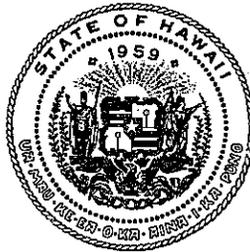


**State-County Functions Working Group (Transient Accommodations Tax)
Testimonies for SCFWG**

Date	Bill No.	Bill Title	Senate/House Committee
2/4/2015	HB 1257	Relating to the Transient Accommodations Tax	House Committee on Tourism
2/4/2015	HB 1448	Relating to the Transient Accommodations Tax	House Committee on Tourism
2/6/2015	HB 954	Relating to the Transient Accommodations Tax	House Committee on Water and Land
2/11/2015	HB 1214	Relating to the State-County Functions Working Group	House Committee on Legislative Management
2/25/2015			House Committee on Finance
2/11/2015	SB 1173	Relating to the Acquisition of Scenic Lands at Kapua in Miloli'i on the Island of Hawai'i	Senate Committees on Tourism and International Affairs and Water and Land
2/11/2015	SB 1356	Relating to the Transient Accommodations Tax	Senate Committees on Tourism and International Affairs and Water and Land
2/11/2015	SB 284	Relating to the Transient Accommodations Tax	Senate Committees on Tourism and International Affairs and Water and Land
2/26/2015	SB 284, SD1		Senate Committee on Ways and Means
2/11/2015	SB 617	Relating to Beach Protection	Senate Committees on Tourism and International Affairs and Water and Land
2/11/2015	SB 534	Relating to Transient Accommodations Tax	Senate Committees on Tourism and International Affairs, Water and Land, Public Safety, Intergovernmental and Military Affairs
2/18/2015	HB 197	Relating to Transient Accommodations Tax	House Committee on Tourism
2/26/2015	HB 197, HD1		House Committee on Finance
2/18/2015	HB 373	Relating to Transient Accommodations Tax	House Committee on Tourism
2/18/2015	HB 833	Relating to Transient Accommodations Tax	House Committee on Tourism
2/18/2015	HB 403	Relating to Transient Accommodations Tax	House Committee on Tourism
2/18/2015	HB 444, HD1	Relating to Beach Protection	House Committee on Tourism
2/18/2015	HB 379, HD1	Relating to Financing for a New Hospital in North Kona	House Committee on Tourism
2/19/2015	SB 408	Relating to the Transient Accommodations Tax	Senate Committees on Tourism and International Affairs, Public Safety, Intergovernmental and Military Affairs
2/26/2015	HB 169, HD1	Relating to Taxation	House Committee on Finance



**TESTIMONY OF SIMEON R. ACOBA, CHAIR,
STATE-COUNTY FUNCTIONS WORKING GROUP, ON
HOUSE BILL NO. 197, HOUSE DRAFT 1,
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

**House Committee on Finance
February 26, 2015**

Chair Luke and Members of the Committee:

I am Simeon R. Acoba, Chair of the State-County Functions Working Group. Thank you for the opportunity to comment on House Bill No. 197, House Draft 1, relating to the transient accommodations tax (TAT). This measure would amend the amount of TAT revenues allocated to the counties from a specified sum to a percentage of the revenues allocated.

The Working Group was created by Act 174 (SLH 2014) and administratively placed within the Office of the Auditor. The Working Group, which first convened in October 2014, is comprised of 13 members appointed by the Governor, the Senate President, the Speaker of the House of Representatives, each of the county mayors, and the Chief Justice. The group is assigned the following responsibilities:

- 1) Evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and
- 2) Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

Act 174 requires the Working Group to submit two reports: 1) an Interim Report, which was delivered to the Legislature, Governor, and each of the county mayors, on December 18, 2014; and 2) a Final Report with its findings and recommendations to the same parties 20 days prior to the convening of the 2016 Regular Session.

The Working Group will continue its work through 2015 and shall cease to exist upon the adjournment sine die of the 2016 Regular Session. We note that any TAT legislation passed this year may affect the on-going work of the Working Group. Accordingly, while we take no position on the merits of this bill, we respectfully request your consideration of deferring decisions on TAT legislation introduced this year to the 2nd year of the 28th State Legislature to enable the the Working Group to complete its work. As required by Act 174, the Working Group will report its findings and make recommendations prior to the 2016 Regular Session.

Thank you for the opportunity to offer comments on House Bill No. 197, House Draft 1. I am available for your questions.



**TESTIMONY OF SIMEON R. ACOBA, CHAIR,
STATE-COUNTY FUNCTIONS WORKING GROUP, ON
HOUSE BILL NO. 1214,
RELATING TO THE TRANSIENT ACCOMMODATIONS TAX**

**House Committee on Finance
February 25, 2015**

Chair Luke and Members of the Committee:

I am Simeon R. Acoba, Chair of the State-County Functions Working Group. Thank you for the opportunity to testify in strong support of House Bill No. 1214, relating to the State-County Functions Working Group. This measure would appropriate funds to the Office of the Auditor to carry out the purposes of the Working Group.

The State-County Functions Working Group was created by Act 174 (SLH 2014) and administratively placed within the Office of the Auditor. The Working Group, which first convened in October 2014, is comprised of 13 members appointed by the Governor, the Senate President, the Speaker of the House of Representatives, each of the county mayors, and the Chief Justice. The Working Group is assigned the following responsibilities:

- 1) Evaluate the division of duties and responsibilities between the State and counties relating to the provision of public services; and
- 2) Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

The Working Group is charged with submitting two reports: 1) an Interim Report, which the group delivered to the Legislature, Governor, and each of the county Mayors, on December 18,

2014; and 2) a Final Report with its findings and recommendations to the same parties 20 days prior to the convening of the 2016 Regular Session. The Working Group shall cease to exist upon the adjournment sine die of the 2016 Regular Session.

Act 174 directs that members be reimbursed for necessary expenses incurred during the performance of their duties by the Auditor, who shall submit a request to the Legislature for an appropriation equal to the reimbursements made and expected to be made. Although Act 174 directs that the requests be included in the legislative budget acts of 2015 and 2016, the Working Group's request for this year is included in this measure.

The Working Group requests \$165,000 to cover Working Group expenses, which can be broken down into two parts: actual expenses and consultant expenses.

First, based on expenses already incurred, we estimate actual expenses for the Working Group—including travel to monthly meetings for neighbor island members, parking, and interim and final report production—at approximately \$15,000.

Second, the Working Group determined that it needs consultant services to assist with analysis of transient accommodations tax policy, analysis and compilation of state and county budget and tourism-related data, final report drafting, among other responsibilities. Based on discussions at its monthly meetings, the Working Group is requesting \$150,000 for these services.

Thank you for the opportunity to testify in strong support of House Bill No. 1214. I am available for your questions.



OFFICE OF THE AUDITOR

RELEASE DATE: <Date procurement notice is posted >

REQUEST FOR PROPOSALS No. RFP-15-XX SEALED OFFERS FOR PROFESSIONAL SERVICES FOR THE STATE-COUNTY FUNCTIONS WORKING GROUP

STATE OF HAWAII OFFICE OF THE AUDITOR

WILL BE RECEIVED UP TO 4:30 P.M. (HST) ON
<[May 1](#), 2015>

IN THE OFFICE OF THE AUDITOR, STATE OF HAWAII, KEKŪANAŌ'A BUILDING, ROOM 500, 465 SOUTH KING STREET, HONOLULU, HAWAII 96813. DIRECT QUESTIONS RELATING TO THIS SOLICITATION TO ADMINISTRATIVE DEPUTY AUDITOR RON SHIIGI TELEPHONE (808) 587-0800 FACSIMILE (808) 587-0830 OR E-MAIL AT auditors2@auditor.state.hi.us.

Ron Shiigi
Procurement Officer

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SECTION ONE
INTRODUCTION, TERMS AND ACRONYMS, KEY DATES

1.1 INTRODUCTION

The Office of the Auditor is requesting proposals for the State-County Functions Working Group (WG) authorized by Act 174, Session Laws of Hawai'i 2014 (Attachment 1), to employ the professional services of a qualified individual or firm to aid the WG in carrying out its roles and responsibilities and preparing the final report, including findings and recommendations, to the Legislature, Governor, and each county mayor and council, no later than 20 days prior to the convening of the Regular Session of 2016. An award will result in a contract for these services with the Office of the Auditor.

1.2 CANCELLATION

The Request for Proposals (RFP) may be cancelled and any or all proposals rejected in whole or in part, without liability to the State, when it is determined to be in the best interest of the State.

