodges. Aloha.

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MS. HODGES: Aloha, everyone.

CHAIR RAWLINS-FERNANDEZ: And our Committee Staff, we have Committee Secretary Yvette Bouthillier.

MS. BOUTHILLIER: Good afternoon, Committee Chair and Members.

CHAIR RAWLINS-FERNANDEZ: Aloha. Committee Analyst Lesley Milner.

MS. MILNER: Aloha, Chair. Aloha, Members.

CHAIR RAWLINS-FERNANDEZ: Legislative Analyst Kasie Apo Takayama. Aloha.

MS. APO TAKAYAMA: Aloha, Chair and Members.

CHAIR RAWLINS-FERNANDEZ: And Supervising Legislative Attorney David Raatz. Aloha.

MR. RAATZ: Good afternoon.

CHAIR RAWLINS-FERNANDEZ: Members, today we have three items on today's agenda. BFED-30(2), Amendments to Capital Improvement Projects for Fiscal Year 2021, (Department of Parks and Recreation (Ha'ikū Park Restroom, Kepaniwai Heritage Gardens Improvement)); BFED-23, Water Rate Study; and BFED-24, Acquisition of 6.3 Acres at 100 Mahalani Street, Wailuku, Maui, Hawai'i. Okay. We have three people signed up to testify so far, so we'll begin with public testimony. Oral testimony via phone or video conference will be accepted. Please note that if you are signed in, you are on the list to testify, even if you did not request to testify. Please let Staff know in chat if you are signed on and do not intend to testify. Testifiers wanting to provide video testimony, please join by going to the BlueJeans meeting link as noted on today's agenda. Testifiers wanting to provide audio testimony, please join using the telephone number, also on...noted on today's agenda. The Committee intends to keep the same meeting link and phone number for all BFED Committee meetings this term for the ease and convenience of the Members and the public. Written testimony is highly encouraged through the eComment link listed for today's agenda on mauicounty.us/agendas. Individuals are free to provide testimony via eComment on as many agenda items as they would like. Instructions on how to submit testimony via eComment can be found at mauicounty.us/eComment. Oral testimony is limited to three minutes per item. When testifying, please state your first and last name. If you are testifying on behalf of an organization or are a paid lobbyist, please inform the Committee. The testifiers' login is located in chat. Please mindful of the use of chat during the meeting. Chat should not be used to provide testimony or chat with other...with Councilmembers or other testifiers. If you are being...if you are providing testimony, please be courteous of others by muting your microphone and video while waiting your turn to testify. Once you are done testifying, you will be asked to disconnect from the call; however, you are welcome to continue to view the remainder of the meeting on *Akakū* Channel 53, Facebook Live, or on mauicounty.us. Participants who wish to view the meeting only without providing testimony, please also disconnect at this time and instead, view the meeting on *Akakū*

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Channel 53, Facebook, or mauicounty.us. Only Councilmembers, Staff, and designated resource personnel will be connected to the video...the video conference meeting once testimony concludes. I'll now proceed with public testimony. First signed up to testify is Jason Economou, followed by Scott Crawford [sic].

. . .BEGIN PUBLIC TESTIMONY. . .

MR. ECONOMOU: Good afternoon, Chair Rawlins-Fernandez and Committee Members. Thank you for the opportunity to testify. My name is Jason Economou, I am the Government Affairs Director for the Realtors Association of Maui, and I am submitting this testimony on behalf of the Realtors Association of Maui and our 1,700-plus licensed professional realtors. I...I am...my organization are in strong support of the purchase of *The Maui News* building. Even before I got involved with the realtors, often people would bring up the failure of Maui County to purchase the One Main Plaza building. I have the...the luxury of working in the One Main Plaza building, and still rarely a month goes by that somebody does not talk about how stupid the County was for its failure to purchase the One Main Plaza building because your need for offices continues to grow, and the acquisition of land, as well as the construction of buildings, just gets more expensive as time goes on, and more difficult. The County has incredible credit, there are historically low interest rates, and you will need more office space. And quite frankly, even if you don't need more office space, if you guys purchase this property and just do nothing with it for two, maybe three years, you will make money for your taxpayers. Land is only going to go up on Maui, same with office buildings. Yes, these office buildings are a little bit older, they might take some work, but if you were to build something, I mean, it's going to take even more work, even more money, even more time. I was reading an article from 2013 yesterday that was talking about how slow the County has been with building that 200-stall parking structure that still hasn't been started yet. So don't pass this up. Don't be the laughingstock for the next decade over your failure to purchase this property that will be useful and be profitable. This is a good opportunity, just take advantage of it. And I know some of you might have the idea if the realtors are for it, we should be against it. Please, even as an individual, let's...let's forget, I'm not even a realtor, I'm a lawyer. Just do the smart thing, invest in real estate. Everybody should invest in real estate. This is nothing about being pro development or anything, just invest in real estate, it's a smart move. That's it.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Mr. Economou. Okay. I see Members have questions. Committee Vice-Chair Paltin, followed by Member King.

VICE-CHAIR PALTIN: Thank you, Chair. Thank you, Mr. Economou, for your testimony. I just was wondering if the realtors had weighed in on who they thought should go there, if they had...clarify that. Like did they prefer the Council Chamber be over there or stay at the County Building?

MR. ECONOMOU: No. We...we don't have a preference in that. That's your internal workings. However you can do it best to make the work of government more efficient and less costly, that's what our preference is. But...but really, just...the main starting point of

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making this investment, it's just a good move for our future. That's what we're supporting.

VICE-CHAIR PALTIN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. Member King?

COUNCILMEMBER KING: Thank you, Chair. Aloha, Jason. Good to see you.

MR. ECONOMOU: Good to see you.

COUNCILMEMBER KING: Yeah, I would expect that...that realtors would be excited about a land purchase, but do you think it's a smart move if we don't know how we're going to pay for it? I mean, these are austere times, and we're still waiting for a plan that shows us how we're going to save that \$50,000 a month of debt service.

MR. ECONOMOU: I mean, you can...you can borrow the money easily to pay for it, and then it's going to become less expensive over time because money becomes cheaper over time because of inflation and all that other jazz. It's still a smart move. And you can pay for it even by renting it out. Even if you want to keep your County offices where they are and you want to, you know, shuffle your own offices around to free up space on the 8th Floor, you could rent it out to other office dwellers who need the space and make money off of that. And then you can sell it in a couple of years and make back the \$50,000 that you would have spent plus another \$100,000.

COUNCILMEMBER KING: Well, that's 50,000 a month in...in debt service that we're incurring. So you know --

MR. ECONOMOU: Even still.

COUNCILMEMBER KING: -- these are...these are austere times, so we're trying to do our due diligence, which I'm sure you encourage your buyers to do before you make a purchase.

MR. ECONOMOU: Absolutely.

COUNCILMEMBER KING: Okay.

MR. ECONOMOU: Yeah. It's still a good investment.

COUNCILMEMBER KING: All right. Thanks.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member King. Member Molina?

COUNCILMEMBER MOLINA: Thank you, Madam Chair, and my apologies for being late to your meeting today. Good afternoon, Mr. Economou, and appreciate your comments. You mention in your testimony even if we did nothing with it, it would still be a gain for the County. What would you envision we could do with...say if we did nothing with it

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for three years or...or wanted to do something, what could we do? Like for example, you mentioned renting out to other entities. Can you list some examples of what type of entities would be appropriate for that area aside from County...County departments?

MR. ECONOMOU: Pretty much any industry that uses office space. But...but honestly, just with the way that value...or the...the value of...of property is increasing. You could literally lock the doors and leave it vacant, and it will still ultimately be profitable for you if you resell it in...in not even a long period of time. That's...that's the trends that we've seen with real estate in Maui County for years now. It's...ever since 2012, it's essentially only gone up in value.

COUNCILMEMBER MOLINA: Okay. And you mentioned office space, so currently what is the market on office space? Is there a lot of office space that's vacant right now on the island?

MR. ECONOMOU: Yes. However, there's...there's not necessarily a ton that's for sale. You know, every investment has its...its ups and its downs. You're right, there is a lot of available office space right now, just not a lot that is available to you for this price at this time.

COUNCILMEMBER MOLINA: Okay. All right. Thank you. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. And my apologies for not recognizing you when you arrived. Aloha under your Makawao bridge.

COUNCILMEMBER MOLINA: Aloha, Madam Chair. Thank you.

MR. ECONOMOU: Thank you all for the opportunity.

CHAIR RAWLINS-FERNANDEZ: Okay. Members, any other questions? Okay. Seeing none. Thank you so much for your testimony today, Mr. Economou. Oh, Member Johnson, was that your hand? Oh, okay. Okay. Mahalo. Okay. Our next testifier followed by our last testifier is Scott Crawford [sic], followed by Wello. I do not see him on the list anymore. Okay. We'll come back to Mr. Crawford [sic]. Okay. Our last testifier signed up...and I'm sorry, I understand that my video is freezing right now. Our last testifier signed up is Wello. I don't see that name on the list either. So we will give a last call for testimony. Okay. I only see Staff and resource people on the list. Okay. Hearing no one speaking up to testify, if there are no objections, I will close public testimony.

COUNCILMEMBERS VOICED NO OBJECTIONS

. . .END OF PUBLIC TESTIMONY. . .

CHAIR RAWLINS-FERNANDEZ: Mahalo, Members. And if there are no objections, we will accept written testimony into the record.

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COUNCILMEMBERS VOICED NO OBJECTIONS

CHAIR RAWLINS-FERNANDEZ: Okay. So we have three items on today's agenda. BFED-30(2), BFED-23, which I plan to take up first and probably until our afternoon break, and then take up BFED-24.

ITEM 30(2): AMENDMENTS TO CAPITAL IMPROVEMENT PROJECTS FOR FISCAL YEAR 2021 (DEPARTMENT OF PARKS AND RECREATION (HAIKU PARK RESTROOM, KEPANIWAI HERITAGE GARDENS IMPROVEMENT))

CHAIR RAWLINS-FERNANDEZ: First item is BFED-30(2), Amendments to Capital Improvement Projects for Fiscal Year 2021 (Department of Parks and Recreation (Ha'ikū Park Restroom, Kepaniwai Heritage Gardens Improvement)). We have with us Budget Director Yoshimura for opening comments, followed by Director Peters.

MS. YOSHIMURA: Thank you, Chair. Okay. So the proposal before you this afternoon is to increase the appropriations for two projects. One is the Ha'ikū Park restroom, and the other is Kepaniwai Heritage Gardens. So both projects were funded in Fiscal Year '20, as well as '21. The funds for Fiscal Year '20 for both projects have lapsed, and we are asking to reappropriate the funds, as well as increase the appropriation because of the bids that we received for both projects. It...they...they both were in excess of the amount that was originally appropriated. So for the Ha'ikū Park project, we are asking for the park assessment monies to be reappropriated. And for the Kepaniwai Heritage Gardens, we are asking for additional carryover/savings. The Department did lapse projects in Fiscal Year '20, cash projects, and that's where we were recognizing the carryover/savings from. So Director Peters is on the line, and she could give you more information on the projects themselves, and any other questions that you may have for us. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Budget Director. Director Peters?

MS. PETERS: Aloha, Chair. Aloha, Committee. Like Budget Director Yoshimura just mentioned, the Ha'ikū Park restrooms needed to be replaced to provide the required ADA access, safety, and upgrades. The expansion of the septic system to meet the current codes and requirements caused the construction cost to exceed the initial cost estimates. So bids were opened on October 29th, 2020 for this project with a low bid of \$1,021,481. For the Kepaniwai project, the Hawaiian hale at Kepaniwai Heritage Gardens is an important community and cultural resource. This project will fully rebuild the Hawaiian hale and provide fire protection. The addition of a required fire sprinkler system and associated waterline caused construction costs to exceed the initial cost estimates for this project as well. Bid opening was on November 5th, 2020 with a low bid of \$436,125. And also, I have on the line our Chief of Planning and Development Sam Marvel, and he can provide any additional resource and technical information that you may have. Thank you.

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CHAIR RAWLINS-FERNANDEZ: Mahalo, Director Peters. So I'll open up for questions, Members, starting with Committee Vice-Chair Paltin, followed by Member Sinenci, and then we'll go down the row. Okay. Committee Vice-Chair Paltin? And then I'll put you on a timer.

VICE-CHAIR PALTIN: Thank you, Chair. Thank you, Director Peters and Ms. Yoshimura. I just was wondering, how do you decide when you use the park assessment fees or when you use, you know, like carryover/savings from the General Fund? Like is Wailuku or...not have park assessment fees?

MS. YOSHIMURA: Chair, yeah, Wailuku hardly has any park assessment fees because they are collected by district and used in the specific districts. When this project was first appropriated in Fiscal Year 2020, we did use park assessment fees, I think \$510,000 from the Pā'ia-Ha'ikū area. And being that the project...we didn't encumber the full amount, and we are asking for reappropriation. We are just asking to reappropriate that monies, along with additional carryover/savings. So what we did was take a look at all of the projects that had lapsed in Fiscal Year '20, and identified the cash projects so that we could certify carryover/savings to fund these projects...these two projects to make them move forward.

VICE-CHAIR PALTIN: And can you share who the bid was on the Kepaniwai project? And...and that...the additional...the entirety of the additional money is because of the waterline and the fire sprinklers?

MS. YOSHIMURA: So...

VICE-CHAIR PALTIN: And if it's safe from future flooding.

MS. YOSHIMURA: I will defer that question to Director Peters. But we did start this project back in 2020 as a grant to an organization. They declined the grant, and so that's why the County is now taking it upon itself as a project.

MS. PETERS: Chair, thank you.

MS. YOSHIMURA: Thank you.

