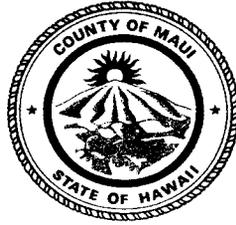


ALAN M. ARAKAWA
Mayor

KYLE K. GINOZA, P.E.
Director

MICHAEL M. MIYAMOTO
Deputy Director



MICHAEL P. RATTE
Solid Waste Division

ERIC NAKAGAWA, P.E.
Wastewater Reclamation Division

RECEIVED

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OFFICE OF THE MAYOR

**COUNTY OF MAUI
DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT**
2050 MAIN STREET, SUITE 1C
WAILUKU, MAUI, HAWAII 96793

November 5, 2014

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

Honorable G. Riki Hokama, Chair
Policy and Intergovernmental Affairs Committee
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Alan Arakawa *11/5/14*

Mayor Date

Dear Chair Hokama:

SUBJECT: PERFORMANCE AUDIT OF THE SOLID WASTE DIVISION, DEPARTMENT OF ENVIRONMENTAL MANAGEMENT (PIA-82)

Pursuant to your letter dated October 1, 2014, we are transmitting the response from the Department of Environmental Management to your questions.

- 1. Update the Committee on the status of your Solid Waste Division's ("Division") implementation of the Findings and Recommendations contained in the document entitled "Operational assessment of the Solid Waste Division, Department of Environmental Management, County of Maui," dated June 1, 2009, by Quality + Engineering ("2009 Audit"), as stated on page 14. Outline your vision for the implementation of these Findings and Recommendations, including how you anticipate prioritizing them, and the resources that will be necessary.***

As the assessment states on page 15, the Solid Waste Division "has not had the time and/or resources to focus on its future", which is still the current situation due to the downed economy that has limited resource expansion. Below are the nine (9) different Findings and Recommendations and the status for implementation of each:

- 1. "Solid Waste Division needs a Strategic Plan and Tactical Plan."**

The current Solid Waste Division management drafted a mission statement and five-year plan prior to developing the Division's FY15 budget. Although the mission statement and five-year

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plan are still evolving, it was important to start this process prior to developing the Division's FY15 budget request in order to identify the Division's Goals and Measures for FY15 and its future direction towards sustainable compliance. A major reason for the expansion positions in the FY15 budget request was to begin to implement this direction and "fulfill its permit obligations, while continuing core public services" (page 15). Additional operations and engineer staff are key in allowing upper management to focus on "big picture" planning, instead of handling operator and engineering task functions.

- 2. "Solid Waste Division Position Descriptions (PDs) of engineering staff need to reflect current work responsibilities. New SWD Position Descriptions need to be developed to ensure Integrated Solid Waste Management plan (ISWMP) CIP can be executed successfully."**

Although a big part of this recommendation was related to the ISWMP, the current Division management agrees that employees need to "know and agree what is expected on the job". Time permitting, the Division management is evaluating current PDs to ensure safety and compliance is a priority of their PDs. Also, the Division agrees that the "average workload for SWD engineering staff exceeds the ability of staff to meet timeline, budget, and scope objectives of SWD Capital Improvement Projects". The focus of the Division since the study was completed was requesting the necessary resources to maintain core services and increasing the number of engineers in the section soon thereafter; however, budget restrictions and cuts from Council in FY 15 have not yet allowed this recommended ISWMP direction to occur.

- 3. "Solid Waste Division needs a documentation control system (Standard Operating Procedure) for managing, monitoring, and controlling its 1. Landfill Operations and 2. Residential Refuse Collection services."**

The Division agrees with the assessment, but does not have sufficient time with existing resources to create such documents, much less implement such systems. Existing resources are focused on providing core services and daily tasks and making up for lack of engineers and operations staff.

- 4. "Solid Waste Division needs a documentation control system (Standard Operating Procedure) for managing, monitoring, and controlling Capital Improvements Projects (CIP). Three CIP control manuals are recommended: 1. Project Management (PM) Manual; 2. Construction Management (CM) Manual; 3. Quality Management (QM) Manual."**

The Division agrees with the assessment, but does not have sufficient time with existing resources to create such documents. Existing resources are focused on providing support of core services and daily tasks.

- 5. "Solid Waste Division needs Project Management (PM) Manual for managing, monitoring, and controlling its Capital Improvements Projects."**

The Division agrees with the assessment, but does not have sufficient time with existing resources to create such documents. Existing resources are focused on providing support of core services and daily tasks. The Department of Environmental Management also agrees with this assessment and is providing support, time permitting, by initiating the draft of the Project Management Manual to be used by both the Solid Waste and Wastewater Reclamation Division to promote consistency within the Department.

- 6. "Solid Waste Division needs Construction Management (CM) Manual for managing, monitoring, and controlling the construction of Capital Improvements Projects."**

The Division agrees with the assessment, but does not have sufficient time with existing resources to create such documents. Existing resources are focused on providing support of

core services and daily tasks. Until additional in-house engineering staff is added, construction management work is contracted out at 3x the estimated in-house cost.