1.3 TERMS AND ACRONYMS USED THROUGHOUT THE SOLICITATION

Auditor	=	Office of the Auditor, State of Hawai'i
BAFO	=	Best and Final Offer
CPO	=	Chief Procurement Officer
DAGS	=	Department of Accounting and General Services
GC	=	General Conditions, issued by the Department of the Attorney General
GET	=	General Excise Tax
GP	=	General Provisions
Procurement Officer	=	Contracting Officer for the Office of the Auditor
State	=	State of Hawai'i, including its departments, agencies, and political subdivisions
SPO	=	State Procurement Office
TAT	=	Transient Accommodations Tax
WG	=	State-County Functions Working Group

1.4 RFP SCHEDULE AND SIGNIFICANT DATES

The schedule represents the State Auditor’s best estimate of the schedule that will be followed. All times indicated are Hawai’i Standard Time (HST). If a component of this schedule, such as “Proposal Due date/time” is delayed, the rest of the schedule will likely be shifted by the same number of days. Any change to the RFP schedule and Significant Dates shall be reflected in and issued in an addendum. The approximate schedule is as follows:

Release of Request for Proposals	March 6, 2015 April 1, 2015
Due date to Submit Questions	n/a
State’s Response to Questions	n/a
Proposals Due date/time	April May 17, 2015 4:30 pm
Proposal Evaluations	April 9 May 8, 2015
Discussion with Priority Listed Offerors (if necessary)	n/a
Best and Final Offer (if necessary)	n/a
Notice of Award	April 10 July 1, 2015
Approximate Start Date	May 6 July 15, 2015

SECTION TWO
BACKGROUND AND SCOPE OF WORK

2.1 PROJECT OVERVIEW AND HISTORY

The State-County Functions Working Group (WG), established and administratively placed in the Office of the Auditor, State of Hawai'i (State or Auditor), pursuant to Section 2 of Act 174, SLH 2014, is requested to:

- 1) Evaluate the division of duties and responsibilities between state government and counties (City and County of Honolulu, and Counties of Hawai'i, Kaua'i, and Maui) relating to the provision of public services; and
- 2) Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax (TAT) revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

The Auditor is requested to initiate organization of and provide staff support for the WG.

2.2 SCOPE OF WORK

All services for the WG shall be in accordance with this RFP, including its attachments and any addenda.

2.2.1 Contractor Defined, Qualifications. The Contractor is defined as a licensed certified public accountant, or an economist, **or other consultant with training and experience** performing research and data analysis relating to the subject matter areas of Act 174, SLH 2014.

2.2.2 Objectives. The objectives of the services are to:

- a. Assist the WG in evaluating the division of duties and responsibilities between the State and counties relating to the provision of public services;
- b. Assist the Auditor in providing research, analysis, report writing, and facilitation services for the WG; and
- c. Assist the WG in developing models (options) on the appropriate allocation of the TAT revenues that properly reflect the provision of public services between the state government and counties.

2.2.3 Scope of services. The services may include:

- a. Gaining an understanding of Hawai'i's TAT law, including Act 174 (SLH 2014), and the Working Group Interim Report, dated December 18, 2014 ([Attachment 1A](#)).
- b. Working closely with the Auditor and WG, performing research and analysis and development of models—methodologies, formulas, and calculations;

criteria; frameworks; benchmarks; and assessment of tools, as needed—to complete the final report.

- c. Establishing the status quo as required in Section 2.2.2.b. and comparing that to the existing TAT distribution rate among state government and counties set forth in Section 237D-6.5(b), Hawai'i Revised Statutes.
- d. Providing in coordination with the Auditor and WG models (options) to evaluate the division of duties and responsibilities between the State government and counties relating to the provision of public services.
- e. Developing a report on models (options) in coordination with the Auditor and WG the appropriate allocation of the TAT revenues between the state government and counties that properly reflects the division of duties and responsibilities relating to: 1) the provision of public services and 2) the provision of such services as related to tourism; and articulating the conclusions and recommendations approved by the WG in the final report to be submitted no later than 20 days before the convening of the 2016 Regular Session. Allocation models (options) may include, but are not limited to, deriving ratios based on:
 - i. Total State government and counties' expenditures for provision of public services;
 - ii. Population, including comparisons based on:
 1. Total State and county de-facto population;
 2. Total State and county resident population; and
 3. Total State and county visitor population;
 - iii. Total State and county tourism expenditures;
 - iv. Total State and county visitor arrivals and visitor days; and
 - v. Historical intent and evolution of TAT and current needs of the visitor industry.
- f. Using a variety of sources from State, county, and visitor information and data, including but not limited to:
 - 1) *Black's Law Dictionary* and About State Government (Department of Budget and Finance) for possible definitions of "public service;"
 - 2) State of Hawai'i's and counties' Comprehensive Annual Financial Reports (CAFRs), the Hawai'i State Constitution, Hawai'i Revised Statutes, county charters, and the *Guide to Government* in Hawai'i (Legislative Reference Bureau) to determine the division of services provided by state government and counties; and
 - 3) State of Hawai'i Data Books and Population Estimate Series (Department of Business, Economic Development and Tourism), Department of Taxation Annual Reports, Hawai'i Tourism Authority reports, State of

Hawai'i and Counties of Hawai'i, Kaua'i, and Maui budget documents, relevant hotel and industry reports and information to determine population, Hawai'i visitor statistics, lodging statistics, including per room revenue, the impact of non-traditional accommodations, the State's and counties' gross income, tourism expenditure and revenue categories, including tourism-related expenditures and revenue categories, among others.

- g. Attending and presenting progress reports, analyses, and information to the WG at its monthly meetings on the first Wednesday of each month during 2015 and 2016 through adjournment sine die of the 2016 Regular Session, as needed.
- h. Assisting the WG in preparing testimony, briefing slides (approximately 20 slides) and presentations (approximately 15-20 minutes), and being available to present such items and confer with legislative committees as a resource to explain the various models (options) developed by the Contractor and considered by the WG when concluding and recommending the appropriate allocation of TAT revenues between the state government and counties, in 2016 through adjournment sine die of the 2016 Regular Session of the Legislature, which schedule may be amended from time to time, as needed.

2.2.4 Report. The report shall be preceded by an outline and a preliminary draft, both approved by the WG chair prior to the writing of the final draft of the report as set forth in 2.2.5, with editorial services to be provided by the Office of the Auditor.

2.2.5 Time Limitations

The timetable set forth below shall be followed to the closest extent possible. This timetable, however, may be modified based on justifiable reasons submitted in writing by the Contractor; such modifications cannot jeopardize the successful completion of the engagement and must be approved by the WG chair and Auditor.

~~Submittal date for first monthly progress and status updates, including analyses, and other work~~ ~~May 27, 2015~~

Submittal date for second initial monthly progress report and status updates, including analyses, and other work..... July 29, 2015~~24, 2015~~

Submittal date for preliminary findings and recommendations to be approved by the WG..... August 26, 2015

~~Submittal date for outline of final report~~..... ~~August 26, 2015~~

Submittal date for ~~submittal of~~proposed outline and preliminary report draft September 16~~30, 2015~~

Submittal date for final report draft, including WG conclusions and recommendation to be approved by the WG ~~November~~October 25~~28, 2015~~

Submittal date for final draft report with all changes approved by the WG..... November 25, 2015

Submittal date for draft briefing slides and testimony..... December 30, 2015

2.2.6 Engagement Activities

- a. Progress reports. Contractor shall submit monthly progress reports to the WG. The progress reports shall indicate whether the project is on schedule, and identify outstanding issues and problems.
- b. Outline and introductory chapter of the report. Prior to the preparation of the preliminary draft of the report, the Contractor shall prepare an outline and draft of the introductory chapter of the report and submit it to and discuss the same with the WG Chair and Auditor. The outline should include the major points of the preliminary findings and recommendations.
- c. Preliminary and final draft of the report. Contractor shall prepare a preliminary draft of the report based on the outline approved by the WG Chair and in such number of copies as requested by the Auditor and submit it to discuss the same with the WG Chair and Auditor by the dates set forth above.

The draft and the final report shall be prepared using Microsoft Word (Windows format) for IBM compatible computers, and an electronic version of the draft and final reports shall be submitted along with a printed copy of the report.

Contractor shall perform additional work, as required, to clarify statements made in the preliminary draft of the report. Contractor shall be considered to have completed the final draft of the report only upon the review and acceptance of the WG.

- d. Consultation on report findings and recommendations. Upon acceptance approval by the WG of the final draft, Contractor shall submit draft briefing slides and testimony for approval by the WG according to the timetable set forth in Section 2.2.5 Time Limitations, and be available to attend legislative hearings, as may be necessary, to testify on or to discuss the data and analyses contained in the final report, through adjournment sine die of the 2016 Regular Session of the Legislature.
- e. Preliminary Draft of Report. Reports shall be written in plain language for the public, in accordance with Article XVI, Section 13, of the Hawai'i State Constitution, which states that insofar as practicable, all governmental writing meant for the public shall be plainly worded, avoiding the use of technical terms.

2.3 State-County Functions Working Group Responsibilities

2.3.1 Working Group Defined. The WG consists of 13 members, appointed as follows: four members, each of whom shall be appointed by a different county mayor; four members appointed by the Governor of the State of Hawai'i; two members appointed by the President of the Senate; two members appointed by the Speaker of the House of Representatives; and one member appointed by the Chief Justice of the State of Hawai'i, who shall serve as the WG chair. The members appointed by the President of the Senate, the Speaker of the House of Representatives, and the Chief Justice shall not be currently employed by the State or any county.

2.3.2 The WG will work collaboratively with the Contractor to obtain any available data, which the Contractor deems necessary to perform the evaluation and draft the final report.

~~2.3.3 The WG shall approve the findings, conclusions, recommendations and final report.~~

~~2.3.4 The WG shall submit its final report to the 2016 Legislature on December 30, 2015.~~

~~2.3.5 [WG to include additional items]~~

2.4 TERM OF THE CONTRACT

The contract shall be for a period of approximately ~~twelve ten~~ (1210) months and is intended to begin approximately on ~~May 6~~ July 15, 2015 and end on or about May 29, 2016.

When interests of the WG or the Contractor so require, the WG or the Contractor may terminate the contract for convenience by providing six (6) weeks prior written notice to the other party.

2.5 CONTRACT ADMINISTRATOR

For the purposes of this contract Jan K. Yamane, Acting State Auditor, (808) 587-0800, is designated the Contract Administrator.