MS. PETERS: Thank you, Member Paltin. So the low bid company for the Kepaniwai Heritage Gardens Hawaiian hale was West Maui Construction. And I am going to defer the rest of the questions to our Chief of Planning and Development.

VICE-CHAIR PALTIN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mr. Marvel?

MR. MARVEL: Would you mind repeating that question? Sorry, I must have missed it.

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VICE-CHAIR PALTIN: . . .*(coughs)*. . . Sorry. I was wondering if the entirety of the added amount was due to just the waterline and the sprinklers.

MR. MARVEL: Yes, that's...that's correct.

VICE-CHAIR PALTIN: Okay. Thank you. . . .*(timer sounds)*. . .

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. Okay. We'll go to Member Sinenci, followed by Member Molina.

COUNCILMEMBER SINENCI: Mahalo, Chair. Yeah, just for clarification. So it looks like for both Park projects, there's an increase to both projects to meet the lowest bid. Is that correct on both projects?

MS. PETERS: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MS. PETERS: Thank you, Member Sinenci. You are correct. So we're reappropriating the lapsed funds in fiscal year...from Fiscal Year '20 Budget, and then covering that cost that...the increase in the low bid price.

COUNCILMEMBER SINENCI: So those...was...those funds are still under the...for your Department, Parks funding; is that correct?

MS. PETERS: Chair? Yes, Member Sinenci, that's correct.

COUNCILMEMBER SINENCI: Oh, okay. And then for...I have one more question, Chair. For the Kepaniwai Heritage Gardens, for West Maui Construction, are they...I don't know if the County requires certification of...of hale building. Are they certified for...for the hale?

MS. PETERS: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MS. PETERS: Member Sinenci, so as a requirement, they have to...we've been working with Master Builder Francis Sinenci, and so he...they would have to put him on as a subcontractor, it's required. Unfortunately he wasn't able to just bid on the project himself, just because of the infrastructure improvements. Like the water...the fire sprinkler systems, we have to upgrade the pressure for the water to get to that point. So yes, we will be having a master builder. And just as a...a follow up to that, the contractor was unable to hold their price until we get...until we would get this additional amount, so we will be putting the projects back out to bid. But that is still a requirement, that the master builder...hale master builder is on as a subcontractor.

COUNCILMEMBER SINENCI: Okay. I might have to recuse myself. Thank you, Director.

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Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sinenci. Member Molina, followed by Council Chair Lee.

COUNCILMEMBER MOLINA: Okay. Thank you, Madam Chair. First for Director Yoshimura, can you clarify what projects lapsed to allow the funds to be used for these proposed funding increases?

CHAIR RAWLINS-FERNANDEZ: Director?

MS. YOSHIMURA: Chair, thank you. Councilmember Molina, there are a number of projects that did lapse. There was a Kula Park playground, which was completed. That lapsed 90...about \$96,000, so that project came under bid. Moloka'i park system, there was some monies or some savings there. Pā'ia-Ha'ikū park systems, there was about \$68,000 of savings from projects that did not move forward. Central Maui park systems also had a big chunk, it was \$234,000. So we did have savings that we could...the Finance Department could certify that the funds were available for these two projects to move forward. And Kepaniwai Heritage Garden, they did lapse \$232,000 in Fiscal Year '20.

COUNCILMEMBER MOLINA: Okay. Thank you. This is a question for Director Peters. Could you share with us who the low bidder is for the Ha'ikū Park restroom project? Which I do support, and I appreciate the Administration pursuing this. And now the total cost of the project?

CHAIR RAWLINS-FERNANDEZ: Director?

MS. PETERS: Okay. So the low bid for this project was the same contractor, West Maui Construction. And again, they're not able to hold their bid...they were not able to hold their bid price. So we are going to be putting this out to bid once we get approval of the additional funding. And the...that bid amount, the low bid was \$1,021,481.

COUNCILMEMBER MOLINA: Bathrooms getting more expensive day after day, yeah? Oh, my goodness. So I assume this will delay the project. I guess at a meeting I think sometime last year with the community, we had mentioned the timetable which we're hope...I guess sometime early this year. So potentially, this is going to delay the project now what, another three, four months maybe? Is that what we could be looking at?

MS. PETERS: Chair? Yes, thank you, Member Molina. It's probably going to be that long to put the project back out to bid and execute the contract. But you know, we just want to make sure that we (*audio interference*) all of our permits in place, as well as the required infrastructure that drove up that cost. We kept having to increase the cost because of the additional requirements per the permit process.

COUNCILMEMBER MOLINA: Okay. Thank you. And this matter is quite timely, I have a Ha'ikū Community Association meeting next week, Wednesday, so I can share the good

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news or disappointing news with the community . . .(timer sounds). . . but it is what it is. So thank you, Madam Director. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Council Chair Lee, followed by Member King.

COUNCILMEMBER LEE: Thank you. I have no questions. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Member King, followed by Member Sugimura.

COUNCILMEMBER KING: Thank you, Chair. I'm just reminding you because you...you forgot about me last time, but thank you. So my question was really actually similar to Councilmember Molina's and you answered that, Karla, but I have a follow-up question. If the low bidder can't hold their bid, why would you not go to the next lowest bidder? And if you put it back out to bid and the lower bidder bids again, but a little bit higher and gets it...I mean, this sounds like something fishy there, like, you know, the same person wanting to make more money and withdrawing their bid and putting it back in. So if they are the low bidder and they can't hold their bid, are they precluded from bidding again? So I guess have two questions, that one and then why would not go to the next highest...or the next lowest bidder?

CHAIR RAWLINS-FERNANDEZ: Director?

MS. PETERS: Chair, thank you. Thank you...thank you, Member King. So we found that if we put the project back out to bid, we may get a better bid. The next low bid...I might defer that to Sam to see if he's able to provide that information. Also, what we did is we included some alternate deductives in the project, so these are items that we were...thought we could pull out in the event that they did go way over, that we can also look at that when we put it back out. So we're going to make sure that we have adequate funding with this budget amendment. And if we have to pull some items out that we may have to do later in house, you know, sometimes we do landscaping and that type of thing, we take it out of the contract, we're able to do that. So we were able to, in this first go around, break it down so that we would...we were really trying to meet the budget and cost estimates; unfortunately the projects just went...low bid exceeded that amount, even with the deductives in place. I'll defer to Sam --

COUNCILMEMBER KING: Okay.

MS. PETERS: -- to see if he has that information on what the next low bid would have been.

COUNCILMEMBER KING: Okay. And then can you answer the question also of what...what your policy is when someone pulls back on a bid that they made, you know, do they get to bid again?

MS. PETERS: So I'll have to defer that to the Purchasing Division. We did work with the purchasing agent because the contractor said they were able to secure their bid for the 60...more than 60 days, which what was in the project specs, and we told them we had

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to come back and get approval for additional funding and find that funding source. So we're going to try our best, and hopefully this next go around we're able to be within budget and have our deductives in place to be able to execute the contract that we need.

COUNCILMEMBER KING: Right. But my question was, does that same bidder get to bid on it again? They pulled back their original bid?

MS. PETERS: Yeah, that I would have to check...we would have to check with the purchasing agent to see, or maybe Corp. Counsel if they have that procurement information. Or maybe Scott, if...Director Teruya.

COUNCILMEMBER KING: Is Scott on?

CHAIR RAWLINS-FERNANDEZ: The ...*(timer sounds)*... Deputy...oh, so do you want Corporation Counsel, or do you want Finance Director?

COUNCILMEMBER KING: Yeah. Well, whoever could answer that. I guess that would be Corp. Counsel. I don't know.

CHAIR RAWLINS-FERNANDEZ: Okay. Deputy Corporation Counsel Toshikiyo?

MS. TOSHIKIYO: Yes. Thank you, Chair. You know, I'm not familiar with this...specifics on this process that went out. I can look into it though to answer Member King's specific question.

CHAIR RAWLINS-FERNANDEZ: Mahalo...

COUNCILMEMBER KING: Yeah, I'm just asking about the policy basically for, you know, if someone can't meet their bid and pulls it back, do they then get another chance to put another bid out that's higher?

MS. TOSHIKIYO: We'll look into that, Member King. Thank you.

COUNCILMEMBER KING: Okay. All right. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Finance Director, do you have an answer to Member King's question?

MR. TERUYA: Aloha, Chair. I'm having our purchasing specialist Jared on...he's logging in right now.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo. We can...do you see him on yet? If not, we'll go to the next Member, and then we can come back to Jared for that question.

MR. TERUYA: He...he's logging on right now, Chair. Jared Masuda.

CHAIR RAWLINS-FERNANDEZ: Okay. Okay. Aloha, Mr. Masuda. Mr. Masuda? If you can

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turn on your video and unmute yourself please. Oh, there. Okay. I see you've unmuted yourself. Did you hear Member King's question?

COUNCILMEMBER LEE: Say something.

COUNCILMEMBER KING: Yeah, we...are you talking?

CHAIR RAWLINS-FERNANDEZ: Oh, no, I see him...I see him now. Aloha, Mr. Masuda. Oh, okay. Can you try again?

MR. MASUDA: Can you hear me now?

COUNCILMEMBER KING: Yeah.

CHAIR RAWLINS-FERNANDEZ: Yes.

MR. MASUDA: Oh, okay. Sorry. No, I did not hear the question, sorry.

CHAIR RAWLINS-FERNANDEZ: Member King?

COUNCILMEMBER KING: Okay. Thank you, Chair. So the question was on your procurement process. When somebody pulls back and they're the low bid, do they get to bid again when it goes back out to bid? And why would you not go to the next highest bidder on the list?

MR. MASUDA: It depends what it's for. Generally if someone is the low bidder and they want to withdraw for a specific reason, they can, and generally we would go with the next low bidder. Is this for a certain project that you guys...that someone did this?

COUNCILMEMBER KING: Yeah. Yeah, it's about a certain project, but also the other part of that question was if...if they withdraw and the...and...and we put another bid out, do they get to bid on it again?

MR. MASUDA: They could unless there were some mitigating circumstance or reason why they withdrew it the first time.

COUNCILMEMBER KING: Okay. Yeah, just curious about that because if the...next time they'll put in a higher bid, and then make more money. Is that...is that a...that's not a practice you want to encourage.

MR. MASUDA: Right, right.

COUNCILMEMBER KING: Okay. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member King. Okay. And just a follow up so that we're all clear. Director Peters, the first time that the bid was cancelled and we had to go back out again, was it our doing, or did the lowest bidder withdraw?

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MS. PETERS: So maybe I can provide more background. And Jared, I think he's familiar with what happened with the project. So Jared, this is Ha'ikū Park restroom, and because we didn't have the adequate funding to fund the contract, the total project, we had asked the contractor if they would hold their bid until we got funding, and then they...they requested to withdraw because they were not able to keep that bid. So now we're going to go back out once we get more funding.

CHAIR RAWLINS-FERNANDEZ: I think Member King had asked if...if the lowest bidder at the time was not able to hold the bid, would we then...could we then ask the second-lowest bidder to hold their bid? *(audio interference)*

MS. PETERS: I'll let *(audio interference)* provide the...sorry. I'll let our Chief of Planning and Development provide that breakdown of the next low bidder.

CHAIR RAWLINS-FERNANDEZ: Mr. Marvel?

MR. MARVEL: Thank you, Chair. The...so the next bidder was Betsill Brother, and they were just...just a bit higher at \$1,022,756. So...so it's fairly close. I should clarify though that the...the low bidder, West Maui Construction, they are by contract. So by the...the proposal language, they're only required to hold their price for 60 days. So they're willing...they were willing to do that. So they were willing to work within the terms of...of the bid documents. What they weren't willing to do was hold their price indefinitely, given that there were unknowns on when the funding would be available just because there's, in their words, escalation, you know, materials have gotten more expensive since they...they put in their bid price, and...and certain unknowns that would drive the price up. So they're...they're willing to do the project, but would request an equitable adjustment to their proposal based on any escalation, material and labor costs, and things of that nature.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Mr. Marvel. Okay. So it sounds like we would rather take a gamble and go out to bid again and see if we can get something lower instead of locking in the second-highest bidder. I don't know if the second-highest bidder was asked to hold their bid. We'll go to Member Sugimura, followed by Pro Temp Kama. Member Sugimura?

COUNCILMEMBER SUGIMURA: Department, on...on this, what was the time frame? So when was the bid issued, or when was the RFP done for proposals? And then you heard back. And then how much time lapsed between the securing the lowest bidder to you being here today? Was it a lot of time, are we...that the economy changed a lot?

MS. PETERS: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MS. PETERS: Thank you, Member Sugimura. So for the Ha'ikū restroom, the project bid opening was October 29th, 2020. So as Mr. Marvel mentioned, the bid project specs

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say that the contractor hold their price for 60 days.

COUNCILMEMBER SUGIMURA: Oh, I see. So because the 60 days, of course, lapsed...and then I...I guess if you would have come before us within...soon thereafter, then we could have had this conversation before? The lowest bidder?

CHAIR RAWLINS-FERNANDEZ: Director?

MS. PETERS: Chair? Yeah, thank you, Member Sugimura. Unfortunately, we weren't able to provide that information at that time, and within that 60 days, so we are here now and hoping that we can get this project funded, and back out to bid, and provide the community with the restroom and the Hawaiian hale that they've been asking for.

COUNCILMEMBER SUGIMURA: Okay.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Does anyone have any additional questions for Mr. Masuda? If not, I would like to let him go. Oh, okay. Pro Temp Kama? Member Kama? Pro Temp Kama, you're still muted. Pro Temp Kama?

COUNCILMEMBER KAMA: Thank you. I'm sorry. I was having this conversation all --

CHAIR RAWLINS-FERNANDEZ: No? Okay.