7. “Solid Waste Division needs Quality Management (QM) Manual for managing, assuring, and controlling the quality of its Capital Improvements Projects.”

The Division agrees with the assessment, but does not have sufficient time with existing resources to create such documents. Existing resources are focused on providing core services and daily tasks. Again, until a more robust engineering section is created in Solid Waste, quality management work is contracted out. If sufficiently staffed, non-specialized quality management would be done in-house and possibly some specialized quality management.

8. “Solid Waste Division needs a new business model to execute the Integrated Solid Waste Management Plan (ISWMP).”

The Division agrees with the assessment. However, funding for the ISWMP has never been proposed or approved as the costs are 2x to 6x more than current budget.

9. “Integrated Solid Waste Management Plan (ISWMP) capital budget revenue projections and expense assumptions need to be updated.”

The Division agrees with the assessment, however budget needs to incorporate such a plan were not shown to be acceptable. The incremental addition of resources to move in that direction was presented to Council in FY 15, it was heavily scrutinized and eventually denied by Council doubting the need for additional manpower.

2. *How did the Fiscal Year 2015 Budget for the Division that you submitted to the Mayor differ from the budget presented to the Council for consideration? What items were cut and by what dollar amount did that impact the budget proposal submitted to the Council for the Division? Provide comparable information for the 2014 budget.*

The Division met several times with the Budget Office prior to submitting its final budget. The budget submitted to the Mayor did not differ from the budget presented to the Council. Through discussions with the Budget office, any resources that was unnecessary to maintain core services and regulatory compliance was removed and would be added at a future time. The goal of the FY15 budget request was to acquire the minimum resources to allow the Division to build sustainable compliance in its core services, then, look to future budgets to increase resources to increase core and non-regulatory services to the community.

3. *Provide an explanation of the Division's personnel needs. The Council authorized two positions in early June, and it appears those positions were not advertised as of the week of September 22. If there is a significant need, what was the reason for the delay in advertising the positions? If these positions are so critical to operations, why did the Administration ask the Council to transfer a wastewater position that was vacant to the Department of Public Works instead of to the Division?*

Since only two of the six requested positions were approved, the Division needed to reevaluate where and how the two positions could best serve the Division's needs and immediately alleviate some of management's concerns regarding compliance and safety. The Division also considered the impacts of not having the other four positions, which showed a need to make available resources to maintain core services. Outsourcing was the only alternative, with other potential funding sources under proviso, this led to a reduction in services to fund this need. Management has the responsibility and right to properly place these EPs to best meet its Goals and Measures. The Division has completed the necessary paperwork and submitted to DPS for processing position descriptions and justifications. In the mean time, per the Mayor's commitment to the Community and the Division, the County has reinstated landfill hours and holiday schedules and is also in the process of temporarily using temporarily vacant positions

from within the Department to allow for Limited Term positions to fill the remaining 4 positions needed, until approval of the position expansions is permanent.

- 4. At the meeting, it was noted the Council has been presented with two lists of compliance issues involving the Division that vary considerably from each other. Please explain, to the extent you are able in a public response. Identify if an executive meeting will be needed to more fully explain.**

A draft Division compliance report was initially completed in 2/14. Subsequently an updated report was completed in 9/14. Additional compliance concerns have been identified both by the State DOH, as well as in-house during that time. The average cost due to compliance related issues has risen from \$560,000/yr to \$870,000 per year on average. Our costs associated with addressing compliance issues are growing, not subsiding, as the State and County identify all historical and future needs. The details of these compliance concerns would need to be discussed in executive meeting to fully explain.

- 5. Provide an assessment of your Division's compliance with the 2009 Integrated Solid Waste Management Plan ("ISWMP"). Explain the Division's ability to implement the ISWMP, its priorities, and funding needs to fulfill those priorities.**

A couple of factors hinder the Division's ability to implement the ISWMP. One factor is that the plan is cost prohibitive. The high cost of the required infrastructure and operation of certain facilities is too significant to justify pursuing all parts of the ISWMP. Another factor is that the Division is currently lacking sufficient resources to maintain existing priorities of the Division, so it would be impractical of the Division to take on more duties to implement the ISWMP without staffing and funding to handle it. The FY15 Budget request was the initial steps to move towards a sustainable, compliant Solid Waste Division with the necessary staffing and resources to meet both our environmental compliance requirements as well as continue to meet current community service needs.

- 6. Provide an assessment of your Division's green, blue, and brown bins recycling program and its effectiveness.**

The 3 can pilot program started in August 2012. The data from the Residential Curbside Recycling Pilot Project shows a diversion rate of about 33% of the total trash collected on those two routes. The annual marginal cost for the program is estimated at \$110,356 (vs. \$27,322 to landfill at CML). Refer to the attached Spreadsheet. The average "set-out" rate (community participation) is estimated at 54-60%

- 7. Provide a copy of your Division's policies, procedures, work instructions, and any written delegation of authority for management of personnel.**

The amount of resources required to meet this request is not available. The Department and Division could not provide this information at this time.