SECTION THREE
PROPOSAL FORMAT AND CONTENT

3.1 OFFEROR'S AUTHORITY TO SUBMIT AN OFFER

The Auditor will not participate in determinations regarding an Offeror's authority to sell a product or service. If there is a question or doubt regarding an Offeror's right or ability to obtain and sell a product or service, the Offeror shall resolve that question prior to submitting an offer.

3.2 REQUIRED REVIEW

3.2.1. Before submitting a proposal, each Offeror must thoroughly and carefully examine this RFP, any attachment, addendum, and other relevant document, to ensure Offeror understands the requirements of the RFP. Offeror must also become familiar with State, local, and Federal laws, statutes, ordinances, rules, and regulations that may in any manner affect cost, progress, or performance of the work required.

3.2.2. Should Offeror find defects and questionable or objectionable items in the RFP, Offeror shall notify the Auditor in writing prior to the deadline for written questions as stated in the RFP *Schedule and Significant Dates*, as amended. This will allow the issuance of any necessary corrections and/or amendments to the RFP by addendum, and mitigate reliance of a defective solicitation and exposure of proposal(s) upon which award could not be made.

3.3 PROPOSAL PREPARATION COSTS

Any and all costs incurred by the Offeror in preparing or submitting a proposal shall be the Offeror's sole responsibility whether or not any award results from this RFP. The State shall not reimburse such costs.

3.4 TAX LIABILITY

3.4.1. Work to be performed under this solicitation is a business activity taxable under HRS Chapter 237, and if applicable, taxable under HRS Chapter 238. Contractor is advised that they are liable for the Hawai'i GET at the current 4.5% for sales made on O'ahu, and at the 4% rate for the islands of Hawai'i, Maui, Moloka'i, and Kaua'i. If, however, an Offeror is a person exempt by the HRS from paying the GET and therefore not liable for the taxes on this solicitation, Offeror shall state its tax exempt status and cite the HRS chapter or section allowing the exemption.

3.4.2. Offeror shall submit its current Federal I.D. No. and Hawai'i General Excise Tax License I.D. number in the space provided on Offer Form, page OF-1, thereby attesting that the Offeror is doing business in the State and that Offeror will pay such taxes on all sales made to the State.

3.5 PROPERTY OF OFFICE OF THE AUDITOR

All proposals become the property of the Office of the Auditor.

3.6 CONFIDENTIAL INFORMATION

- 3.6.1. If an Offeror believes that any portion of a proposal, offer, specification, protest, or correspondence contains information that should be withheld from disclosure as confidential, then the Offeror shall inform the Procurement Officer named on the cover of this RFP in writing and provide justification to support the Offeror's confidentiality claim. Price is not considered confidential and will not be withheld.
- 3.6.2. An Offeror shall request in writing nondisclosure of information such as designated trade secrets or other proprietary data Offeror considers to be confidential. Such requests for nondisclosure shall accompany the proposal, be clearly marked, and be readily separable from the proposal in order to facilitate eventual public inspection of the non-confidential portion of the proposal.

3.7 EXCEPTIONS

Should Offeror take any exception to the terms, conditions, specifications, or other requirements listed in the RFP, Offeror shall list such exceptions in this section of the Offeror's proposal. Offeror shall reference the RFP section where exception is taken, a description of the exception taken, and the proposed alternative, if any. The Auditor reserves the right to accept or not accept any exceptions.

No exceptions to statutory requirements of the Attorney General General Conditions shall be considered.

3.8 PROPOSAL OBJECTIVES

- 3.8.1 One of the objectives of this RFP is to make proposal preparation easy and efficient, while giving Offerors ample opportunity to highlight their proposals. The evaluation process must also be manageable and effective.
- 3.8.2 Proposals shall be prepared in a straightforward and concise manner, in a format that is reasonably consistent and appropriate for the purpose. Emphasis will be on completeness and clarity and content.
- 3.8.3. When an Offeror submits a proposal, it shall be considered a complete plan for accomplishing the tasks described in this RFP and any supplemental tasks the Offeror has identified as necessary to successfully complete the obligations outlined in this RFP.
- 3.8.4. The proposal shall describe in detail the Offeror's ability and availability of services to meet the goals and objectives of this RFP as stated in Section 2.2 SCOPE OF WORK.
- 3.8.5. Offeror shall submit a proposal that includes an overall strategy, timeline and plan for the work proposed as well as expected results and possible shortfalls. Offeror's submittal to include: Methodology: the plan for the study; and the approach, method, and procedure that the Offeror intends to take in performing the study. The proposed phases and steps to be followed and the tests and standards to be used in performing the work required shall be outlined.

3.9 PROPOSAL FORMS

3.9.1. To be considered responsive, the Offeror's proposal shall respond to and include all items specified in this RFP and any subsequent addendum. Any proposal offering and any other set of terms and conditions that conflict with the terms and conditions provided in the RFP or in any subsequent addendum may be rejected without further consideration.

3.9.2. Offer Form, Page OF-1. Offer Form, OF-1 is required to be completed using Offeror's exact legal name as registered with the Department of Commerce and Consumer Affairs, if applicable, in the appropriate space on Offer Form, OF-1 (**Attachment 2**). Failure to do so may delay proper execution of the Contract.

The Offeror's authorized signature on the Offer Form, OF-1 shall be an original signature in ink, which shall be required before an award, if any, can be made. The submission of the proposal shall indicate Offeror's intent to be bound.

3.9.3. Offer Form, Page OF-2. Proposal Objectives section 3.8 and pricing shall be submitted on Offer Form OF-2 (**Attachment 3**). The price shall be the all-inclusive cost, including the GET to the State. No other costs will be honored. Any unit prices shall be inclusive.

3.10 PROPOSAL CONTENTS

Proposals must:

3.10.1 Include a transmittal letter to confirm that the Offeror shall comply with the requirements, provisions, terms, and conditions specified in this RFP.

3.10.2 Include a signed Offer Form OF-1 with the complete name and address of Offeror's firm and the name, mailing address, telephone number, and fax number of the person the State should contact regarding the Offeror's proposal.

3.10.3 If subcontractor(s) will be used, append a statement to the transmittal letter from each subcontractor, signed by an individual authorized to legally bind the subcontractor and stating:

a. The general scope of work to be performed by the subcontractor;

b. The subcontractor's willingness to perform for the indicated.

3.10.4 Provide all of the information requested in this RFP in the order specified.

3.10.5 Be organized into sections, following the exact format using all titles, subtitles, and numbering, with tabs separating each section described below. Each section must be addressed individually and pages must be numbered.

- a. Transmittal Letter
See Attachment 2, Offer Form, OF-1
- b. Experience and Capabilities.
 - 1) A complete, relevant, and current client listing
 - 2) The number of years Offeror has been in business and the number of years Offeror has performed services specified by this RFP.
 - 3) A list of key personnel and associated resumes for those who will be dedicated to this project.
 - 4) A list of at least three (3) references from the Offeror's client listing that may be contacted by the State as to the Offeror's past and current job performance. Offeror shall provide names, titles, organizations, telephone numbers, email and postal addresses.
 - 5) A summary listing of judgments or pending lawsuits or actions against; adverse contract actions, including termination(s), suspension, imposition of penalties, or other actions relating to failure to perform or deficiencies in fulfilling contractual obligations against your firm. If none, so state.
 - 6) A list of sample projects and/or examples of written plans.
- c. Proposal Objectives including an overall strategy, timeline and plan.
- d. Pricing.
See Attachment 3, Offer Form OF-2.
- e. Exceptions.

3.11 RECEIPT AND REGISTER OF PROPOSALS

Proposals will be received and receipt verified by two or more procurement officials on or after the date and time specified in Section One, or as amended.

The register of proposals and proposals of the Offeror(s) shall be open to the public inspection upon posting of award pursuant to section 103D-701, HRS.

3.12 BEST AND FINAL OFFER (BAFO)

If the Auditor determines a BAFO is necessary, it shall request one from the Offeror. The Offeror shall submit its BAFO and any BAFO received after the deadline or not received shall not be considered.

3.13 MODIFICATION PRIOR TO SUBMITTAL DEADLINE OR WITHDRAWAL OF OFFERS

3.13.1 The Offeror may modify or withdraw a proposal before the proposal due date and time.

3.13.2 Any change, addition, deletion of attachment(s) or data entry of an Offer may be made prior to the deadline for submittal of offers.

3.14 MISTAKES IN PROPOSALS

3.14.1 Mistakes shall not be corrected after award of contract.

3.14.2 When the Procurement Officer knows or has reason to conclude before award that a mistake has been made, the Procurement Officer should request the Offeror to confirm the proposal. If the Offeror alleges mistakes, the proposal may be corrected or withdrawn pursuant to this section.

3.14.3 Once discussions are commenced or after best and final offers are requested, any priority-listed Offeror may freely correct any mistake by modifying or withdrawing the proposal until the time and date set for receipt of best and final offers.

3.14.4 If discussions are not held, or if the best offer and final offers upon which award will be made have been received, mistakes shall be corrected to the intended correct offer whenever the mistake and the intended correct offer are clearly evident on the face of the proposal, in which event the proposal may not be withdrawn.

3.14.5 If discussions are not held, or if the best and final offers upon which award will be made have been received, an Offeror alleging a material mistake of fact which makes a proposal non-responsive may be permitted to withdraw the proposal if: the mistake is clearly evident on the face of the proposal but the intended correct offer is not; or the Offeror submits evidence which clearly and convincingly demonstrates that a mistake was made.