COUNCILMEMBER KAMA: -- by myself. Okay. So...so what is...what is the normal timeline for when a...an RFP is given, and the response, and the...and the contractor is awarded? What is that time frame? Because if we're talking that...that...that the contractor says okay, for 60 days this is my price, and there's something else that should have been happening within 60 days that...that...that we didn't or the County didn't come through with. So...so that means that now we're going to go out bid. So what is the normal timeline for these things to get awarded, and then, you know, starting to shovel dirt, I guess?

MR. MASUDA: So typically...typically...

MS. PETERS: Oh, go ahead . . .*(inaudible)*. . .

MR. MASUDA: Sorry, Karla, you want to take this one? No? Okay. Typically we try to put the bid out for at least 30 days for a construction bid like this. And after it closes, we do the bid opening, we'll verify everything. And then typically we try to get the contract in place shortly thereafter, but that can take anywhere from two weeks to, you know, four to six weeks. It depends just on how...how busy Corp. Counsel is.

COUNCILMEMBER KAMA: So this particular contracts that we're talking about were five months, right? That's...so I'm just trying to find out what was the...what was the hang-up that we couldn't get these guys in under the 60 days? Because it certainly wasn't them, right? I mean, it seems like...it sounds like to me that...that they...they were going to hold their prices, but they couldn't hold it any more than that. So what did we

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not do on our part that caused them to have to say, sorry, you know, this is only for 60 days, and if you go beyond that, I want to be able to renegotiate?

MR. MASUDA: I'll let Parks better give an answer on that...on that reasoning.

CHAIR RAWLINS-FERNANDEZ: Director?

MS. PETERS: Chair, thank you. Thank you, Member Kama. So yeah, it was a delay on the Department's part to bring forth this budget amendment to you folks for review, and we are trying to...or we actually are going to make sure that all of our projects, we don't wait until the end of the fiscal year budget or CIP budget to be able to actually put them out to bid so that we have that time frame to not have to lapse money and then come back. So we are, you know, following a timeline in which the projects will be bid out by June, and then we can negotiate that additional six months if there's any issues regarding permitting. Sometimes the contract process does take longer like Jared mentioned, and it's not necessarily always on the part of the County, but the contractor has to get their bids in...their bonds in place and that type of thing. And then there's long lead items on the project, so there's a lot that comes into play with the delay. But, you know, it was on the Department, our behalf and we apologize . . .*(timer sounds)*. . . on that, not bringing it forward sooner.

COUNCILMEMBER KAMA: Thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Pro Temp Kama. I think it's also at the front end. I think the departments do their best to estimate how much they'll need for a project. And if the bids come in over what the estimation was and over what we allocated in the budget, then they'll have to come back to us to amend the budget. So that's part of, you know, doing a best guess. Members, any other questions? Member Paltin?

VICE-CHAIR PALTIN: Thank you, Chair. My question was, these lapsed bond funds, are they all from Parks' projects, or is it like any kind of lapsed bonds? And out of all the projects that haven't been funded, is it Parks and all the departments like capital improvement types of projects? Like are we taking from a Parks' project lapsed fund and funding a not-funded Parks' project, or is it across the board?

MS. YOSHIMURA: Chair?

CHAIR RAWLINS-FERNANDEZ: Budget Director?

MS. YOSHIMURA: The funds that we are requesting are...is cash from the General Fund, not any bond projects. And we did wait until December...December 31st...CIP has an 18-month period rather than a 12-month cycle. So at the end of the 18 months, December 31st of 2020, whatever wasn't encumbered was identified. And the monies that we are using for these two projects did come from Parks' projects.

VICE-CHAIR PALTIN: And...and so the Administration looked at everything that was unfunded, and these are the top two priorities, whether it's in Parks or Countywide?

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MS. YOSHIMURA: Yeah. So we looked at the projects that...there were several projects that came in over bid, and we did come in for other budget amendments at the end of last fiscal year. Those were bond projects, so we extended the bond amount. These were cash, so we were trying to stay within the same type of funding source and identify those monies at the end of the 18-month cycle. Thank you.

VICE-CHAIR PALTIN: Thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. Members, any other questions? Member Molina?

COUNCILMEMBER MOLINA: Thank you, Madam Chair. Just one question for Budget Director Yoshimura. What will be the balance now of the park assessment funds for the Pā'ia-Ha'ikū District?

MS. YOSHIMURA: Chair? Councilmember Molina, I will have to look for that amount. I can get back to you on that.

COUNCILMEMBER MOLINA: Okay. No problem. Yeah, I can wait for that information. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Okay. Members, any last questions? I don't see any hands, so...

COUNCILMEMBER MOLINA: Recommendation.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. The Chair will entertain a motion to recommend passage on first reading of the proposed bills entitled, "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2021 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO ESTIMATED REVENUES; DEPARTMENT OF PARKS AND RECREATION, PARKS AND RECREATION, HA'IKŪ PARK RESTROOM, KEPANIWAI HERITAGE GARDENS IMPROVEMENTS; TOTAL CAPITAL IMPROVEMENTS PROJECT APPROPRIATIONS; TOTAL APPROPRIATIONS (OPERATING AND CAPITAL IMPROVEMENT PROJECTS)" and "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2021 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO APPENDIX C - CAPITAL IMPROVEMENT PROJECTS, DEPARTMENT OF PARKS AND RECREATION, PĀ'ĪA-HA'IKŪ COMMUNITY PLAN AREA, HA'IKŪ PARK RESTROOM, WAILUKU-KAHULUI COMMUNITY PLAN AREA, KEPANIWAI HERITAGE GARDENS IMPROVEMENTS" incorporating any nonsubstantive revisions.

VICE-CHAIR PALTIN: So moved.

COUNCILMEMBER SUGIMURA: Second.

COUNCILMEMBER MOLINA: Second.

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CHAIR RAWLINS-FERNANDEZ: Moved by Committee Vice-Chair Paltin, seconded by Member Sugimura. I don't see any hands. Okay, I'll call for the question. All those in favor please raise your hand and say "aye."

COUNCILMEMBERS: Aye.

CHAIR RAWLINS-FERNANDEZ: And I see unanimous. So nine "ayes," zero "noes." Motion passes. Mahalo, Members. And mahalo everyone for your help with this item.

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

NOES: **None.**

ABSTAIN: **None.**

ABSENT: **None.**

EXC.: **None.**

MOTION CARRIED.

ACTION: **Recommending FIRST READING of bills by C.R.**

ITEM 23: **WATER RATE STUDY (CC 21-21)**

MS. PETERS: Thank you all.

CHAIR RAWLINS-FERNANDEZ: Okay. The next agenda item...oh, mahalo Director Peters, mahalo Mr. Marvel, mahalo Mr. Masuda. Aloha. Nice day. The next item on today's agenda is BFED-23, Water Rate Study. We have Budget Director Yoshimura for opening comments, followed by Director of Finance. . . .*(laughing)*. . .

MS. YOSHIMURA: I will defer this to Deputy Director Helene Kau for opening comments, thank you.

MS. KAU: Thank you, Budget Director.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Budget Director. Okay. Aloha --

MS. KAU: Thank you.

CHAIR RAWLINS-FERNANDEZ: -- Deputy Director Kau.

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MS. KAU: Yes. Thank you, Chair Rawlins-Fernandez. We had...Department of Water Supply had provided you with a copy of the most recent water rate study, which had been completed in Fiscal 2013. In April of last year, we had contracted with Harris & Associates, and we're in the process of completing another water rate study. It's not completed yet. We anticipate receiving it next month, and we planned on providing Council with a presentation in May. But if you have any specific questions, I will refer...defer the questions to Holly Ho, our Fiscal Officer.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Deputy Director. Okay. And just a little background, Members. So when we took up...when we were in Budget Session last year, I had asked the Water Director about the water rates for commercial users versus single-family dwellings, which was about the same...well, exactly the same price for those over 35,001 gallons. And the Director, during Budget Session last year, stated what Deputy Director just said, which is that they were updating their water rate study, and that the previous study had justified keeping the water rates for the largest water users the same. And so I've been waiting on this water rate study to come out to have a better understanding of why it makes sense for the most egregious users to have such a low rate. And so I invited the Chair of the Board of Water Supply to provide comments. They received the presentation from the Water Department. And did everyone receive the 13-page presentation that's posted to Granicus? Okay. Okay. Ms. Chan Hodges?

VICE-CHAIR PALTIN: Vice-Chair. I...I just had to refresh my browser, and then I saw it.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Ms. Chan Hodges?

MS. HODGES: Aloha. I hope you guys can hear me.

CHAIR RAWLINS-FERNANDEZ: Aloha.

MS. HODGES: It's...it's pouring rain in Ha'ikū. So did you...you wanted me to just give some background on what the Water Board...so yeah, we've been concerned about the water rates for some time and, you know, even before I was Chair, way back in 2017, we were looking at the ag water rates in terms of fairness. *(audio interference)* 14.01 and 14.10 about that. Nothing really came of that. And then last year we were...similar to you, Chair, we were talking about the water rates again prior to budget. And we didn't really have time to do anything, so we submitted a letter to the Director for transmittal to the Mayor and basically said we strongly support restructuring domestic and agricultural water rates in order to support appropriate water usage and to increase resources for funding of conservation including, but not limited to, addressing infrastructure leaks as well as encouraging individual conservation behavior. And that was based on reports we had gotten about the fact that the actual water system needed to be upgraded in a lot of ways. And I can't fully remember the exact discussion, but Director Pearson or somebody from the Department explained to us that there were improvements that could be made in terms of tracking water usage that...you know, as far as electronic measuring. And that actually, most of us are probably paying...we're not actually paying the right amount because it's not really tracking it properly, and there's leakage, et cetera. And so from our perspective, it seemed like if we were to really work on the rates

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and get them fair, people would be more likely to conserve. You know, I would be more careful if my water rate...water bill wasn't \$20 a month probably. And also, you know, that it would actually cover the real costs. We also said that we supported broader adaptations at the Water Department for climate crisis planning, increasing the engineering budget to address clearing the water meter list at a faster rate, and studies for alternative use of potable water for agriculture. And again, since the...the Water Department is actually an enterprise fund, you know, you can't spend more than you bring in, and you can't bring in more than you are able to spend. So it's important to have a really clear idea of what your expenditures could be to make the system better. So we sent that letter and then similarly, we were told that the Water Department was going to take up the whole issue of studying the current water rate structure, and there was going to be this study. So rather than us sort of deciding to try to do our own research or take it up as a Board, it seemed like it made sense to wait until the Director had this study for us. And we kind of thought that we were going to be part of the process, so we kept kind of asking how's it going with the study? And then in November, we received the same study you folks got, which is only 13 pages, doesn't look into any of those concerns really that we had as far as how the rates could be increased. We weren't clear when we got the study whether it included recycled water, and we found out later that it didn't. And so we had a discussion back in November when the study was presented to us. You know, Director Frampton stated that he thought more money needed to be put in for capital improvements. He has a lot of concerns about source. Member Kaninau felt like the uber users weren't paying their fair share, and she wanted to know about additional tiers. My biggest concerns related to climate change, building new infrastructure, looking at the fact that our biggest expense in the Water Department is electricity, and why aren't we looking at capital improvements that relate to building renewable energy options. So we felt like all of that was really missing from the study. And as a result of our discussion, we started requesting documents, which we started getting at the December meeting, I guess...or January meeting, of the...I've got them here, but of all the use per tier, the use by geographic area. We wanted to get a sense of sort of multigenerational home so that people, especially because of COVID, if there's a lot of use in one home, that's not because they're really like an uber user, but it's really lots of people in that house. We didn't want those people penalized. So basically what we wanted was...and this is understanding that we could not provide any recommendations before budget, but we just realized we just have to start. And we also learned that it's actually in the Charter that we're supposed to recommend water rates, which we did not know. So that was...that was a big revelation. But so we wanted the DWS to have the tools to know how to conserve, recycle, and come up with a balanced budget. We want a better partnership between Water and Wastewater because DWS pays for extending lines for reclaimed wastewater. We want recycled water included in the rate structure. We'd like to see a tier for superusers of water, to raise the rates for the high-end luxury homes and hotels. And in our list of the top 20 users, by far, the Grand Wailea is the biggest user, and I mean even way more than the Kea Lani, which is the second biggest user. And what was kind of surprising to me...we'll be looking at this tomorrow, but we got the 2019 list of the 20 biggest users, and the Grand Wailea used more water in 2020 when they were closed for three months because of COVID than they did in 2019. So that was kind of surprising. And then there was big users like Baldwin High School and the Mā'alaea Boat Harbor. So we'd like to understand

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why that's happening and why nobody's talking to them, you know, to find out what the problem is. Yeah, and then we want ag water rates to stay low. We don't want multigenerational households to be penalized. We also would like to know what percentage of water users exceed each tier on a regular basis, and the percentage of users by area on where there's recycled water, the type, ag, business, resort, personal. So obviously, this is like a huge thing we're trying to take up, but we figure we...we have to start somewhere. And we talked about getting a budget item to give us resources to do it. Having a special meeting with the Mayor, the Council, or recommending policy. So we're really just kind of like starting from scratch, saying what needs to be done. Tomorrow we will have on our agenda, like I said, the 2019 consumption by district and consumption charge, how much money, you know, the Department makes, 20 largest users. So we will then have 2019 and 2020, and also residential rate meter consumption for 5/8-inch meter. So we're just trying to start gathering that information, trying to understand. You know, I think...you know, the other issue with water rates is there is a conflict of interest in a way because of course, for example, the Grand Wailea provides a lot of money to the Department. So how do you figure out that sweet spot where, you know, these big users can help keep some of our other...the rest of us is our...our water bill low, but at the same time we're encouraging conservation because it's kind of this weird conflict of wanting them to conserve, but needing their money when they use a lot. So how do you figure out...and I'm sure other municipalities do that, you know, how do you figure it out so that you maximize that. So that's basically what we've been doing.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Chan Hodges. And then Deputy Director Kau, did you want to respond before I open the floor up for questions?