- 8. Provide a copy of the revised goals and measures your Division has been working on and your Division's five-year plan, along with any explanation you believe will assist the Committee in its review of this information.**

The Goals and Measures of the Division was provided to Council in the FY15 Budget Narrative. The Five Year Draft Plan was also provided to Council in the FY 15 Budget Deliberations as well as in the Infrastructure and Environmental Management Committee presentation. If additional copies are needed, these can be provided.

9. Provide a revised forecast of your Division's budget for the remainder of Fiscal Year 2015. How do your current views on your Division's budget differ from what was presented to the Administration for Fiscal Year 2015?

The forecast is, as stated by the Mayor to submit a FY 15 Solid Waste Division Supplemental Budget after the November election. This will include the four (4) positions cut by Council, as well as as estimated \$400,000-\$600,000 for the ongoing outsourcing and compliance related items projected for the remainder of the year. In the meantime, the Mayor will allow for temporary positions borrowed from within the Department to be use by the Solid Waste Division until permanent positions are approved by Council. If these positions are not approved, the Department will need to resume cuts in Solid Waste services to attempt to meet regulatory compliance, or continue to have tax payers pay for non-compliance, as projected in the latest compliance report.

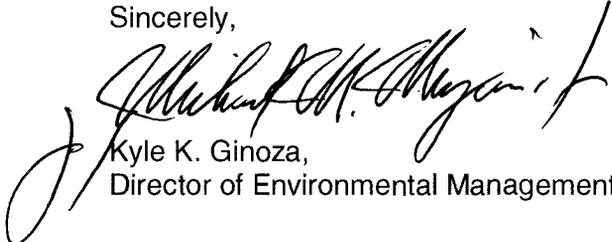
10. Explain why your recycling contracts and landfill diversion contracts were authorized for just six months of the year.

Due to the Division's concerns regarding limited resources to address compliance and safety of its core services without any reductions, the Division looked to other potential areas in the Division's budget to cut. Considering the priorities of the Division and the Division's desire to maintain existing core services without any reductions, non-regulatory services were considered as this potential source of funds. Limiting the contracts to six months would allow the Division access those funds without having to amend contracts to remove funding. Contractors were notified that the Division would be submitting for a supplemental FY 15 budget and also that there could be some reductions to the services should budgets not be approved.

11. To the extent your responses to questions posed by the Committee are covered in your response to questions posed by correspondence dated August 4, 2014, from the Council's Infrastructure and Environmental Management Committee, as it relates to IEM-56 (Operations of the Solid Waste Division, Department of Environmental Management), please provide the Policy and Intergovernmental Affairs Committee with a copy of that response, to enable the Committee to more effectively consider the scope of the proposed audit.

The response to IEM-56 was signed by the Mayor on October 3, 2014 and provided to Council, as outlined by the Solid Waste Division Chief in the September 29, 2014 Policy and Intergovernmental Affairs committee meeting.

Sincerely,



Kyle K. Ginoza,
Director of Environmental Management

Attachment

SWD CURBSIDE PILOT PROJECT COST EVALUATION

PROJECT PARAMETERS:	ONE YEAR	July 1, 2013 - June 30, 2014					
	TOTAL TONS COLLECTED	3003	ACCOUNTS:	1750			
	AVG. TONS/ACCOUNT	0.605	TONS DIVERTED:	997			
LANDFILL MARGINAL COSTS			CURBSIDE MARGINAL COSTS				
TONS	COST PER TON	TOTAL COST	TONS	COST PER TON	COMMENTS /NOTES	TOTAL COST	
1059.0	\$26	\$27,322	Recyclables	344	\$130	Processing cost is \$130/ton (MD)	\$44,720
			Greenwaste	715	\$0	No cost from EKO currently *1	\$0
			Refuse *4	62	\$26	Contamination Cost carts (2), delivery, training,	\$1,610
			Equipment cost	1750 acct.	\$20.14/acct	PR, etc. *2	\$35,245
			"A" Expense & SWD Admin OH				\$28,781
			TOTAL COST				\$110,356

	LANDFILL	CURBSIDE COST	CURBSIDE \$ IF WE ADD \$30/TON GW PROCESSING *1	
PROJECT \$	\$27,322	\$110,356	\$131,806	TOTAL TONS LF/YR
COST PER TON	\$26	\$104	\$124	375,240
COST DIFF./ACCT/YR		\$47.45	\$59.70	TOTAL AUTOMATED COM ACCOUNTS
COST DIFF./ACCT/MO		\$3.95	\$4.98	21,500
COST DIFF./COM WIDE *3		\$1,020,129	\$1,283,657	
PILOT DIVERSION %		33%		
TOTAL TONS DIVERTED COM WIDE		12,250		
DIVERSION % INCREASE IF CURBSIDE GOES COM WIDE		3.3%		

NOTES:

*1 Compost may cost in future contracts est. \$20/ton + \$10 recy fee. So, \$30 X 715 =

\$21,450

*2 Costs amortized over 10 years.

*3 Assumes no staffing increase, each staff increase equals \$79,200.

*4 Assumes 20% contamination with refuse of curbside bins.