Technical irregularities are matters of form rather than substance evident from the proposal document, or insignificant mistakes that can be waived or corrected without prejudice to the other Offerors; that is, when there is no effect on price, quality, or quantity. If discussions are not held or if best and final offers upon which award will be made have been received, the Procurement Officer may waive such irregularities or allow an Offeror to correct them if either is in the best interest of the State. Examples include the failure of an Offeror to: return the number of signed proposals required by the request for proposals; sign the proposal, but only if the unsigned proposal is accompanied by other material indicating the Offeror's intent to be bound; or to acknowledge receipt of an amendment to the request for proposal, but only if it is clear from the proposal that the Offeror received the amendment and intended to be bound by its terms; or the amendment involved had no effect on price, quality, or quantity.

SECTION FOUR
EVALUATION CRITERIA

Evaluation criteria and the associated points are listed below. The award will be made to the responsible Offeror whose proposal is determined to be the most advantageous to the Auditor based on the evaluation criteria listed in this section.

The total number of points used to score this contract is 100.

- 1) Cost of services **(20)**

- 2) Previous experience, capability and proficiency in the state government and county functions, taxation policy, budget and fiscal analysis, visitor industry, and report writing. **(20)**
 - a. Number of years in the business of analyzing data and number of years performing services specified in this RFP
 - b. Reference and client listings
 - c. Technical qualifications, i.e. advance degrees and professional certifications

- 3) Sample projects and/or examples of written plans for services specified in this RFP. **(10)**

- 4) Knowledge and expertise in analyzing state and county budgets and fiscal analysis, population data, visitor data, and transient accommodations. **(20)**

- 5) Project Proposal **(30)**
 - a. Methodology
 - b. Timeline
 - c. Expected Results
 - d. Possible Shortfalls

SECTION FIVE
CONTRACTOR SELECTION AND CONTRACT AWARD

5.1 EVALUATION OF PROPOSALS

The Procurement Officer shall evaluate proposals. The evaluation will be based solely on the evaluation criteria set out in Section Four of this RFP.

If numerous acceptable and potentially acceptable proposals are submitted, the Procurement Officer may limit the priority list to the three highest ranked, responsible Offerors.

5.2 DISCUSSION WITH PRIORITY LISTED OFFERORS

The State may invite priority listed Offerors to discuss with their proposals to ensure thorough, mutual understanding. The State in its sole discretion shall schedule the time and location for these discussions, generally within the timeframe indicated in *RFP Schedule and Significant Dates*. The State may also conduct discussions with priority listed Offerors to clarify issues regarding the proposals before requesting Best and Final Offers, if necessary.

5.3 AWARD OF CONTRACT

Method of Award. Award will be made to the responsible Offeror whose proposal is determined to be the most advantageous to the WG based on the evaluation criteria set forth in the RFP.

5.4 RESPONSIBILITY OF OFFERORS

Offeror is advised that in order to be awarded a contract under this solicitation, Offeror will be required, to be compliant with all laws governing entities doing business in the State including the following chapters and pursuant to HRS §103D-310(c):

1. Chapter 237, General Excise Tax Law;
2. Chapter 383, Hawai'i Employment Security Law;
3. Chapter 386, Workers' Compensation Law;
4. Chapter 392, Temporary Disability Insurance;
5. Chapter 393, Prepaid Health Care Act; and
6. §103D-310(c), Certificate of Good Standing (COGS) for entities doing business in the State.

The Procurement Officer will verify compliance on Hawai'i Compliance Express (HCE).

Hawai'i Compliance Express. The HCE is an electronic system that allows vendors/contractors/service providers doing business with the State to quickly and easily demonstrate compliance with applicable laws. It is an online system that replaces the necessity of obtaining paper compliance certificates from the Department of Taxation, Federal Internal Revenue Service; Department of Labor and Industrial Relations, and Department of Commerce and Consumer Affairs.

Vendors/contractors/service providers should register with (HCE) prior to submitting an offer at <https://vendors.ehawaii.gov>. The annual registration fee is \$12.00 and the 'Certificate of Vendor Compliance' is accepted for the execution of contract and final payment.

Timely Registration on HCE. Vendors/contractors/service providers are advised to register on HCE soon as possible. If a vendor/contractor/service provider is not compliant on HCE at the time of award, an Offeror will not receive the award.

5.5 PROPOSAL AS PART OF THE CONTRACT

This RFP and all or part of the successful proposal may be incorporated into the contract.

5.6 PUBLIC EXAMINATION OF PROPOSALS

Except for confidential portions, the proposals shall be made available for public inspection upon posting of award pursuant to HRS §103D-701.

If a person is denied access to a State procurement record, the person may appeal the denial to the office of information practices in accordance with HRS §92F-42(12).

5.7 DEBRIEFING

Pursuant to HAR §3-122-60, a non-selected Offeror may request a debriefing to understand the basis for award.

A written request for debriefing shall be made within three (3) working days after the posting of the award of the contract. The Procurement Officer or designee shall hold the debriefing within seven (7) working days to the extent practicable from the receipt date of written request.

Any protest by the requestor following a debriefing, shall be filed within five (5) working days, as specified in HAR §103D-303(h).

5.8 PROTEST PROCEDURES

Pursuant to HRS §103D-701 and HAR §3-126-3, an actual or prospective Offeror who is aggrieved in connection with the solicitation or award of contract may submit a protest.

Any protest shall be submitted in writing to the Procurement Officer at:

Ron Shiigi
Office of the Auditor
Kekūanaō'a Building
465 S. King Street, Rm. 500
Honolulu, Hawai'i 96813-2917

A protest shall be submitted in writing within five (5) working days after the aggrieved person knows or should have known of the facts giving rise thereto; provided that a protest based upon the content of the solicitation shall be submitted in writing prior to the date set for receipt of offers. Further provided that a protest of an award or proposed award shall be submitted within five (5) working days after the posting of award or if requested, within five (5) working days after the PO's debriefing was completed.

The notice of award, if any, resulting from this solicitation shall be posted on the Procurement Awards, Notices and Solicitations (PANS), which is available on the SPO website: <http://www.hawaii.gov/spo2/source/>.

5.9 APPROVALS

Any agreement arising out of this offer may be subject to the approval of the President of the Senate and Speaker of the House of Representatives, as required by statute, regulation, rule, order or other directive.

5.10 CONTRACT EXECUTION

Successful Offeror receiving award shall enter into a formal written contract in the form as in Exhibit D. No performance or payment bond is required for this contract.

No work is to be undertaken by the Contractor prior to the effective date of contract. The State of Hawai'i is not liable for any work, contract, costs, expenses, loss of profits, or any damages whatsoever incurred by the Contractor prior to the official starting date.

If an option to extend is mutually agreed upon, the Contractor shall be required to execute a supplement to the contract for the additional extension period.

5.11 INSURANCE

5.11.1 Prior to the contract start date, the Contractor shall procure at its sole expense and maintain insurance coverage acceptable to the State in full force and effect throughout the term of the Contract. The Offeror shall provide proof of insurance for the following minimum insurance coverage(s) and limit(s) in order to be awarded a contract. The type of insurance coverage is listed as follows:

1. Commercial General Liability Insurance

Commercial general liability insurance coverage against claims for bodily injury and property damage arising out of all operations, activities or contractual liability by the Contractor, its employees and subcontractors during the term of the Contract. This insurance shall include the following coverage and limits specified or required by any applicable law: bodily injury and property damage coverage with a minimum of \$1,000,000 per occurrence; personal and advertising injury of \$1,000,000 per occurrence; broadcasters' liability insurance of \$1,000,000 per occurrence; and with an aggregated limit of \$2,000,000. The commercial general liability policy shall be written on an occurrence basis and the policy shall provide legal defense costs and expenses in addition to the limits of liability stated above. The Contractor shall be responsible for payment of any deductible applicable to this policy.

2. Automobile Liability Insurance

Automobile liability insurance covering owned, non-owned, and leased, and hired vehicles with a minimum of \$1,000,000 for bodily injury for each person, \$1,000,000 for bodily injury for each accident, and \$1,000,000 for property damage for each accident.

3. Appropriate levels of per occurrence insurance coverage for workers' compensation and any other insurance coverage required by Federal or State law.

5.11.2 The Contractor shall deposit with the SPO, on or before the effective date of the Contract, certificate(s) of insurance necessary to satisfy the SPO that the provisions of the Contract have been complied with, and to keep such insurance in effect and provide the certificate(s) of insurance to the SPO during the entire term of the Contract. Upon request by the SPO, the Contractor shall furnish a copy of the policy or policies.

5.11.3 The Contractor will immediately provide written notice to the SPO and contracting department or agency should any of the insurance policies evidenced on its Certificate of Insurance form be cancelled, limited in scope, or not renewed up expiration.

5.11.4 The certificates of insurance shall contain the following clauses:

- a. The State of Hawai'i is added as an additional insured as respects to operations performed for the State of Hawai'i."
- b. "It is agreed that any insurance maintained by the State of Hawai'i will apply in excess of, and not contribute with, insurance provided by this policy."

5.11.5 Failure of the Contractor to provide and keep in force such insurance shall constitute a material default under the Contract, entitling the State to exercise any or all of the remedies provided in the Contract (including without limitation terminating the Contract). The procuring of any required policy or policies of insurance shall not be construed to limit the Contractor's liability hereunder, or to fulfill the indemnification provisions of the Contract. Notwithstanding said policy or policies or insurance, the Contractor shall be responsible for the full and total amount of any damage, injury, or loss caused by the Contractor's negligence or neglect in the provision of services under the Contract.