MS. KAU: No response. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo. Okay. Members, we'll go to Committee Vice-Chair Paltin, followed by *(audio interference)* we'll go with Pro Temp Kama.

VICE-CHAIR PALTIN: Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Vice-Chair Paltin?

VICE-CHAIR PALTIN: Thank you, Chair. Thank you, Ms. Hodges and Ms. Kau. I just was wondering, first question is, is there any concern with this rate study being done, like during a global pandemic? Are they using like historical numbers or, I mean, like the projections going forward? How are they adjusting...

MS. KAU: Chair, may I defer that to Fiscal Officer Holly Ho?

CHAIR RAWLINS-FERNANDEZ: Ms. Ho?

MS. HO: Hello. Can you hear me?

VICE-CHAIR PALTIN: Yes.

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CHAIR RAWLINS-FERNANDEZ: Yes, we can hear you now.

MS. HO: Yes.

CHAIR RAWLINS-FERNANDEZ: Did you hear the question?

MS. HO: Yes, I heard the question. This is...good afternoon, this is Holly Ho. Sorry, I do not have a camera. Councilmember Paltin, yes, there is concerns about that, but we have taken into effect, you know, the...we...we do a comparative analysis, not just for the current year, you know, the prior years too. So on the whole, we're pretty much following, you know, consumption histories and stuff, and we're not that far off. And the expenses, of course, are pretty much stable, you know, the same. So no, I don't think the pandemic is such a big concern for the study.

VICE-CHAIR PALTIN: Okay. And then the other question I had was someone mentioned this being an enterprise fund, and so you have to take in and spend and try to balance it all out. Has it ever been a problem that you didn't have things to spend on? Because you know, I was looking at the old water agreements that you sent Member Sinenci's Committee, and I think it was the County's duty to uphold the Waikamoi Flume, but then that's in so much disrepair. And I think there were three consecutive years that we spent 60,000 on...on repairing it, but it's not...like '96 to '98 or something. And so is it ever a problem that you don't have things to spend money on? Because it seems like there's a lot of things that needs fixing or upgrading or updating. Is that ever the problem that you run into?

CHAIR RAWLINS-FERNANDEZ: Deputy Director?

MS. HO: I guess I can...

CHAIR RAWLINS-FERNANDEZ: Ms. Ho?

MS. HO: Does Helene want to answer that, or you want me to?

MS. KAU: Holly, you can answer that.

MS. HO: Okay.

CHAIR RAWLINS-FERNANDEZ: Ms. Ho?

MS. HO: Basically it's a matter of priorities. You know the Department sets up their priorities, what they want to spend the money on and what money we have available. And if we don't, you know, have money, of course, then we'll go out for bonds or SRF loans. But it's...the problem right now is getting the work done, you know, getting . . .(timer sounds). . . the CIP finished. So currently, we...we're able to operate with what we have but, you know, if we have some big projects, of course, we're going to need the funding for those. Does that answer your question?

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VICE-CHAIR PALTIN: Yes. Thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. Pro Temp Kama, followed by Member Sugimura.

COUNCILMEMBER KAMA: Thank you, Chair. So my question is, what elements are considered when...when you make recommendations for water rates? What do you take into consideration?

MS. HO: Okay. Maybe I'll give you a little bit of...

CHAIR RAWLINS-FERNANDEZ: We'll go to Ms. Ho.

MS. HO: Oh, this is Holly Ho. I can give you a little bit of history of...of the water rates. I've been here for a while, so I've been through quite a number of these studies. Back in 2004, we had a water rate study that was completed, and we actually went out and had 14 members of the public and we had a stakeholder's committee. And at that time, the major recommendation that came out of it was a more conservation oriented rate structure, which includes...the single-family class was their high priority. And then in 2008, we had another update. We did not initiate the single-family class at that time. I think we were changing the billing system, or who was operating them. So we...that came out with the rate schedule for the next five years. And then in 2013 is when we...our last study was done, which I think you got a copy of, and that's when we started the single-family class, which was also approved by Council. And that basically wanted to encourage the single-family users, which is the 5/8-inch meters, to conserve when they hit the higher tiers. And at the time, if you look at...back at the other rate structures...the rate studies, the...it was implemented so that approximately 10 percent of the consumption would be in the highest block for the single-family structure, and the goal was to set the rate block so that about 5 percent of the consumers fall into that highest rate block. And if you look at some of the schedules we sent to Ms. Hodges, that's exactly what the...the rate study wanted to happen, and that's what we're seeing in the consumption patterns and revenue patterns we're getting now.

COUNCILMEMBER KAMA: Thank you. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Pro Temp Kama. Member Sugimura, followed by...oh, Member...wait, yeah, Member Johnson.

COUNCILMEMBER SUGIMURA: Thank you. So thank you, Department. I'm...I'm curious if Shay has her testimony that you want to...your written testimony you want to submit because you certainly covered a lot of important information, if you haven't already.

MS. CHAN HODGES: Yeah. It wasn't really as testimony, it's kind of notes, but I'm happy to clean it up a little.

COUNCILMEMBER SUGIMURA: Okay. Thank you. Thank you. And then for the Department,

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I guess maybe Holly shared that based upon Member Kama's questions, but I was wondering what all the rate study will...will include. And we can certainly wait until next month when you...when you have it done. I was just curious, I'm sure it's...

MS. HO: Member Sugimura, yes, if you look at the pages I think that was transmitted, that was kind of the rough draft of the rate study that was presented to the Board. And basically it's continuing on the same lines as we're...we're coming up projected revenues that we need, and revenue requirements. And we're also coming up with capital...CIP consumptions...CIP assumptions of what we...we'll need for the future. So that's basically what we were doing in this study. We weren't looking at changing structures or anything like that right now. Like I said, we're just updating the schedules and then projecting what future CIP will be so that we can come up with future rates.

COUNCILMEMBER SUGIMURA: Okay. Thank you...thank you, Holly.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Member Johnson, followed by Member King.

COUNCILMEMBER JOHNSON: Thank you, Chair. Aloha. This is very good information for me. So I have a real question...real quick question for Ms. Ho. You said 10 percent of the rates were for single-family, and 5 percent fall into the highest rate. Can you clarify? I wasn't really following that.

MS. HO: Okay. Yeah, so the consumption, I'm looking at just the residential rate, 5/8-inch meter consumption and revenue for the last two years. And basically, just for that block, which is the 5/8-inch meter, in block four for consumption, it never exceeds 8 percent of the consumption for that...that residential rate meters. So most of the consumption is in one, two, and three. And funny enough, like Wailuku which includes Kihei, everything else, it's 7 percent is all that's in that fourth tier. Makawao 8, Lāhainā 5, Moloka'i 7, and Hāna 8 percent. So it's...it's a small percentage of consumption in that fourth tier for the 5/8-inch meter. The revenues are a little bit...this is just for this, you know, this section, the 5/8-inch meter, and we're looking at an overall of 12 percent in the revenues. But on the whole picture, we're looking...which we take into effect all the general use, ag, everything, we're looking more at like 3 percent for...in the fourth tier, and also revenues in the fourth tier.

COUNCILMEMBER JOHNSON: Okay. Thank you for the clarifying question. I...I kind of...I'm looking at the water usage, and the Grand Wailea is like...like what Shay Chan Hodges was saying is it's...it's off the charts high. And I recall saying...hearing that part of the grey water problem is that there's no infrastructure to...to, you know, work with the grey water. Wouldn't it be smart for the County to kind of look at the big users and say hey, you're going to help with, you know, the infrastructure? Is that...I guess I'm trying to follow the money, where does the money go for a big user like that? Where...are they using it for any kind of infrastructure, or is it just going to keep the lights on, as they say?

MS. HO: Okay. The grey water falls under Environmental Management. We don't oversee the

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grey water portion of it, and I'm not sure what they're doing on their side. So the consumption that's used by the Grand Wailea now just goes into the whole pot of money that supports the Department and what...how we pay for everything.

COUNCILMEMBER JOHNSON: Okay. Thank you so much. I have no further questions, Chair. Mahalo.

CHAIR RAWLINS-FERNANDEZ: Perfect timing. . . .*(timer sounds)*. . . Member King, followed by Chair Lee.

COUNCILMEMBER KING: Thank you, Chair. How much time do we have? Three minutes?

CHAIR RAWLINS-FERNANDEZ: Three minutes.

COUNCILMEMBER KING: Okay. There's so much information, it's hard to narrow it down to what to ask, but I wanted to start with Ms. Chan Hodges. When you're...do you know the difference in the capacity of Grand Wailea and Kea Lani? You know, the disparity in the usage, is that related to the capacity? I mean, the total...

MS. CHAN HODGES: Oh, you mean like the rooms, the number of rooms? You know, I don't know. I guess...I mean, there's all the water features and the pools and all of that. You know...

COUNCILMEMBER KING: But isn't that...that's not recycled water, those waterfalls?

MS. CHAN HODGES: So you know, I...I actually don't know. And I think, you know, a good...at issue too is the fact that, you know, there is no partnership or...well, there's probably some communication, but there's no partnership between Wastewater and Water. I mean, I guess Helene can probably talk...speak to that better than me, so I don't want to make a generalization. But I mean the fact that they're the two different departments I think does make things more difficult. Even, you know, when we're looking at a contested case and somebody wants water for, you know, some kind of yard thing and we're like, you know...I don't know. It's frustrating because that is an issue, right?

COUNCILMEMBER KING: Yeah.

MS. CHAN HODGES: Sorry, that . . .*(inaudible)*. . . answer.

COUNCILMEMBER KING: Well, you know you were talking about the...the water rates being the same for single-family as for commercial. Is that...is that what you said, or somebody else?

MS. CHAN HODGES: No.

COUNCILMEMBER KING: Okay.

MS. CHAN HODGES: No, I don't think I said that.

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COUNCILMEMBER KING: Because to me, if you want to cut...if you want make somebody conserve water, then you charge them more and that's how you get the...

MS. CHAN HODGES: Right.

COUNCILMEMBER KING: That also...

MS. CHAN HODGES: And that is...I'm sorry.

COUNCILMEMBER KING: And that also serves the purpose of bringing in extra revenue. But I...I kind of wanted to go back to the thing that you found in the Charter that you're supposed to approve water rates. And so...so the Board of Water Supply is supposed to approve the water rate increases, is that what you said?

MS. CHAN HODGES: Yeah. So it was kind of funny because, you know, obviously I've been on the Board for...this will be...I'm ending my term in two months. So I...I guess I should have looked at the Charter more carefully. But when we were having this discussion in November, our Corp. Counsel, who...who can be pretty proactive, she looked it up, and I can find it here. And...and I was actually very shocked because we had brought this up at various meetings, and nobody had specifically mentioned it to us. Sorry, I'm looking...I'm looking in my messy notes here.

COUNCILMEMBER KING: Oh, I just...yeah, I just wanted to...to say that I...I think it makes sense to me. It's kind of like the PUC setting utility rates for the utility. You know, the utility doesn't get to set its own rates, it has...it can do studies, and then it can...then it has to go to the PUC and get rate increases approved. So there's a separate body that's kind of arm's length from...from the actual utility.

MS. CHAN HODGES: Yeah. And...and I'm actually finding the wording here. This is probably not the exact wording from the Charter, but what...what Mimi DesJardins said to us at the meeting was, the Board of Water Supply shall recommend the establishment and adjustment of rates and charges for furnishing water. Now, here's...here's where we lose all our power. Such rates and charges shall be submitted to the Mayor and if approved, proposed rates and charges shall be submitted to the Council for enactment by ordinance.

COUNCILMEMBER KING: Oh.

MS. CHAN HODGES: So...

COUNCILMEMBER KING: . . . *(inaudible)*. . . . *(timer sounds)*. . . You might want to talk to the Charter Commission about that. Okay. Thank you, Chair. I was just...can I just ask one really quick question? And you talk about an uber user, you're not talking...you're talking about someone who uses a lot of water, you're not talking about an Uber.

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MS. CHAN HODGES: No, yeah. Yeah, that's just a...that's a term that we started using, and actually what --

COUNCILMEMBER KING: Okay.

MS. CHAN HODGES: -- what a lot of members have been saying is we need to add another tier.

COUNCILMEMBER KING: Okay.

MS. CHAN HODGES: There needs to be...

COUNCILMEMBER KING: Because when I heard that I was trying to think of what those drivers had to do with water use, so okay. Thank you, Chair.

MS. CHAN HODGES: You're welcome. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member King. And when you say another tier, you're talking about for all other general water consumers?

MS. CHAN HODGES: Yeah, we're...an uber user tier or an extreme user tier that . . . *(laughs)*. . . but yes, for all consumers.

CHAIR RAWLINS-FERNANDEZ: Not a car show.

MS. CHAN HODGES: It's not a car show.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member King. Okay. Council Chair Lee, followed by Member Molina.

COUNCILMEMBER LEE: Ms. Kau, the study so far projects an increase of 3.5 percent in rates.

MS. KAU: According...oh, pardon.

COUNCILMEMBER LEE: 2022 through 2026.

MS. KAU: That is what the consultant is recommending, but we have not seen the final draft.

COUNCILMEMBER LEE: So is that...does that seem reasonable, considering that we have...the water usage should have gone down substantially this last year?

MS. KAU: And I'm going to venture to say, Member Lee, that from a revenue perspective, it appears as though...again, with the exception of perhaps Grand Wailea and whatnot, even then it has not been a substantial decrease, and in fact, in Grand Wailea in particular, it was actually an increase in consumption. So we haven't really necessarily seen a significant decrease in consumption. We've seen perhaps less Baldwin High School, but more at, you know, in the consumer homes because the kids are at home.