5.12 PAYMENT

The method of payment for services shall be monthly billings and the Contractor shall itemize the cost of services as follows:

- a. Staff and other technical services, including the fee rates and amounts by staff classification;
- b. Travel;
- c. Report printing; and

d. Other costs not otherwise allocable to the above.

5.13 FINAL PAYMENT

The final payment shall not be made except upon (1) the completion of the scope of services described in Section 2.2.3h and the adjournment sine die of the 2016 Regular Session of the Legislature, and (2) Contractor's compliance with Hawai'i Compliance Express (<https://vendors.ehawaii.gov/hce/splash/welcome.html>).

The Auditor reserves the right to determine and prescribe such other conditions as are appropriate under which progress payments shall be allowed.

5.14 CONTRACT INVALIDATION

If any provision of this contract is found to be invalid, such invalidation will not be construed to invalidate the entire contract.

SECTION SIX
SPECIAL PROVISIONS

6.1 INTELLECTUAL PROPERTY RIGHTS

The Auditor reserves the right to unlimited, irrevocable, worldwide, perpetual, royalty-free, non-exclusive licenses to use, modify, reproduce, perform, release, display, create derivative works from, and disclose the work product, and to transfer the intellectual property to third parties for Auditor purposes.

6.2 CERTIFICATION OF OFFEROR CONCERNING WAGES, HOURS AND WORKING CONDITIONS OF EMPLOYEES SUPPLYING SERVICES

All Offerors for service contracts shall comply with Section 103-55, Hawai'i Revised Statutes, which provides as follows:

Wages, hours and working conditions of employees of CONTRACTOR supplying services Before any prospective Offeror is entitled to submit any offer for the performance of any contract to supply services in excess of \$25,000 to any governmental agency, Offeror shall certify that the services to be performed will be performed under the following conditions:

Wages: The services to be rendered shall be performed by employees paid at wages or salaries not less than the wages paid to public officers and employees for similar work.

Compliance with labor laws: All applicable laws of the Federal and State governments relating to workers compensation, unemployment compensation, payment of wages, and safety will be fully complied with.

No contract to perform services for any governmental contracting agency in excess of \$25,000 shall be granted unless all the conditions of this section are met. Failure to comply with the conditions of this section during the period of the contract to perform services shall result in cancellation of the contract.

It shall be the duty of the governmental contracting agency awarding the contract to perform services in excess of \$25,000 to enforce this section.

This section shall apply to all contracts to perform services in excess of \$25,000, including contracts to supply ambulance service and janitorial service.

This section shall not apply to:

- (1) Managerial, supervisory, or clerical personnel.
- (2) Contracts for supplies, materials, or printing.
- (3) Contracts for utility services.

- (4) Contracts to perform personal services under paragraphs (2), (3), (12), and (15) of section 76-16, paragraphs (7), (8), and (9) of section 46-33, and paragraphs (7), (8), and (12) of section 76-77, Hawai'i Revised Statutes, (HRS).
- (5) Contracts for professional services.
- (6) Contracts to operate refreshment concessions in public parks, or to provide food services to educational institutions.
- (7) Contracts with nonprofit institutions.

SECTION SEVEN
ATTACHMENTS AND EXHIBITS

- Attachment 1: Act 174, Session Laws of Hawai'i 2014
- Attachment 1A: Interim Report of the State-County Functions Working Group, dated December 18 2014
- Attachment 2: OFFER FORM, OF-1
- Attachment 3: OFFER FORM, OF-2
- Exhibit A: OVERVIEW OF THE RFP PROCESS
- Exhibit B: GENERAL PROVISIONS
- Exhibit C: GENERAL CONDITIONS
- Exhibit D: CONTRACT FOR PROFESSIONAL SERVICES



OFFICE OF THE AUDITOR

RELEASE DATE: <Date procurement notice is posted >

**REQUEST FOR PROPOSALS
No. RFP-15-XX
SEALED OFFERS
FOR
PROFESSIONAL SERVICES FOR THE STATE-COUNTY
FUNCTIONS WORKING GROUP**

**STATE OF HAWAII
OFFICE OF THE AUDITOR**

WILL BE RECEIVED UP TO 4:30 P.M. (HST) ON
<April 1, 2015>

IN THE OFFICE OF THE AUDITOR, STATE OF HAWAII, KEKŪANAŌ'A BUILDING, ROOM
500, 465 SOUTH KING STREET, HONOLULU, HAWAII 96813. DIRECT QUESTIONS
RELATING TO THIS SOLICITATION TO ADMINISTRATIVE DEPUTY AUDITOR RON SHIIGI
TELEPHONE (808) 587-0800 FACSIMILE (808) 587-0830 OR E-MAIL AT

auditors2@auditor.state.hi.us.

Ron Shiigi
Procurement Officer

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SECTION ONE

INTRODUCTION, TERMS AND ACRONYMS, KEY DATES

1.1 INTRODUCTION

The Office of the Auditor is requesting proposals for the State-County Functions Working Group (WG) authorized by Act 174, Session Laws of Hawai'i 2014 (Attachment 1), to employ the professional services of a qualified individual or firm to aid the WG in carrying out its roles and responsibilities and preparing the final report, including findings and recommendations, to the Legislature, Governor, and each county mayor and council, no later than 20 days prior to the convening of the Regular Session of 2016. An award will result in a contract for these services with the Office of the Auditor.

1.2 CANCELLATION

The Request for Proposals (RFP) may be cancelled and any or all proposals rejected in whole or in part, without liability to the State, when it is determined to be in the best interest of the State.

1.3 TERMS AND ACRONYMS USED THROUGHOUT THE SOLICITATION

Auditor	=	Office of the Auditor, State of Hawai'i
BAFO	=	Best and Final Offer
CPO	=	Chief Procurement Officer
DAGS	=	Department of Accounting and General Services
GC	=	General Conditions, issued by the Department of the Attorney General
GET	=	General Excise Tax
GP	=	General Provisions
Procurement Officer	=	Contracting Officer for the Office of the Auditor
State	=	State of Hawai'i, including its departments, agencies, and political subdivisions
SPO	=	State Procurement Office
TAT	=	Transient Accommodations Tax
WG	=	State-County Functions Working Group

1.4 RFP SCHEDULE AND SIGNIFICANT DATES

The schedule represents the State Auditor's best estimate of the schedule that will be followed. All times indicated are Hawai'i Standard Time (HST). If a component of this schedule, such as "Proposal Due date/time" is delayed, the rest of the schedule will likely be shifted by the same number of days. Any change to the RFP schedule and Significant Dates shall be reflected in and issued in an addendum. The approximate schedule is as follows:

Release of Request for Proposals	March 6, 2015
Due date to Submit Questions	n/a
State's Response to Questions	n/a
Proposals Due date/time	April 7, 2015 4:30 pm
Proposal Evaluations	April 9, 2015
Discussion with Priority Listed Offerors (if necessary)	n/a
Best and Final Offer (if necessary)	n/a
Notice of Award	April 10, 2015
Approximate Start Date	May 6, 2015

SECTION TWO

BACKGROUND AND SCOPE OF WORK

2.1 PROJECT OVERVIEW AND HISTORY

The State-County Functions Working Group (WG), established and administratively placed in the Office of the Auditor, State of Hawai'i (State or Auditor), pursuant to Section 2 of Act 174, SLH 2014, is requested to:

- 1) Evaluate the division of duties and responsibilities between state government and counties (City and County of Honolulu, and Counties of Hawai'i, Kaua'i, and Maui) relating to the provision of public services; and
- 2) Submit a recommendation to the Legislature on the appropriate allocation of the transient accommodations tax (TAT) revenues between the State and counties that properly reflects the division of duties and responsibilities relating to the provision of public services.

The Auditor is requested to initiate organization of and provide staff support for the WG.

2.2 SCOPE OF WORK

All services for the WG shall be in accordance with this RFP, including its attachments and any addenda.

2.2.1 Contractor Defined, Qualifications. The Contractor is defined as a licensed certified public accountant, or an economist, **or other consultant with training and experience** performing research and data analysis relating to the subject matter areas of Act 174, SLH 2014.

2.2.2 Objectives. The objectives of the services are to:

- a. Assist the WG in developing models (options) on the appropriate allocation of the TAT revenues that properly reflect the provision of public services between the state government and counties based on the WG's evaluation of duties and responsibilities between state government and counties relating to:
 - i. the provision of public services;
 - ii. the percentage of tourism revenues and expenditures for each county.
- ~~a.~~ Assist the WG in evaluating the division of duties and responsibilities between the State and counties relating to the provision of public services;
- ~~b.~~
- ~~c.~~ Assist the WG Auditor in providing research, analysis, and report writing, and facilitation services for the WG; and following timetable for deliverables in Section 2.2.5 Time Limitations.

~~e.c. Assist the WG in developing models (options) on the appropriate allocation of the TAT revenues that properly reflect the provision of public services between the state government and counties.~~

2.2.3 Scope of services. The services may include:

- a. Gaining an understanding of Hawai'i's TAT law, including Act 174 (SLH 2014), and the Working Group Interim Report, dated December 18, 2014 (Attachment 1A).
- b. Working closely with the Auditor and WG, performing research and analysis and development of models—methodologies, formulas, and calculations; criteria; frameworks; benchmarks; and assessment of tools, as needed—to complete the final report.
- ~~c. Establishing the status quo as required in Section 2.2.2.b. and comparing that to the existing TAT distribution rate among state government and counties set forth in Section 237D-6.5(b), Hawai'i Revised Statutes.~~
- ~~d. Providing in coordination with the Auditor and WG models (options) to evaluate the division of duties and responsibilities between the State government and counties relating to the provision of public services.~~
- e.c. Developing a report on models (options) in coordination with the Auditor and WG the appropriate allocation of the TAT revenues between the state government and counties that properly reflects the division of duties and responsibilities relating to: 1) the provision of public services and 2) the provision of such services as related to tourism; and articulating the conclusions and recommendations approved by the WG in the final report to be submitted no later than 20 days before the convening of the 2016 Regular Session. Allocation models (options) may include, but are not limited to, deriving ratios based on:
 - i. Total State government and counties' expenditures for provision of public services;
 - ii. Population, including comparisons based on:
 - 1. Total State and county de-facto population;
 - 2. Total State and county resident population; and
 - 3. Total State and county visitor population;
 - iii. Total State and county tourism expenditures;
 - iv. Total State and county visitor arrivals and visitor days; and
 - v. Historical intent and evolution of TAT and current needs of the visitor industry.
- f.d. Using a variety of sources from State, county, and visitor information and data, including but not limited to:

- 1) *Black's Law Dictionary* and About State Government (Department of Budget and Finance) for possible definitions of "public service;"
- 2) State of Hawai'i's and counties' Comprehensive Annual Financial Reports (CAFRs), the Hawai'i State Constitution, Hawai'i Revised Statutes, county charters, and the *Guide to Government* in Hawai'i (Legislative Reference Bureau) to determine the division of services provided by state government and counties; and
- 3) State of Hawai'i Data Books and Population Estimate Series (Department of Business, Economic Development and Tourism), Department of Taxation Annual Reports, Hawai'i Tourism Authority reports, State of Hawai'i and Counties of Hawai'i, Kaua'i, and Maui budget documents, relevant hotel and industry reports and information to determine population, Hawai'i visitor statistics, lodging statistics, including per room revenue, the impact of non-traditional accommodations, the State's and counties' gross income, tourism expenditure and revenue categories, including tourism-related expenditures and revenue categories, among others.

g.e. Attending and presenting progress reports, analyses, and information to the WG at its monthly meetings on the first Wednesday of each month during 2015 and 2016 through adjournment sine die of the 2016 Regular Session, as needed.

h.f. Assisting the WG in preparing testimony, briefing slides (approximately 20 slides) and presentations (approximately 15-20 minutes), and being available to present such items and confer with legislative committees as a resource to explain the various models (options) developed by the Contractor and considered by the WG when concluding and recommending the appropriate allocation of TAT revenues between the state government and counties, in 2016 through adjournment sine die of the 2016 Regular Session of the Legislature, which schedule may be amended from time to time, as needed.

2.2.4 Report. The report shall be preceded by an outline and a preliminary draft, both approved by the WG chair prior to the writing of the final draft of the report as set forth in 2.2.5, with editorial services to be provided by the Office of the Auditor.

2.2.5 Time Limitations

The timetable set forth below shall be followed to the closest extent possible. This timetable, however, may be modified based on justifiable reasons submitted in writing by the Contractor; such modifications cannot jeopardize the successful completion of the engagement and must be approved by the WG chair and Auditor.

Submittal dates for initial monthly progress reports and status updates, including analyses, and other work..... July 29 May 27, 2015
 June 24, 2015

.....July 29, 2015
August 26, 2015
September 30, 2015
October 28, 2015
November 24, 2015
Final December 30, 2015

Submittal date for preliminary allocation models to be presented to the WG for discussion..... June 24, 2015

Submittal date for allocation models developed to be approved by the WG July 29, 2015

Submittal date for preliminary findings and recommendations to be presented to the WG for discussion.....August 26, 2015

Submittal date for proposed outline and preliminary report draft-draft to be presented to the WG for approvalSeptember 30, 2015

Submittal date for final report draft, including WG conclusions and recommendation to be approved by the WG October 28, 2015

Submittal date for final draft report with all changes revisions approved by the WG at November 4, 2015 meeting.....-November 25¹¹, 2015

Submittal date for draft briefing slides and testimony..... December 30, 2015

2.2.6 Engagement Activities

- a. Progress reports. Contractor shall submit monthly progress reports to the WG. The progress reports shall indicate whether the project is on schedule, and identify outstanding issues and problems.
- b. Outline and introductory chapter of the report. Prior to the preparation of the preliminary draft of the report, the Contractor shall prepare an outline and draft of the introductory chapter of the report and submit it to and discuss the same with the WG Chair and Auditor. The outline should include the major points of the preliminary findings and recommendations.
- c. Preliminary and final draft of the report. Contractor shall prepare a preliminary draft of the report based on the outline approved by the WG Chair and in such number of copies as requested by the Auditor and submit it to discuss the same with the WG Chair and Auditor by the dates set forth above.

The draft and the final report shall be prepared using Microsoft Word (Windows format) for IBM compatible computers, and an electronic version of the draft and final reports shall be submitted along with a printed copy of the report.

Contractor shall perform additional work, as required, to clarify statements made in the preliminary draft of the report. Contractor shall be considered to have completed the final draft of the report only upon the review and acceptance of the WG.

- d. Consultation on report findings and recommendations. Upon approval by the WG of the final draft, Contractor shall submit draft briefing slides and testimony for approval by the WG according to the timetable set forth in Section 2.2.5 Time Limitations, and be available to attend legislative hearings, as may be necessary, to testify on or to discuss the data and analyses contained in the final report, through adjournment sine die of the 2016 Regular Session of the Legislature.
- e. Preliminary Draft of Report. Reports shall be written in plain language for the public, in accordance with Article XVI, Section 13, of the Hawai'i State Constitution, which states that insofar as practicable, all governmental writing meant for the public shall be plainly worded, avoiding the use of technical terms.

2.3 State-County Functions Working Group Responsibilities

2.3.1 Working Group Defined. The WG consists of 13 members, appointed as follows: four members, each of whom shall be appointed by a different county mayor; four members appointed by the Governor of the State of Hawai'i; two members appointed by the President of the Senate; two members appointed by the Speaker of the House of Representatives; and one member appointed by the Chief Justice of the State of Hawai'i, who shall serve as the WG chair. The members appointed by the President of the Senate, the Speaker of the House of Representatives, and the Chief Justice shall not be currently employed by the State or any county.

2.3.2 The WG will work collaboratively with the Contractor to obtain any available data, which the Contractor deems necessary to perform the evaluation and draft the final report.

2.4 TERM OF THE CONTRACT

The contract shall be for a period of approximately ten (10) months and is intended to begin approximately on July 15, 2015 and end on or about May 29, 2016.

When interests of the WG or the Contractor so require, the WG or the Contractor may terminate the contract for convenience by providing six (6) weeks prior written notice to the other party.

2.5 CONTRACT ADMINISTRATOR

For the purposes of this contract Jan K. Yamane, Acting State Auditor, (808) 587-0800, is designated the Contract Administrator.

SECTION THREE

PROPOSAL FORMAT AND CONTENT

3.1 OFFEROR'S AUTHORITY TO SUBMIT AN OFFER

The Auditor will not participate in determinations regarding an Offeror's authority to sell a product or service. If there is a question or doubt regarding an Offeror's right or ability to obtain and sell a product or service, the Offeror shall resolve that question prior to submitting an offer.

3.2 REQUIRED REVIEW

3.2.1. Before submitting a proposal, each Offeror must thoroughly and carefully examine this RFP, any attachment, addendum, and other relevant document, to ensure Offeror understands the requirements of the RFP. Offeror must also become familiar with State, local, and Federal laws, statutes, ordinances, rules, and regulations that may in any manner affect cost, progress, or performance of the work required.

3.2.2. Should Offeror find defects and questionable or objectionable items in the RFP, Offeror shall notify the Auditor in writing prior to the deadline for written questions as stated in the RFP *Schedule and Significant Dates*, as amended. This will allow the issuance of any necessary corrections and/or amendments to the RFP by addendum, and mitigate reliance of a defective solicitation and exposure of proposal(s) upon which award could not be made.

3.3 PROPOSAL PREPARATION COSTS

Any and all costs incurred by the Offeror in preparing or submitting a proposal shall be the Offeror's sole responsibility whether or not any award results from this RFP. The State shall not reimburse such costs.

3.4 TAX LIABILITY

3.4.1. Work to be performed under this solicitation is a business activity taxable under HRS Chapter 237, and if applicable, taxable under HRS Chapter 238. Contractor is advised that they are liable for the Hawai'i GET at the current 4.5% for sales made on O'ahu, and at the 4% rate for the islands of Hawai'i, Maui, Moloka'i, and Kaua'i. If, however, an Offeror is a person exempt by the HRS from paying the GET and therefore not liable for the taxes on this solicitation, Offeror shall state its tax exempt status and cite the HRS chapter or section allowing the exemption.

3.4.2. Offeror shall submit its current Federal I.D. No. and Hawai'i General Excise Tax License I.D. number in the space provided on Offer Form, page OF-1, thereby attesting that the Offeror is doing business in the State and that Offeror will pay such taxes on all sales made to the State.

3.5 PROPERTY OF OFFICE OF THE AUDITOR

All proposals become the property of the Office of the Auditor.