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So it's a shift, but it's not necessarily less use of water. It has not resulted...

COUNCILMEMBER LEE: Okay. But...but something is wrong with the meter reading. Apparently it sounds like there's some serious leakage problems with regard to the Grand Wailea and Baldwin and, you know, some of these places. And that's why we supported enthusiastically that smart reader...the smart meter program. Has that been helpful? I mean, has that, you know, resulted in any kind of conservation?

MS. KAU: Holly Ho, would you like to respond to that?

MS. HO: Yes. We have...we are just starting to...we're...we've been installing since June. We...we started out in Wailuku area, Waihe'e, and then are actually going to Pā'ia and a little bit of Kula, but it's just in the beginning stages. I haven't...we haven't even got consumption analysis yet, but we are working on that. And we have seen that it is helping people to monitor their consumption, but like I said, we're just...we're still working out kinks, we're still trying to get the program going before we get to phase two, and we're still working on all the details of it right now. . . .(timer sounds). . .

COUNCILMEMBER LEE: Thank you.

CHAIR RAWLINS-FERNANDEZ: Perfect timing. Okay. Let's see, Member Molina, followed by Member Sinenci.

COUNCILMEMBER MOLINA: I guess first of all, Madam Chair and everyone, can you guys hear me okay?

CHAIR RAWLINS-FERNANDEZ: We can hear you perfectly.

COUNCILMEMBER MOLINA: All right. I just want to everyone know I'm not auditioning for the part of the invisible man in the upcoming movie, okay. But no, Madam Chair, I have no questions. I think my colleagues asked a lot of good questions, so I have no questions for the Department on this item. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Member Sinenci?

COUNCILMEMBER SINENCI: Mahalo, Chair, and mahalo...mahalo for asking the question about the...the tiers and...and the additional tier for the 20 most...the largest users of water. So my question for Ms. Shay Chan Hodges was about the different...the different tiers. Are we looking at single-family, general rates, agriculture, non-potable agriculture. Are those all the different tiers? I mean, I guess when we're looking at this list of 20 users, are they having...do they have...all have the same rates, or they all have different rates?

MS. CHAN HODGES: I actually can't answer that question. Maybe Ms. Ho can answer it. This was information provided to us, so we...I didn't...we didn't prepare it.

CHAIR RAWLINS-FERNANDEZ: Ms. Ho?

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MS. HO: Yes. Yes, hi. The...the 20 largest users are all in the general consumers, which has just the three tiers. So of these, almost...well, we know all of them do fall in the third tier, which in the single-family is the same, the third tier, whereas the single-family, once they exceed the...the top usage block, then they go into the fourth tier. So all these users, yes, are in the third tier of the...of the rate schedule.

COUNCILMEMBER SINENCI: So for hotels that are in the third tier, they're still paying at the single-family rates or...or they're just at...at that higher tier?

MS. HO: Well, you'd have to...if you looked at the tiers, the...all the tiers have...what is it, 0 to 5, 5 to 15, and is it --

COUNCILMEMBER SINENCI: Per thousand.

MS. HO: -- 15 to 35.

COUNCILMEMBER SINENCI: Per thousand, yeah.

MS. HO: Per thousand, right.

COUNCILMEMBER SINENCI: Yeah. Yeah.

MS. HO: Per thousand, correct. So all of the 5/8-inch and the general consumers have those three main tiers. The only difference is the 5/8-inch, which is your single-family, has that fourth block, greater than 35,000 gallons, then they pay the...a higher tier. And that's to encourage the conservation. Whereas the general consumers all fall in that third block, so almost all of their consumption is in the highest tier of the general consumers' schedule.

COUNCILMEMBER SINENCI: Okay. All right. Thank you for that clarification. I...I...I don't have the chart of the different tiers. I...I know that the Administration did share it at the last Board of Water Supply meeting, but...okay. Thank you for that. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sinenci. My three minutes, questions. Okay. So Ms. Ho, for the all other general water consumers which doesn't have the more than 35,000 gallons tier, what percentage are in that tier, or do you not track that? Miss...

MS. HO: Okay. I do not have it broken out between the 5/8 and the general consumers. I have it broken out just by right now, for block three, 71.7 percent of the consumption is in block three, which is the third tier. And then the fourth tier, which would only be single-family, is only 5 percent of total consumption. Now, that was for 2020. Does that make sense? Do you know what I'm trying to tell you?

CHAIR RAWLINS-FERNANDEZ: Yes.

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MS. HO: For 20...2019, 61.55 percent fell in the block...hit the block three tier, and in block four, only 3.03 percent of the total consumption hit that block.

CHAIR RAWLINS-FERNANDEZ: Okay. Would you be able to get that broken out over...to see what percentage went over 35,000? And then a follow up to that is, I guess, you know, I can officially request from the Committee the 2013 Water Rate Study because I don't understand why under all other general water consumers, like everyone would be together, especially the most egregious users which are like the resorts combined with multifamily and apartments. So basically, a restructuring. In your time working at the Department, has the Water Department worked with the Board of Water Supply to follow what the Charter states in working with the Board in setting rates?

MS. HO: In my time at the Department...like I said, I've been here for a while, but we used to always present, like we do now, the budget to the Board, and the budget, we do need to come up with the rates to support that budget. And I'm...I can't promise or maybe Helene . . . *(timer sounds)*. . . can help me, but I don't know if I actually...I thought we had given rates to the...the Board also, but to come up with those revenues that we need, we have to have the rates to support that. So we adjust the rates accordingly based on a schedule that we...we got from the consultants who we had...you know, we are able to put in this is how much need, so these are the rates and the percentages in each of the categories. So every year I've...we've been here, we presented the budget to the...to the Board, and even prior to this when we were...like prior to when was it, 2002, the Board was the same way, we'd always present what we came up with. But in that case, the Council had to always set the rates, not the Board.

MS. KAU: Chair Rawlins-Fernandez, may I provide a quick comment?

CHAIR RAWLINS-FERNANDEZ: Yes, please.

MS. KAU: So by virtue of the Board approving the budget, they are approving the rates because the rates are established to support the balanced budget that we present to the Mayor.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Deputy Director. So in that projection, do you provide a spreadsheet with the estimated or projected amounts that would help you determine the estimated revenues for each tier?

MS. KAU: We actually have a series of spreadsheets related to the rate study, and it's a very complex model. And those spreadsheets include projected revenues in various categories. I don't know if it gets specific to what you're requesting, you know, to that specific block, but it...it...it takes into consideration a lot of factors, including the fact that if you raise the rates, it almost automatically results in some degree of conservation. People will use less, and we've seen it. So it's...it's a...it's a fantastic *(audio interference)* and we continue to take those numbers into consideration. And in an effort to remain very conservative, you know, we adjust the numbers as we think would be appropriate based on historical experience.

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CHAIR RAWLINS-FERNANDEZ: Mahalo, Deputy Director. Okay. And mahalo, Ms. Ho and Ms. Chan Hodges. So Members, I'm sure you probably still have questions, but I wanted to bring this up for further discussion before going into budget, and there's so much discussion that we need to have before we go into budget. But this is the amount of time that I've allocated for this agenda item. And if, you know, Member Sinenci would like to take this item up for further discussion under his Committee, it's something that perhaps he could consider doing as well. But for now, we'll be deferring. I will be requesting some of the documents that...like the 2013 water rate study, as well as the spreadsheets so we have an idea of how the revenues are projected prior to going into Budget Session this year. Okay. Members...did any of our resource people want to provide a final comment before I defer this item? Ms. Chan Hodges?

MS. CHAN HODGES: Yeah, I just wanted to briefly make a point about our ability to review the budget. We're never presented with the budget, which I understand, I mean, I realize it's a very complicated document to come up with, but until about November, December. And in the case of this...and they actually keep getting sort of more and more concise and less deep diving, which some part...I like that in some ways, I guess it's quicker, but...but it doesn't really offer much detail. And the reality is, one, if we were to actually say...and...and we have a couple members who do sort of sometimes say, I really think that you should put...make this a bigger a line item or that. And understandably, the Administration is always very frustrated by that because obviously, this is a document where you can't just change one line item, you have to...there are all these considerations. So number one, the reality is, is we can't really review the budget in a real way. That's...I mean beyond just sort of making...we can't make decisions about personnel, that kind of thing. And also, even in this case when we got it, it had already gone to the Mayor. When we asked what's the timeline, it was already to the Mayor. So that's why we started writing these letters where we basically say we generally approve the budget, but we have these concerns that we would like to see addressed, because that's the only way we can, in a practical way, give our input. So it's...it's...it's a rubberstamp thing really when it's presented to us. I mean, that's the reality. And we'd like to have more input, but we also need more resources to be able to do that. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Chan Hodges. Deputy Director or Ms. Ho?

MS. KAU: No further comments. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo again for joining us for today's meeting, presenting, sharing information, and answering our questions. Mahalo, Ms. Chan Hodges, Ms. Ho, and Deputy Director Kau. Okay. Members, if there are no objections, we'll defer BFED-23.

COUNCILMEMBERS VOICED NO OBJECTIONS

ACTION: DEFER pending further discussion.

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CHAIR RAWLINS-FERNANDEZ: Okay.

MS. KAU: Mahalo.

CHAIR RAWLINS-FERNANDEZ: We're at that time to...mahalo. Aloha. Have a good day. So it's 3:08. We'll take a ten minute break to 3:18, and then when we return, we'll take up BFED-24. Any objections?

COUNCILMEMBER JOHNSON: No objections.

COUNCILMEMBER MOLINA: No objections.

CHAIR RAWLINS-FERNANDEZ: It's 3:08 on February 17th, and the Budget, Finance, and Economic Development Committee is now in recess. . . .*(gavel)*. . .

RECESS: 3:08 p.m.
RECONVENE: 3:21 p.m.

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**ITEM 24: ACQUISITION OF 6.3 ACRES AT 100 MAHALANI STREET
WAILUKU, MAUI, HAWAII (CC 21-26)**

CHAIR RAWLINS-FERNANDEZ: . . .(*gavel*). . . Will the Economic Development and Budget, oh, nope...we are BFED now. The Budget, Finance, and Economic Development Committee please return to order. It's 3:21 on February 17th, and we are now on the last item on our agenda, BFED-24 Acquisition of 6.3 acres at 100 Mahalani...where at on this item. So last Friday, Members had an opportunity to see the property, and I believe everyone either went themselves or sent someone on their staff to view the property. Tonight we'll be having a special meeting in lieu of a public hearing. The meeting tonight will be accepting testimony at 5:30. We won't be deliberating. We'll just treat it as a public hearing and hear testimony. It was...it did have a press release out to encourage the community to come out and testify. Did everyone receive the answers to their questions posted on Granicus? We received that back this morning from the Administration, and...so as...as I mentioned the previous item, this will be the last time I'll be able to take up this item because I have three more meetings prior to Budget Session starting, and we need to do departmental reviews as well as other items that were requested for discussion, like rates and fees that we should be taking up before Budget Session. So our Finance Director invited Ms. Julia Kim, our underwriter from Wells Fargo. Aloha, Ms. Kim. Mahalo for joining us. And our financial advisor, Christina Choi. So...aloha. Mahalo for joining us. So Members, I'd like to open up questions for our underwriter and financial advisor, and then that way we can let them...let them...release them from the meeting, and...and then there's...we may go into executive session to consult with our attorneys. Okay. So we'll start with Committee Vice-Chair Paltin, and then we'll go to Member Sinenci, and work our way down the row, and I'll put three minutes on the clock for our resource...oh, I...I think I'm supposed to designate them as resources. Hold on, let's see. If there are no objections, Members, in accordance with rule...with our Council Rules, I would like to designate Ms. Choi and Ms. Kim as resource personnel. Any objections?

COUNCILMEMBERS VOICED NO OBJECTIONS

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Members. And as, you know, was discussed briefly in testimony about borrowing money during this time, so these would be the resource personnel to...to ask, borrowing money, and if this would be, you know, a good proposition for the County, acquiring the property. Okay. Committee Vice-Chair Paltin, followed by Member Sinenci.

VICE-CHAIR PALTIN: Thank you, Chair. I don't have any questions on this topic. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo. Member Sinenci?

COUNCILMEMBER SINENCI: Thank you, Chair, for the opportunity. I just had a follow up about the question 8, letter B, what are the total costs of rent and associated fees paid per month and per year? The answer...

CHAIR RAWLINS-FERNANDEZ: Member Sinenci, we're...we're...we're going to ask questions

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of Ms. Choi and Ms. Kim first so that we can release them from the meeting.

COUNCILMEMBER SINENCI: Oh, okay. I'll pass. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Member Sinenci. Okay. Okay. I'll...okay. I'll...I'll...I'll go and then we'll go to Member Molina. Okay. So Ms. Choi or Ms. Kim, would you be able to speak to right now, this...if this an opportune time to borrow money? So bonds, bonding.

MS. CHOI: Sure.

MS. KIM: Sure. *(audio interference)*

MS. CHOI: I...go ahead, Julia, I'll go after you.

MS. KIM: Okay. And thank you for that question. Yes, historically speaking, we find that the current market environment is a very opportune time to be borrowing. Right now, the first seven years of the tax exempt yield curve, so what the County's bonds could potentially be benchmarked to, they're at the lowest historical rates since 1990, so over a 30-year period. We are at the very bottom of rates. And beyond that, rates have only been lower .1 percent of the time. So this current environment is a historically low interest rate environment. So it is considered a very opportune time to borrow.