3.6 CONFIDENTIAL INFORMATION

- 3.6.1. If an Offeror believes that any portion of a proposal, offer, specification, protest, or correspondence contains information that should be withheld from disclosure as confidential, then the Offeror shall inform the Procurement Officer named on the cover of this RFP in writing and provide justification to support the Offeror's confidentiality claim. Price is not considered confidential and will not be withheld.
- 3.6.2. An Offeror shall request in writing nondisclosure of information such as designated trade secrets or other proprietary data Offeror considers to be confidential. Such requests for nondisclosure shall accompany the proposal, be clearly marked, and be readily separable from the proposal in order to facilitate eventual public inspection of the non-confidential portion of the proposal.

3.7 EXCEPTIONS

Should Offeror take any exception to the terms, conditions, specifications, or other requirements listed in the RFP, Offeror shall list such exceptions in this section of the Offeror's proposal. Offeror shall reference the RFP section where exception is taken, a description of the exception taken, and the proposed alternative, if any. The Auditor reserves the right to accept or not accept any exceptions.

No exceptions to statutory requirements of the Attorney General General Conditions shall be considered.

3.8 PROPOSAL OBJECTIVES

- 3.8.1 One of the objectives of this RFP is to make proposal preparation easy and efficient, while giving Offerors ample opportunity to highlight their proposals. The evaluation process must also be manageable and effective.
- 3.8.2 Proposals shall be prepared in a straightforward and concise manner, in a format that is reasonably consistent and appropriate for the purpose. Emphasis will be on completeness and clarity and content.
- 3.8.3. When an Offeror submits a proposal, it shall be considered a complete plan for accomplishing the tasks described in this RFP and any supplemental tasks the Offeror has identified as necessary to successfully complete the obligations outlined in this RFP.
- 3.8.4. The proposal shall describe in detail the Offeror's ability and availability of services to meet the goals and objectives of this RFP as stated in Section 2.2 SCOPE OF WORK.
- 3.8.5. Offeror shall submit a proposal that includes an overall strategy, timeline and plan for the work proposed as well as expected results and possible shortfalls. Offeror's submittal to include: Methodology: the plan for the study; and the approach, method, and procedure that the Offeror intends to take in performing

the study. The proposed phases and steps to be followed and the tests and standards to be used in performing the work required shall be outlined.

3.9 PROPOSAL FORMS

3.9.1. To be considered responsive, the Offeror's proposal shall respond to and include all items specified in this RFP and any subsequent addendum. Any proposal offering and any other set of terms and conditions that conflict with the terms and conditions provided in the RFP or in any subsequent addendum may be rejected without further consideration.

3.9.2. Offer Form, Page OF-1. Offer Form, OF-1 is required to be completed using Offeror's exact legal name as registered with the Department of Commerce and Consumer Affairs, if applicable, in the appropriate space on Offer Form, OF-1 (**Attachment 2**). Failure to do so may delay proper execution of the Contract.

The Offeror's authorized signature on the Offer Form, OF-1 shall be an original signature in ink, which shall be required before an award, if any, can be made. The submission of the proposal shall indicate Offeror's intent to be bound.

3.9.3. Offer Form, Page OF-2. Proposal Objectives section 3.8 and pricing shall be submitted on Offer Form OF-2 (**Attachment 3**). The price shall be the all-inclusive cost, including the GET to the State. No other costs will be honored. Any unit prices shall be inclusive.

3.10 PROPOSAL CONTENTS

Proposals must:

3.10.1 Include a transmittal letter to confirm that the Offeror shall comply with the requirements, provisions, terms, and conditions specified in this RFP.

3.10.2 Include a signed Offer Form OF-1 with the complete name and address of Offeror's firm and the name, mailing address, telephone number, and fax number of the person the State should contact regarding the Offeror's proposal.

3.10.3 If subcontractor(s) will be used, append a statement to the transmittal letter from each subcontractor, signed by an individual authorized to legally bind the subcontractor and stating:

- a. The general scope of work to be performed by the subcontractor;
- b. The subcontractor's willingness to perform for the indicated.

3.10.4 Provide all of the information requested in this RFP in the order specified.

3.10.5 Be organized into sections, following the exact format using all titles, subtitles, and numbering, with tabs separating each section described below. Each section must be addressed individually and pages must be numbered.

- a. Transmittal Letter
See Attachment 2, Offer Form, OF-1
- b. Experience and Capabilities.
 - 1) A complete, relevant, and current client listing
 - 2) The number of years Offeror has been in business and the number of years Offeror has performed services specified by this RFP.
 - 3) A list of key personnel and associated resumes for those who will be dedicated to this project.
 - 4) A list of at least three (3) references from the Offeror's client listing that may be contacted by the State as to the Offeror's past and current job performance. Offeror shall provide names, titles, organizations, telephone numbers, email and postal addresses.
 - 5) A summary listing of judgments or pending lawsuits or actions against; adverse contract actions, including termination(s), suspension, imposition of penalties, or other actions relating to failure to perform or deficiencies in fulfilling contractual obligations against your firm. If none, so state.
 - 6) A list of sample projects and/or examples of written plans.
- c. Proposal Objectives including an overall strategy, timeline and plan.
- d. Pricing.
See Attachment 3, Offer Form OF-2.
- e. Exceptions.

3.11 RECEIPT AND REGISTER OF PROPOSALS

Proposals will be received and receipt verified by two or more procurement officials on or after the date and time specified in Section One, or as amended.

The register of proposals and proposals of the Offeror(s) shall be open to the public inspection upon posting of award pursuant to section 103D-701, HRS.

3.12 BEST AND FINAL OFFER (BAFO)

If the Auditor determines a BAFO is necessary, it shall request one from the Offeror. The Offeror shall submit its BAFO and any BAFO received after the deadline or not received shall not be considered.

3.13 MODIFICATION PRIOR TO SUBMITTAL DEADLINE OR WITHDRAWAL OF OFFERS

3.13.1 The Offeror may modify or withdraw a proposal before the proposal due date and time.

3.13.2 Any change, addition, deletion of attachment(s) or data entry of an Offer may be made prior to the deadline for submittal of offers.

3.14 MISTAKES IN PROPOSALS

3.14.1 Mistakes shall not be corrected after award of contract.

3.14.2 When the Procurement Officer knows or has reason to conclude before award that a mistake has been made, the Procurement Officer should request the Offeror to confirm the proposal. If the Offeror alleges mistakes, the proposal may be corrected or withdrawn pursuant to this section.

3.14.3 Once discussions are commenced or after best and final offers are requested, any priority-listed Offeror may freely correct any mistake by modifying or withdrawing the proposal until the time and date set for receipt of best and final offers.

3.14.4 If discussions are not held, or if the best offer and final offers upon which award will be made have been received, mistakes shall be corrected to the intended correct offer whenever the mistake and the intended correct offer are clearly evident on the face of the proposal, in which event the proposal may not be withdrawn.

3.14.5 If discussions are not held, or if the best and final offers upon which award will be made have been received, an Offeror alleging a material mistake of fact which makes a proposal non-responsive may be permitted to withdraw the proposal if: the mistake is clearly evident on the face of the proposal but the intended correct offer is not; or the Offeror submits evidence which clearly and convincingly demonstrates that a mistake was made.

Technical irregularities are matters of form rather than substance evident from the proposal document, or insignificant mistakes that can be waived or corrected without prejudice to the other Offerors; that is, when there is no effect on price, quality, or quantity. If discussions are not held or if best and final offers upon which award will be made have been received, the Procurement Officer may waive such irregularities or allow an Offeror to correct them if either is in the best interest of the State. Examples include the failure of an Offeror to: return the number of signed proposals required by the request for proposals; sign the proposal, but only if the unsigned proposal is accompanied by other material indicating the Offeror's intent to be bound; or to acknowledge receipt of an amendment to the request for proposal, but only if it is clear from the proposal that the Offeror received the amendment and intended to be bound by its terms; or the amendment involved had no effect on price, quality, or quantity.

SECTION FOUR

EVALUATION CRITERIA

Evaluation criteria and the associated points are listed below. The award will be made to the responsible Offeror whose proposal is determined to be the most advantageous to the Auditor based on the evaluation criteria listed in this section.

The total number of points used to score this contract is 100.

- 1) Cost of services **(20)**

- 2) Previous experience, capability and proficiency in the state government and county functions, taxation policy, budget and fiscal analysis, visitor industry, and report writing. **(20)**
 - a. Number of years in the business of analyzing data and number of years performing services specified in this RFP
 - b. Reference and client listings
 - c. Technical qualifications, i.e. advance degrees and professional certifications

- 3) Sample projects and/or examples of written plans for services specified in this RFP. **(10)**

- 4) Knowledge and expertise in analyzing state and county budgets and fiscal analysis, population data, visitor data, and transient accommodations. **(20)**

- 5) Project Proposal **(30)**
 - a. Methodology

- b. Timeline
- c. Expected Results
- d. Possible Shortfalls

SECTION FIVE

CONTRACTOR SELECTION AND CONTRACT AWARD

5.1 EVALUATION OF PROPOSALS

The Procurement Officer shall evaluate proposals. The evaluation will be based solely on the evaluation criteria set out in Section Four of this RFP.

If numerous acceptable and potentially acceptable proposals are submitted, the Procurement Officer may limit the priority list to the three highest ranked, responsible Offerors.