MS. CHOI: The only thing I would add is, you know, there's...there's...we've been in the market with transactions, and there's just significant market dynamics, supply and demand dynamics that are resulting in this favorable market and the extremely low interest rate environment. So you have significant demand for municipal bonds right now, which is driving interest rates and keeping them very low just by, you know, signs of potential economic recovery. A lot of folks have money in funds that need to go places, and they're looking for bonds like the County's to put this in. And we did run some just rough numbers of what a 20-year borrowing would look like, at what rate that would be for you. Right now, that's...that would be a rate of about 2.2 percent, so it's a very low borrowing rate for 20-year debt.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Choi and Ms. Kim. And so would your recommendation...or I'm not sure if that's appropriate. If it's an appropriate question, is...is the recommendation to invest in assets like these at this time?

MS. CHOI: Yeah, I'm happy to...to start and, Julia, if you have anything else, feel free to add. But in terms of is it the right time to borrow and potentially use that money to...to purchase assets, it is...it is definitely an excellent time to borrow. And in terms of the, you know, cost benefit analysis, I think some of what has been presented to you already is...you know, the debt service on this bond transaction versus your rental payments, there's obviously a significant benefit in terms of cash flow impact. So your General Fund cash flows will actually result in a positive benefit in terms of paying less in rent...not paying rent and paying less in debt service than what you would have paid in rent. So from that perspective, there's definitely a financial aspect to it. And...and I

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think the other items to think about are...are just the general market environment and...and real estate environment, and...and that's something that I can't comment on specifically, but, you know, just in terms of the dynamic, I think that's just another consideration that...that supports the potential financing of this on a long-term basis.

MS. KIM: And I might further add that the County has a very high rating, AA1, AA+, and part of that is just the very prudent fiscal management. And when this is presented to the rating agencies, we would present it as a way the County is taking very proactive steps to look at ways to reduce costs. And I think showing that debt service is going to be lower as opposed to the rental paid, I think that would be seen as a credit positive.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Choi and Ms. Kim. Member Molina, followed by Chair Lee.

COUNCILMEMBER MOLINA: Okay. Thank you very much, Madam Chair. And thank you, ladies, for being here. So in your view, taking on added debt would not have an effect on our bond rating. Because you know, we have to also consider bond financing for our other infrastructure projects, such as necessities for water, sewer, and other, you know, needs that will take a...will be viewed as a priority. So this...in your opinion, you wouldn't...or wouldn't be looked at as maybe not a luxury, but as a speculative investment? You'd I guess frame this as more something as a long-term investment to potentially save money way down the road, this land purchase?

MS. KIM: That's right. That's how we would present it and view it for the rating agencies specifically. It is a way to reduce County's costs and as well as have additional assets. And you know, having the County's employees within these buildings would also be seen as essential assets and not particularly, you know, luxury or...or non-essential assets.

COUNCILMEMBER MOLINA: You mention County employees. Now, if the County were...were to buy this and say just rent it out to a nonprofit, for example, that could fulfill another public purpose, would...would...is...would that be different from...versus having County employees in their departments?

MS. KIM: Not necessarily. I think it would depend on who the ultimate tenant is, and that could change the structure of the bond slightly. **So we'd have to look at that a bit further, but it would still be considered a County asset.

COUNCILMEMBER MOLINA: Okay. Okay. Thank you very much. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. *(audio interference)*, followed by Member King.

COUNCILMEMBER LEE: I'm not sure if it's Ms. King or Miss...I mean Kim or Ms. Choi. But I'm sure you've looked at our financial standing, and would you say that \$10 million...a \$10 million purchase would have a negative effect? I mean, like how much borrowing power would we have left after we expend \$10 million?

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MS. CHOI: Yeah, we...we looked at that capacity in several different ways. There's your first, you know, way, which is kind of the broadest, and that's your legal limit. And your legal limit is very broad if it's based on your assessed valuation, and that's a very large number, in the billions. But obviously, practically speaking, you wouldn't be borrowing billions, that would have a negative impact on your credit ratings, and from a financial perspective you wouldn't be able to afford that amount. And so we look at other factors, including, you know, comparable entities and debt per capita and those types of figures from a capacity perspective, and how you compare to your peers, as well as how you compare to other entities at your rating level. And we don't believe that that 10 million will have a negative impact on your credit rating level at all. And in terms of your broader capacity, you do have more capacity to take on general obligation bond debt. In addition, as you move forward, you're...you're going to be paying off debt also. So your capacity will not be completely constrained in that respect. To the extent certain debt rolls off, you'll have more opportunities and capacity for additional bonding.

COUNCILMEMBER LEE: Also, we're experiencing some of the lowest interest rates ever. Do you anticipate the interest rates going up?

MS. CHOI: I think we've all been hearing that for so long, and yet it still has not yet come to fruition. I think that a lot of the, you know, signals regarding recovery signal that...that at some point they're going to come up, and they're not going to be...right now, we're at these historically low levels that...that are not, you know, sustainable in the long *(audio interference)* So I think at some point we're going to see interest rates come up, it's a matter of when. I...I think that the dynamics in the market right now are still favorable and supporting very low interest rates for the horizon. In addition, you know, the Fed has supported economic stimulus packages and economic...keeping interest rates low to support economic recovery. So in that respect, we don't expect rates to rise fast in the...in the . . . *(timer sounds)*. . . interim periods.

COUNCILMEMBER LEE: Thank you.

MS. KIM: And just as one data point, Wells Fargo economists do put out projections, and they are projecting a very gradual rise in interest rates over the year, but nothing dramatic that would cause us to...to pause on...on borrowing at this time.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair Lee. Member King, followed by Member Sugimura.

COUNCILMEMBER KING: Thank you, Chair. And thank you, ladies, for being here. So my first question is we've been told that the debt service, if we do buy this property for 10 million, or I guess 9 million if we're going to give out the free rent, would be about 50,000 a month. Can you confirm that number?

MS. CHOI: Yes, that's been confirmed, that we did run some numbers which had a little bit of a cushion, and that came out to 650...630,000 a year, which is around 52,000 a month.

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COUNCILMEMBER KING: Okay. And then, you know...

MS. CHOI: And that's assuming that 2 percent...2.2 percent interest rate as of today.

COUNCILMEMBER KING: Okay. And then you were talking about this being a favorable purchase for us if we're going to reduce costs. So I wonder if you've seen something...we haven't seen any proof that we're going to be able to cover that amount. We haven't seen a plan for who's going to move into it, what rents we're going to save...you know, I mean even if the Council moved over there, someone would move into our offices, so what...what the buildout would be. So have you seen something that shows that we're going to be able to reduce those costs, or are you just going on an assumption? I think it was Ms. Kim that said that, that, you know, this would be looked upon favorably for our rating if we're making efforts to reduce cost, which I...I agree with, I just haven't seen anything definitive that says we're going to cover that net on a monthly basis.

MS. KIM: Yes. I...I haven't seen what the County's current...currently paying in rent, so that was based on an assumption. But of course we would look to see and make sure that it was a favorable cost reduction for the County.

COUNCILMEMBER KING: Okay. So you haven't seen that yet either then, you're kind of making the same assumption that we've been told. And...and the other thing is I...you know, in doing the visits, I could see there's going to be a huge cost in buildout because it's basically one big room, it's got a couple of back offices. But that is not ready to move into by any stretch of the imagination. And then if we...I mean, I don't know what the plan is going to be yet, but if we did move in someone would need to move in and renovate our offices, I'm assuming. So it...it looked to me just...and I had a real estate person with me that there was going to be something like a 3...it could be up to 3 to \$5 million buildout, especially if we were going to try to move the Chambers over, which, you know, I don't really see that happening right now. But so those are just kind of the added expenses that we're trying to...some of us, you know, are asking for a plan. And that's...I just wanted to ascertain that's kind of not been what you've been...you haven't been looking at that kind of information?

MS. KIM: At this time, no. We've only been looking at the building cost.

COUNCILMEMBER KING: Okay. All right. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member King. Member Sugimura, and Miss...Member Johnson was excused for the rest of this meeting, and then followed by Pro Temp Kama.

COUNCILMEMBER SUGIMURA: Thank you. So thank you for being with us. I've seen you when we've had the meetings regarding the CFD and possible bond. Can you tell...explain to me what your different roles are? If...if I could ask.

MS. KIM: Sure. I'll go first. So our role as the underwriter is to work with the County, as well as your municipal advisor, PFM, who Christine's representing. So as our

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underwrite...as the underwriter, we structure, market and sell the County's bonds to investors. And so we are the direct link to potential investors for the County. And we also step in in the event that all the bonds are not purchased. We typically will use our capital to underwrite the bonds and hold them on our balance sheet so that the County takes the risk off of having unsold bonds in the market.

COUNCILMEMBER SUGIMURA: Thank you. Christine?

MS. CHOI: Oh, was someone add something?

COUNCILMEMBER SUGIMURA: No. If you could explain what your role is.

MS. CHOI: Sure thing. Yeah, so PFM, we're financial advisors. What we do is consulting for government entities. And where Julia is on the underwriting side, we provide kind of an independent viewpoint and analysis. We're not involved on the investor side who...who are involved in purchasing your bonds, we're solely in your best interest in terms of the pricing side of the equation. And then from the other perspective, we just support in a lot of financial planning, as well as analysis and...and provide that independent perspective, and provide a lot of the market color that you...you are looking for for support in understanding the municipal bond market. And in terms of, you know, whether or not to issue or not issue, we play a large role in that as well, and supporting the development of any financing team, and...and helping with the overall process and financing process, and...and organizing the team to help get to the finish line.

COUNCILMEMBER SUGIMURA: Thank you. And I...I know that Mr. Teruya was very proud of our bond rating and...and the work, I guess, through the years that had happened to get us to this point. And so I think it means a lot to hear what you both have to say, you know, regarding our journey and what you're seeing today in the market. So thank you very much. I have no further questions.

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

COUNCILMEMBER KAMA: Thank you, Chair. So your opening statements to us were...were that the financial climate today makes this purchase an ideal opportunity at this point in time, and that our bond ratings is...is...is good enough that the \$10 million is not really a...a...a big deal, that we could probably go 20 or 30 million if we wanted. And if we had other things that came up during the...the year that we needed to bond, we could continue to do that. My question is, so is there...do we have...do we...do we have a...like a credit limit? You know, like people have charge cards and they have so much credit limit, do we have a credit limit in terms of bonds, and what is that?

MS. CHOI: Yeah. I'll...I'll start. In terms of your...your debt capacity, we talked a little bit about the legal limit and how, you know, that...that really is kind of a big number, but from a credit perspective there is...there is more limitations to it. And what I would say is at your credit rating and given your serve levels and strong financial performance, you have significant capacity available. That being said, there will...there can be a point

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where you put pressure against that capacity level, and your credit ratings may be downgraded, but that's not any point that we see, you know, in the near future, given your strong credit rating and your strong performance at this point in time.

COUNCILMEMBER KAMA: I think I was looking for a number. Is it possible? Like you...like 10 million is...is not going to impact our...our credit or our bonding in any negative way, but another number...a billion maybe would? Is that what you're saying?

MS. CHOI: A billion would definitely impact it. Go ahead, Scott.

MS. KIM: It's difficult...

COUNCILMEMBER KAMA: So if we wanted to borrow half a bil, that would be okay?

MS. KIM: Well, it's difficult...

COUNCILMEMBER KAMA: If at some point in time, somewhere around there?

MS. KIM: It's difficult to put --

COUNCILMEMBER KAMA: Okay.

MS. KIM: -- an exact number on it --

COUNCILMEMBER KAMA: Yeah.

MS. KIM: -- because it's based on several different metrics --

COUNCILMEMBER KAMA: Yes.

MS. KIM: -- so it's not like there is a target number, but it's actually --

COUNCILMEMBER KAMA: Yeah.

MS. KIM: -- a number...and each rating agency looks at different characteristics. And so while the financial and debt is a component, it's not the...the drive...it's not the main component, so there are other factors as well. So you know, management being one, which has been done very well in terms of being able to recognize debt service savings opportunities for prior bonds and looking at other ways to build reserves. So those are also components, so reserve levels, cash levels --

COUNCILMEMBER KAMA: Yeah. Yeah.

MS. KIM: -- as Christine mentioned, debt per capita. There's...there's several different factors that go into it.

COUNCILMEMBER KAMA: Right, right. Okay. So I get that, I get that. I just want to be

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comfortable. Thank you. Thank you, Chair. . . .*(timer sounds)*. . .

CHAIR RAWLINS-FERNANDEZ: Mahalo, Pro Temp Kama. I think, Director Teruya, were you trying to speak?

MR. TERUYA: Yes, Chair. The direct number that I...I believe in the past Chair Lee had asked for and recently Pro Temp Kama asked, it's based on 15 percent of our total assessed values for tax rate purposes, and that number is generally around \$7.3 billion, our debt capacity...our debt margin. And definitely, we'd not want to be there.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Director Teruya. Okay. Members, do...does anyone else have questions for our underwriter or financial advisor? Member Molina?

COUNCILMEMBER MOLINA: Oh...oh, sorry, you said financial...can I ask Mr. Teruya just a quick follow up on his response to a question?

CHAIR RAWLINS-FERNANDEZ: Oh, one moment. So if...if no one else has questions --

COUNCILMEMBER MOLINA: Yeah.

CHAIR RAWLINS-FERNANDEZ: -- for our underwriter or our financial advisor, I'd like to release them from the meeting first.

MS. KIM: Thank you for your time.

MS. CHOI: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Ms. Choi and Ms. Kim.

COUNCILMEMBER KAMA: Thank you for the good news.

CHAIR RAWLINS-FERNANDEZ: Okay. We'll start with...so we'll go to Member Molina for a follow up, and then I'd...I'd like to...the Members to consider going into executive session. Member Molina?

COUNCILMEMBER MOLINA: Yeah. Thank you very much, Madam Chair. Mr. Teruya, just regarding your response to the last question, so what is our debt currently right now? You mentioned we have a debt ceiling of up to 7.3 billion, which...which is certainly a lot. So where are we currently?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Director?

MR. TERUYA: Member Molina, thank you for that question. We are currently at 6 percent of our capability of borrowing, 6 percent. So currently we're at about \$465 million.

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COUNCILMEMBER MOLINA: Thank you. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Director, Member Molina. Oh, I messed up the timer. Okay. Okay. So the...there are questions to consult liability with our attorneys, and so I'd like to request the Members' consideration for executive session. Let's see. The Chair will entertain a motion to convene an executive session in accordance with Section 92-5(a)(3), HRS, to deliberate concerning the authority of persons designated by the County or the Council or the Committee to conduct labor negotiations, or to negotiate the acquisition of public property, or during the conduct of such negotiations. Section 92-5(a)(4), HRS, to consult with the board's attorneys on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities. Is there a motion?

VICE-CHAIR PALTIN: So moved.

COUNCILMEMBER LEE: Second.

CHAIR RAWLINS-FERNANDEZ: Moved by Committee Vice-Chair Paltin, seconded by Chair Lee. Discussion? Chair Lee? Oh, followed by Member King.

COUNCILMEMBER LEE: Okay. So I'm assuming we can discuss more than just what you explained? Because what I wanted to discuss in executive session has to do with public purpose...public purpose.

CHAIR RAWLINS-FERNANDEZ: I guess we...

COUNCILMEMBER LEE: It's kind of a broad thing, but...but it...but it's important that we discuss it in...in executive session due to any possible liabilities on the County.

CHAIR RAWLINS-FERNANDEZ: Yeah. So that would qualify under HRS 92-5(a)(4), liabilities.

COUNCILMEMBER LEE: Okay.

CHAIR RAWLINS-FERNANDEZ: Okay.

COUNCILMEMBER LEE: Thanks.

CHAIR RAWLINS-FERNANDEZ: Member King, followed by Committee Vice-Chair Paltin.

COUNCILMEMBER KING: Thank you, Chair. I...I just...are we going to be able to ask questions before we go into executive session on the answers that were provided and not provided to us by the Administration? Because I...I just...I don't want to go into executive session and start getting into these...these...this other subject matter, then not be able to discuss it in public because we talked about it in executive session. So public purpose I think is something that the public has a right to know, but I understand if there's...if we're going to discuss liabilities related to that. But I just think the public has the right to . . . *(inaudible)*. . . you know, some of these issues that we're concerned

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about that we put out questions to and what the responses were and, you know, our questions to the Administration on...on these responses. So I'm a little worried about going into executive session and getting into items that should be in the public domain.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member King. As we do at every executive session, we try to our best to monitor ourselves, and if anyone has something that should be in open session, as I have done in the past, we can flag it, question it, and if it should be in open session, we can bring it back into open session as we have done in the past.

COUNCILMEMBER KING: Okay. So but what about the...are we going to discuss the responses to the questions that we sent to the Administration?

CHAIR RAWLINS-FERNANDEZ: So we have the 5:30 meeting tonight, and I would like to give you at least an hour (*audio interference*) or have less time in between the meetings.

COUNCILMEMBER KING: I'm sorry, you broke up there, I didn't hear what you said. Your...your...

CHAIR RAWLINS-FERNANDEZ: Or we can try to keep it more concise so that we have more of a break in between the meetings. So it'll...it'll...it'll be determined by your...your questions and brevity to have more of a break in between the evening meeting.

COUNCILMEMBER KING: I...I still...I...I didn't get it...I'm not understanding what you're saying relative to the discussion on the responses.

VICE-CHAIR PALTIN: I think...yeah, she said we can ask those questions at 5:30 meeting. (*audio interference*)

COUNCILMEMBER KING: Oh, I thought the...I thought the 5:30 was...

CHAIR RAWLINS-FERNANDEZ: No, that's not right.

COUNCILMEMBER KING: That's not what you're saying?

VICE-CHAIR PALTIN: Oh.

COUNCILMEMBER KAMA: Who wants to get over this...oops. Go ahead.

CHAIR RAWLINS-FERNANDEZ: Okay. Okay. Can you hear me?

COUNCILMEMBER KING: Yeah.

CHAIR RAWLINS-FERNANDEZ: Is it...is it still acting up? All right. So we can ask questions, but it...it'll be the...I would like to give you a break before the next meeting. The...the length of time the break will be, will be determined by the Members. If you...if you have a lot of questions, then we're going to end up going longer. That's the...

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COUNCILMEMBER KING: Well, I...well, so you're saying that your...you want to go into the executive session first?

CHAIR RAWLINS-FERNANDEZ: Yes. That...that's the motion that we're discussing right now. And I...I don't intend to go into a lengthy discussion on the questions in executive session. We're going to discuss the liabilities, and then the quicker we can come out, then the quicker we can ask the questions if there's follow up to the...what we received in writing. And if we run out of time and the Members would like a longer break, I can ask follow-up questions via written correspondence.

COUNCILMEMBER KING: Okay. I...yeah. I mean, I understand what you're saying. So you want to go into executive session and then if there's time, we'd have...we'd have a chance to discuss the responses. Because you know, my feeling is we asked for...we asked for written responses, but we didn't get...we got a lot of unknowns as answers, so that's what I wanted to follow up with the Administration with. And it sounds like if there's not time today, I'm not sure when there's going to be time to do that, so that's...that was my concern. Because you know, like I said earlier I...I have to leave, I'm going to be attending another meeting this evening. But I mean I've got a lot of open questions that weren't...weren't answered by this document that was sent by the Administration.

CHAIR RAWLINS-FERNANDEZ: Okay. So we can follow up via written correspondence, but if there are questions and if it was not responded to, I'm not sure if perhaps they're related to the reason why we would be going into executive session right now. And in this meeting is our only opportunity to discuss liabilities as a Committee with our attorneys together for executive session. We can follow up questions with...with...via written correspondence, not in Committee. So but in this meeting now is the only opportunity that we have to consult with our attorneys together. Mahalo, Member King. Committee Vice-Chair Paltin?

VICE-CHAIR PALTIN: I was just wondering if you can clarify like what we're talking about when we're talking about liabilities. Like are we talking about the roof like...or like what...what context of liabilities? What are we...what do we mean by that?

CHAIR RAWLINS-FERNANDEZ: Chair Lee?

COUNCILMEMBER LEE: Well, what I was going to bring up has to do with personnel liabilities...potential personnel liabilities. So I think you can see that that's something we need...it's sensitive. Now, the other questions I'm not sure, that you folks have.

VICE-CHAIR PALTIN: Roof. Like the roof, that's not what we're talking about?

COUNCILMEMBER LEE: No, not the roof.

VICE-CHAIR PALTIN: Okay. Thank you. Got it.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. Member Molina?

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COUNCILMEMBER MOLINA: Yeah, thank you, Madam Chair. I can understand the hesitancy of some Members...for our Member with regards to executive session. Typically executive session, we go in there to talk about employee medical history, legal strategy, and things of that nature. So it's not too often we have a proposed land purchase that goes into executive session. So I'm just kind of curious as to why we would...what is these so-called liabilities? I guess it's assumed that if we purchase this property, we're going to be subjected to some liabilities now? I...you know...

CHAIR RAWLINS-FERNANDEZ: No, if don't...if we don't purchase it.

COUNCILMEMBER MOLINA: Can we...can I get a response from Corp. Counsel?

CHAIR RAWLINS-FERNANDEZ: What would you like her to answer?

COUNCILMEMBER MOLINA: Yeah, the reason why...we're making a land purchase, and now there's a request to go into executive session about potential liabilities for making this purchase. Am I correct in assuming this?

CHAIR RAWLINS-FERNANDEZ: No. So the request is not coming from Corporation Counsel, the request is coming from the Committee Chair. And the request for going into executive session is if we do not purchase the property, what will our liabilities be.

COUNCILMEMBER MOLINA: Okay. So I guess it seems like...so we're kind of like on the hook then? I'm...I'm just speculating.

CHAIR RAWLINS-FERNANDEZ: I...I don't understand what on the hook means.

COUNCILMEMBER MOLINA: Yeah, it's like have we made some commitments already?

CHAIR RAWLINS-FERNANDEZ: No.

COUNCILMEMBER MOLINA: Some informal commitments?

CHAIR RAWLINS-FERNANDEZ: No.

COUNCILMEMBER MOLINA: Oh, okay.

CHAIR RAWLINS-FERNANDEZ: It's existing liabilities.

COUNCILMEMBER MOLINA: Okay. I'll just back off right now. I'm just...I'm sorry, but I'm having some... just more questions in my mind, but anyway, I digress. Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. So again, we have gone into executive session before, and I have stated the same concerns that things that are discussed in executive session should actually be in open session, and I've flagged them before and together we've made those statements in open session. So, it's not new to us. Any other questions? I'll call for the question. All those in favor, please raise your

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hand and say “aye.”

COUNCILMEMBER LEE: Aye.

CHAIR RAWLINS-FERNANDEZ: Okay, I see two...four...okay, and all those oppose raise your hand and say “aye.” Seven-two. Did I count wrong? I see seven...

COUNCILMEMBER LEE: Gabe. Gabe’s not here?

COUNCILMEMBER KING: Five-two. I think it’s...

CHAIR RAWLINS-FERNANDEZ: Oh, six...six-two.

COUNCILMEMBER LEE: Six-two, six-two.

CHAIR RAWLINS-FERNANDEZ: Six-two, Member Molina and Member King.

COUNCILMEMBER LEE: Yeah.

CHAIR RAWLINS-FERNANDEZ: Okay. So I think that passes.

COUNCILMEMBER LEE: Yeah.

CHAIR RAWLINS-FERNANDEZ: Okay. Okay. So we’ll go into executive session.

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

NOES: Councilmembers King and Molina.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember Johnson.

MOTION CARRIED.

ACTION: APPROVE; RECESS open meeting and CONVENE executive meeting.

CHAIR RAWLINS-FERNANDEZ: Okay, Ms. Milner should have sent an executive session link.

MS. MILNER: It will be coming from James Forrest.

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CHAIR RAWLINS-FERNANDEZ: Oh, okay. Oh, Mr. Forrest. All right. Okay. So at this time we'll call for a five-minute recess. It's 4:00 on February 17th, and the...oh. So we'll just recess and then reconvene in executive session. And for open session I wouldn't state when we would be back because we don't know, right? Staff?

MS. MILNER: We need to give a window of time for when we would be back. You can be gone longer, but we need to give people, you know, 5 minutes, 15 minutes, an idea...

CHAIR RAWLINS-FERNANDEZ: Okay. I guess 4:20...that's not long enough.

COUNCILMEMBER KING: Chair? Just...

CHAIR RAWLINS-FERNANDEZ: Member King?

COUNCILMEMBER KING: I don't...I don't think...I don't recall that we've ever had to project when we were going to come back in. I mean, we went into executive session for the injection well case and it took four hours and people...

MS. TAKAYAMA: Chair, this is Kasie Apo Takayama. I think Ms. Milner is saying we need to give a time when you'll convene in executive session.

COUNCILMEMBER KING: Oh.

CHAIR RAWLINS-FERNANDEZ: Okay. So five minutes, so 4:06 we'll convene in executive session. So the open session...BFED Committee open meeting session is now in recess. . . .(gavel). . .

RECESS: 4:01 p.m.
RECONVENE: 4:54 p.m.

CHAIR RAWLINS-FERNANDEZ: . . .(gavel). . . Will the Budget, Finance, and Economic Development Committee please return to order. It is 4:54 on February 17th. Mahalo for that brief executive session to discuss liabilities and executive session questions. Okay, so...Members, we have a meeting at 5:30, but I know that there is a request for follow-up questions on the written correspondence that we received. So do Members want to continue, or would you like to follow up via written correspondence?

VICE-CHAIR PALTIN: I had a quick question, but I'll yield to Member Molina.

COUNCILMEMBER MOLINA: Okay, thank you, Member Paltin. Thank you, Madam Chair. Yeah, mine...mine will be quick, just in responding to the Administration's responses...or questions to the Administration's responses, I should say.

CHAIR RAWLINS-FERNANDEZ: So we'll continue and...but not...not longer than 5:15?

COUNCILMEMBER KAMA: Well --

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CHAIR RAWLINS-FERNANDEZ: Is that --

COUNCILMEMBER KAMA: -- Chair?

CHAIR RAWLINS-FERNANDEZ: -- *(audio interference)*

COUNCILMEMBER KAMA: Chair? I just got to take care of my family first, Chair, and then I'll be in at the public hearing.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo, Pro Temp Kama. Okay. Member Molina, followed by Committee Vice-Chair Paltin.

COUNCILMEMBER MOLINA: Okay. Thank you, Madam Chair. Question for Administration in your responses about an inspection. So you stated that no inspection has been performed at this time, but the Administration is in the process of securing one. So will this inspection be completed if we commit to this purchase...or before we commit to this purchase, I should say?

MR. BAZ: Director Teruya might have more information on that.

CHAIR RAWLINS-FERNANDEZ: Director Teruya?

MR. TERUYA: Thank you, Chair. Member Molina, thank you for that question. We have already sought out a senior property condition assessor who specializes in building assessments. It's not very easy to find somebody who is able to do it, but this person has given us a proposal, and I believe her answer was somewhere in the amount of four weeks to finish upon inspection. But this is the only person we found that is able to commission this condition assessor, I guess. So we are in the process of finalizing her contract for...for this assessment for the building. And I know a lot of questions had to do with whether or not something happens if...if...after we talked about this negotiated price. And usually we have some time, 30 days, 60 days from the time of due diligence to do this and make adjustments if it is necessary. So we are waiting for this commission to come through so that we can procure the...the assessment.

COUNCILMEMBER MOLINA: Okay. Thank you for that. And...and one more quick question, Madam Chair. The appraisal suggested that this location is best, I guess, suited for medical offices or nonprofit organizations. Any thought to that, Mr. Teruya or Mr. Baz? And if we want to get...get --

MR. BAZ: So...

COUNCILMEMBER MOLINA: -- the best return --

MR. BAZ: Yeah.

COUNCILMEMBER MOLINA: -- was that considered versus, you know, putting in a County

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Department or the Council or so forth?

MR. BAZ: As we stated in our response, we...the initial thought of that location would be at least for the Department of Housing and Human Concerns. It...it...very like-type activities with the J. Walter Cameron Center, MEO. We have our Office on Aging in the Cameron Center now, you know, so it does make sense to have that Department located there, you know. And so yeah, you know, when...when *Maui News* first approached us, that was the first thing that came to my mind was...was DHHC.

COUNCILMEMBER MOLINA: Okay. Thank you, Mr. Baz. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Molina. Committee Vice-Chair?

VICE-CHAIR PALTIN: Thank you, Chair. My question was from the answers to the questions, it was only the Planning Department that was going to be moving into the 7th and 8th floors, correct? And so if you move the Planning Department to *The Maui News*, there would be more space than just the Planning Department. So could you --

MR. BAZ: Yes, that's correct.

VICE-CHAIR PALTIN: -- give us the 6th floor?

MR. BAZ: I can't commit to that right now. Like I mentioned before...well, the 6th floor is housed by the Department of Personnel Services and Finance and IT. There would definitely be some movement of...of personnel around the departments. I don't know the Department of Personnel Services would be the best suited to move down there or not as far as access to the 6th floor itself.

VICE-CHAIR PALTIN: If another department besides Planning moves, what do you envision Planning working well together with like, you know, for the public to access services? Like Personnel.

MR. BAZ: Well...yeah, Personnel isn't really a public-facing department. They do have individuals coming in to apply and testing and things like that, so it might be nice to have a office down there or a conference room for testing and stuff like that. But you know, in general, we would think of things like the Water Department, the Department of Environmental Management, Planning, I mean, those kind of things would be more compatible uses to, you know, house down there. And --

VICE-CHAIR PALTIN: Okay.

MR. BAZ: -- they all rent certain spaces now or are... . . .(timer sounds). . .

VICE-CHAIR PALTIN: Thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Committee Vice-Chair Paltin. Chair Lee?

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COUNCILMEMBER LEE: Okay. Didn't you say, Sandy, that this would be an opportune time for the Council to negotiate something with the Administration in terms of getting more space?

MR. BAZ: I...I'm not at liberty to negotiate, that would be something the Mayor would be...have to do, and yeah, but we can definitely have a meeting about that.

COUNCILMEMBER LEE: Because besides the 6th floor, what...what were your plans for MEMA's old space?

MR. BAZ: The current plans are for the Purchasing Division, which is currently being housed in...at rental space, to move into that floor, and as well as some possible storage down there as well for...we're looking at the possibility of a consolidated acquisition, you know, purchasing-type activities, and it would be wonderful to have that place down there. I...some of my team will still remain on the 1st floor because of their need to service this building's computers and things like that, users.

COUNCILMEMBER LEE: Quite frankly, Sandy, I don't think we'll have another opportunity like this to have this kind of discussion and, you know, come to some kind of amicable, you know, agreement with regard to expanding the...the County Council and...and at the same time, providing office space for...much needed office space for other departments. I don't recall ever having this opportunity before, so I hate to see it let...to let it go. But the thing is, how much time do we have?

MR. BAZ: Mr. Teruya might have a better idea of the timeline of commitment for...for this, but I'm pretty certain it's a short timeline for commitment of purchase. As far as negotiating, you know, who goes where and all that, that's not something that has to be done immediately. I mean obviously, we want to make sure that we're doing a prudent purchase and that, you know, we're going to be utilizing the space appropriately. But as far as the negotiating the purchase itself, I think we can...we can do that. And then, Chair Lee, I'd be happy to work with you and the Mayor on, you know, space needs and identifying...and doing an analysis of, you know, your employee workspace requirements and expansion and where the possibilities might fit for those.

COUNCILMEMBER LEE: Thank you. Because it's become essential. It's not a...it's not a luxury at all, it's essential. And the...the thing is, for immediate needs, I would say that finding a home for OCC would probably be the top priority because they have to get ready for elections next time, and that takes time, you know. And then if they move out, then we can take their space, you know, so that would be a big help. So...

MR. BAZ: Yeah. And...and, Chair, I mean, you know, this...that's...that's under your purview, but you might want to think about doing something like that now versus, you know, the acquisition, design, renovation. It's going to take...it'll be definitely past the next election before --

COUNCILMEMBER LEE: Yeah.

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MR. BAZ: -- you would be able to occupy that...

COUNCILMEMBER LEE: I...I realize that, but my...my Members don't want me to rush into it.

MR. BAZ: No, I understand.

COUNCILMEMBER LEE: Yeah. So we...we have more discussion to go, but I'm...I just want to make sure that you guys are open to a variety of scenarios that might come up. And I appreciate the cooperation. This level of cooperation is very much appreciated. Thank you. Thank you, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Council Chair Lee. Members, any other questions? If not, I'm going to...I'm going to ask a couple questions. Okay. So a follow-up question to the written responses that we got, as quick as possible. Number three, so with a professional office or a business inspection performed by a licensed inspector, licensed inspectors are people who we have to pay to do this. So is our...is the Administration's policy to not move forward with contracting a licensed inspector until there's some kind of indication that it'll be worth the return on investment? Either Director Baz or --

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: -- Director Teruya. Director Teruya?

MR. TERUYA: Yeah, so as I mentioned before, we already are trying to procure a licensed inspector to give us a report that gives us a professional opinion about the state of the building. Whether the condition, the foundation, et cetera, that is within the scope of work to be returned to the County for us during the due diligence period. Thank you.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo. So that is...that's going to cost us money. It's going to cost money to contract a person to do that.

MR. TERUYA: Correct, Chair. We do not have anybody on Staff that is able to do it in the time period that we are looking for.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Director. Is the Administration's policy to wait until there's justification of acquiring a property before investing that kind of money into doing that kind of inspection? Yes? Okay. I see nodding heads. Okay. Mahalo. So in the response to number six, the Administration have a master plan for reducing rental costs for lease offices. So what I understand from your response is that the direction of the Administration is to get out of all leases and to try to get everyone into space that the County owns. That would be the direction that we're taking.

MR. TERUYA: Chair? I...I would say as long as it costs...it...it makes more financial sense to do so. If it costs us more to acquire, then it would not make any sense. So the analysis between that would be the deciding factor. Thank you, Chair.

MR. BAZ: Yeah. From...from the Finance Director's perspective, yes, that's...that's

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appropriate. From...you know, from the...the Portuguese Mayor's perspective, having a box of receipts at the end of the period of time versus having something you own is more valuable. Yeah. But yeah, we definitely, you know, are making sure that it's financially feasible as well. And there are, you know, other things that we're going to have to maintain rents on for now. We have satellite offices that, you know, we rent, and things like that. Moloka'i and Lāna'i, you know, there's rental spaces. So yeah, but...or there's more types. But yeah, so in general, everything in Central Maui we'd really like to get into County-owned . . . *(inaudible)* . . .

CHAIR RAWLINS-FERNANDEZ: Mahalo, Director Baz. Okay. My last question dovetailing off of that is, how much rent have we spent on One Main Plaza?

MR. TERUYA: Chair?

CHAIR RAWLINS-FERNANDEZ: Is that confidential?

MR. TERUYA: Funny that you should ask, we just ran that report. I did...I only have numbers for the last 14 years. Going back to 2006 through today, One Main Plaza, we have spent a total of rent and CAM, little over \$21 million.

COUNCILMEMBER LEE: Oh, my God.

CHAIR RAWLINS-FERNANDEZ: You're not muted, Chair Lee.

COUNCILMEMBER LEE: I know.

CHAIR RAWLINS-FERNANDEZ: Okay. Mahalo. So that was my time. Members, do you have any other questions for Director Teruya or Director Baz? Member Molina? Oh, wait, I'm going to with Member Sugimura first --

COUNCILMEMBER MOLINA: Yeah, no problem.

CHAIR RAWLINS-FERNANDEZ: -- and then we'll go to...

COUNCILMEMBER SUGIMURA: Go ahead, Mr. Molina raised his hand first. I'll wait.

CHAIR RAWLINS-FERNANDEZ: Member Molina?

COUNCILMEMBER MOLINA: We're playing volleyball here. Okay. A quick question. For Mr. Baz, with your response regarding putting Department of Housing and Human Concerns there potentially, do you see that...because of the close proximity to the hospital, Cameron Center, MEO, et cetera, what else...what other department...I know one segment of the Department is housed at One Main Plaza, what other areas do we have other components of the Department of Housing and Human Services [sic] that are leasing space currently?

MR. BAZ: Currently we have offices...multiple offices in One Main Plaza. We have Housing

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Division, which is in the Crest Building. I forget what the official name of it, but the old Crest Store on Main Street. And then we also have the Office on Aging, which is in the J. Walter Cameron Center right now.

COUNCILMEMBER MOLINA: Okay. So...so three other properties then. Maybe at a later point if that information could be shared with us how much money has been expended on those places since we've decided to lease those segments of the Department to include would be helpful as well. To add to the One Main Plaza total, I guess. If you don't have the information currently that's fine, you can get that later. Thank you, Madam Chair.

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

COUNCILMEMBER SUGIMURA: I'm so glad we're going through all of these discussions. And I will tell you that the...the longer we talk about it, the more information we have. And...and going back to Scott Teruya's opening when we first started talking about this is...is...is something that I think we need to do. You know, we need to consolidate our leases and CAM costs and bring us under...you know, saving money in the long run. That from...from the community that I spoke to, they understand the reality of what we need to do. This opportunity is being presented to us because of the pandemic, right, and you have different circumstances that happening in our economy where you have big...big opportunities like that in the community that is making itself available to us. And so from a...a very conservative approach because I know Mr. Teruya, you know, of...of what he's done with our finances to be able to have that strong bond rating, and just from working with him through these years. I mean, he's very frugal. I think he treats the County pocketbook like it's his, I like that, and I can see the value for this. There's greater discussion, you know, that we probably need to have, that we will as far as the departments and who's going where and what does all that mean. And I'm quite sure that once the...the Administration sees a green light, then everybody can start running together. And I think right now we're kind of jogging and then stopping and, you know, just trying to figure out what the numbers are. But in general, I think it's...it's probably a very good idea to save money in the long run. So I just wanted to, you know, put that out as we're...we're hesitating and going forward and going back, but I understand too. So thank you.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Member Sugimura. Perfect timing. Okay. So we have two minutes to 5:15, and...so this item is on Friday's Council agenda (*audio interference*) Am I frozen again? You still hear me though? Okay. As long as you can hear me. So as I said before we went into executive session, I don't have space to take this up again in Committee unless we have like a special Committee meeting, which we're trying to avoid doing before we go into budget so we're not...we're not burning ourselves out. And so it is on the Council agenda. I...I think this is a good investment for the County, regardless of whether the Council moves in there or not. So I...my plan is to, you know, try to take action again this Friday, and you can, you know, think about it. You can meet with Director Baz and Director Teruya for additional information that you'll need, but I...I think that this is the best direction for the County to go. I agree with the Administration's direction in consolidating into spaces that our County owns and stop paying the mortgage for other places. Like One Main Plaza,

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\$21 million for the past 14 years is a lot of money, probably the amount that we would have spent on debt service by now. So, you know, it...it'll be up to you, and I'm hoping that Members can do their additional homework that they'll need to make a decision on their own. But you know, we'll...we'll take it up on Friday. And like I said, I...I think this is a good investment for the County, regardless of whether the Council moves in there or not. Any last comments before I adjourn the meeting that we've now gone one minute over? Okay. Member Paltin is waving her hand, not raising her hand. Chair Lee?

COUNCILMEMBER LEE: Okay. So I hope everybody understands that what you're suggesting is that we...we try and pass this this Friday, right. So whatever questions they have, they just...they don't have much time, but would have to be answered...although we're just doing due diligence, I mean at this point, yeah? Oh, okay. I just...I just want everybody to understand that this is going to happen fairly quickly if it's this Friday.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair Lee. Pro Temp Kama?

COUNCILMEMBER KAMA: Thank you, Chair. So the beauty of having these many conversations and having a public hearing is that the more discussion that takes place, the comfort level starts to increase because we're learning more and more and more and more and more. So we've come this far since we first started this conversation. So I think by Friday, I think you will probably be able to get yourself a homerun. Thank you, Chair.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Pro Temp Kama. It wouldn't be my homerun, it would be for the County to save money.

COUNCILMEMBER LEE: One last one, Madam Chair.

CHAIR RAWLINS-FERNANDEZ: Chair Lee?

COUNCILMEMBER LEE: You're going to be needing to...you're going to need to think of a few conditions. Okay.

CHAIR RAWLINS-FERNANDEZ: Mahalo, Chair Lee. Okay. Okay. Members, it's 5:17 on February 17th, and the Budget, Finance, and Economic Development Committee is now adjourned. Mahalo. . . .*(gavel)*. . .

ACTION: DEFER pending further discussion.

ADJOURN: 5:17 p.m.

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APPROVED:



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

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Transcribed by: Daniel Schoenbeck


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CERTIFICATION

I, Daniel Schoenbeck, hereby certify that pages 1 through 55 of the foregoing represents, to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED the 20th day of March 2021, in Kula, Hawai'i

A handwritten signature in black ink, reading "Daniel Schoenbeck", is written over a horizontal line.

Daniel Schoenbeck