5.2 DISCUSSION WITH PRIORITY LISTED OFFERORS

The State may invite priority listed Offerors to discuss with their proposals to ensure thorough, mutual understanding. The State in its sole discretion shall schedule the time and location for these discussions, generally within the timeframe indicated in *RFP Schedule and Significant Dates*. The State may also conduct discussions with priority listed Offerors to clarify issues regarding the proposals before requesting Best and Final Offers, if necessary.

5.3 AWARD OF CONTRACT

Method of Award. Award will be made to the responsible Offeror whose proposal is determined to be the most advantageous to the WG based on the evaluation criteria set forth in the RFP.

5.4 RESPONSIBILITY OF OFFERORS

Offeror is advised that in order to be awarded a contract under this solicitation, Offeror will be required, to be compliant with all laws governing entities doing business in the State including the following chapters and pursuant to HRS §103D-310(c):

1. Chapter 237, General Excise Tax Law;
2. Chapter 383, Hawai'i Employment Security Law;
3. Chapter 386, Workers' Compensation Law;
4. Chapter 392, Temporary Disability Insurance;
5. Chapter 393, Prepaid Health Care Act; and
6. §103D-310(c), Certificate of Good Standing (COGS) for entities doing business in the State.

The Procurement Officer will verify compliance on Hawai'i Compliance Express (HCE).

Hawai'i Compliance Express. The HCE is an electronic system that allows vendors/contractors/service providers doing business with the State to quickly and easily demonstrate compliance with applicable laws. It is an online system that replaces the necessity of obtaining paper compliance certificates from the Department of Taxation, Federal Internal Revenue Service; Department of Labor and Industrial Relations, and Department of Commerce and Consumer Affairs.

Vendors/contractors/service providers should register with (HCE) prior to submitting an offer at <https://vendors.ehawaii.gov>. The annual registration fee is \$12.00 and the 'Certificate of Vendor Compliance' is accepted for the execution of contract and final payment.

Timely Registration on HCE. Vendors/contractors/service providers are advised to register on HCE soon as possible. If a vendor/contractor/service provider is not compliant on HCE at the time of award, an Offeror will not receive the award.

5.5 PROPOSAL AS PART OF THE CONTRACT

This RFP and all or part of the successful proposal may be incorporated into the contract.

5.6 PUBLIC EXAMINATION OF PROPOSALS

Except for confidential portions, the proposals shall be made available for public inspection upon posting of award pursuant to HRS §103D-701.

If a person is denied access to a State procurement record, the person may appeal the denial to the office of information practices in accordance with HRS §92F-42(12).

5.7 DEBRIEFING

Pursuant to HAR §3-122-60, a non-selected Offeror may request a debriefing to understand the basis for award.

A written request for debriefing shall be made within three (3) working days after the posting of the award of the contract. The Procurement Officer or designee shall hold the debriefing within seven (7) working days to the extent practicable from the receipt date of written request.

Any protest by the requestor following a debriefing, shall be filed within five (5) working days, as specified in HAR §103D-303(h).

5.8 PROTEST PROCEDURES

Pursuant to HRS §103D-701 and HAR §3-126-3, an actual or prospective Offeror who is aggrieved in connection with the solicitation or award of contract may submit a protest.

Any protest shall be submitted in writing to the Procurement Officer at:

Ron Shiigi
Office of the Auditor
Kekūanaō'a Building
465 S. King Street, Rm. 500
Honolulu, Hawai'i 96813-2917

A protest shall be submitted in writing within five (5) working days after the aggrieved person knows or should have known of the facts giving rise thereto; provided that a protest based upon the content of the solicitation shall be submitted in writing prior to the date set for receipt of offers. Further provided that a protest of an award or proposed

award shall be submitted within five (5) working days after the posting of award or if requested, within five (5) working days after the PO's debriefing was completed.

The notice of award, if any, resulting from this solicitation shall be posted on the Procurement Awards, Notices and Solicitations (PANS), which is available on the SPO website: <http://www.hawaii.gov/spo2/source/>.

5.9 APPROVALS

Any agreement arising out of this offer may be subject to the approval of the President of the Senate and Speaker of the House of Representatives, as required by statute, regulation, rule, order or other directive.

5.10 CONTRACT EXECUTION

Successful Offeror receiving award shall enter into a formal written contract in the form as in Exhibit D. No performance or payment bond is required for this contract.

No work is to be undertaken by the Contractor prior to the effective date of contract. The State of Hawai'i is not liable for any work, contract, costs, expenses, loss of profits, or any damages whatsoever incurred by the Contractor prior to the official starting date.

If an option to extend is mutually agreed upon, the Contractor shall be required to execute a supplement to the contract for the additional extension period.

5.11 INSURANCE

5.11.1 Prior to the contract start date, the Contractor shall procure at its sole expense and maintain insurance coverage acceptable to the State in full force and effect throughout the term of the Contract. The Offeror shall provide proof of insurance for the following minimum insurance coverage(s) and limit(s) in order to be awarded a contract. The type of insurance coverage is listed as follows:

1. Commercial General Liability Insurance

Commercial general liability insurance coverage against claims for bodily injury and property damage arising out of all operations, activities or contractual liability by the Contractor, its employees and subcontractors during the term of the Contract. This insurance shall include the following coverage and limits specified or required by any applicable law: bodily injury and property damage coverage with a minimum of \$1,000,000 per occurrence; personal and advertising injury of \$1,000,000 per occurrence; broadcasters' liability insurance of \$1,000,000 per occurrence; and with an aggregated limit of \$2,000,000. The commercial general liability policy shall be written on an occurrence basis and the policy shall provide legal defense costs and expenses in addition to the limits of liability stated above. The

Contractor shall be responsible for payment of any deductible applicable to this policy.

2. Automobile Liability Insurance

Automobile liability insurance covering owned, non-owned, and leased, and hired vehicles with a minimum of \$1,000,000 for bodily injury for each person, \$1,000,000 for bodily injury for each accident, and \$1,000,000 for property damage for each accident.

3. Appropriate levels of per occurrence insurance coverage for workers' compensation and any other insurance coverage required by Federal or State law.

5.11.2 The Contractor shall deposit with the SPO, on or before the effective date of the Contract, certificate(s) of insurance necessary to satisfy the SPO that the provisions of the Contract have been complied with, and to keep such insurance in effect and provide the certificate(s) of insurance to the SPO during the entire term of the Contract. Upon request by the SPO, the Contractor shall furnish a copy of the policy or policies.

5.11.3 The Contractor will immediately provide written notice to the SPO and contracting department or agency should any of the insurance policies evidenced on its Certificate of Insurance form be cancelled, limited in scope, or not renewed up expiration.

5.11.4 The certificates of insurance shall contain the following clauses:

- a. "The State of Hawai'i is added as an additional insured as respects to operations performed for the State of Hawai'i."
- b. "It is agreed that any insurance maintained by the State of Hawai'i will apply in excess of, and not contribute with, insurance provided by this policy."

5.11.5 Failure of the Contractor to provide and keep in force such insurance shall constitute a material default under the Contract, entitling the State to exercise any or all of the remedies provided in the Contract (including without limitation terminating the Contract). The procuring of any required policy or policies of insurance shall not be construed to limit the Contractor's liability hereunder, or to fulfill the indemnification provisions of the Contract. Notwithstanding said policy or policies or insurance, the Contractor shall be responsible for the full and total amount of any damage, injury, or loss caused by the Contractor's negligence or neglect in the provision of services under the Contract.

5.12 PAYMENT

The method of payment for services shall be monthly billings and the Contractor shall itemize the cost of services as follows:

- a. Staff and other technical services, including the fee rates and amounts by staff classification;
- b. Travel;
- c. Report printing; and
- d. Other costs not otherwise allocable to the above.

5.13 FINAL PAYMENT

The final payment shall not be made except upon (1) the completion of the scope of services described in Section 2.2.3h and the adjournment sine die of the 2016 Regular Session of the Legislature, and (2) Contractor's compliance with Hawai'i Compliance Express (<https://vendors.ehawaii.gov/hce/splash/welcome.html>).

The Auditor reserves the right to determine and prescribe such other conditions as are appropriate under which progress payments shall be allowed.

5.14 CONTRACT INVALIDATION

If any provision of this contract is found to be invalid, such invalidation will not be construed to invalidate the entire contract.

SECTION SIX
SPECIAL PROVISIONS

6.1 INTELLECTUAL PROPERTY RIGHTS

The Auditor reserves the right to unlimited, irrevocable, worldwide, perpetual, royalty-free, non-exclusive licenses to use, modify, reproduce, perform, release, display, create derivative works from, and disclose the work product, and to transfer the intellectual property to third parties for Auditor purposes.

6.2 CERTIFICATION OF OFFEROR CONCERNING WAGES, HOURS AND WORKING CONDITIONS OF EMPLOYEES SUPPLYING SERVICES

All Offerors for service contracts shall comply with Section 103-55, Hawai'i Revised Statutes, which provides as follows:

Wages, hours and working conditions of employees of CONTRACTOR supplying services Before any prospective Offeror is entitled to submit any offer for the performance of any contract to supply services in excess of \$25,000 to any governmental agency, Offeror shall certify that the services to be performed will be performed under the following conditions:

Wages: The services to be rendered shall be performed by employees paid at wages or salaries not less than the wages paid to public officers and employees for similar work.

Compliance with labor laws: All applicable laws of the Federal and State governments relating to workers compensation, unemployment compensation, payment of wages, and safety will be fully complied with.

No contract to perform services for any governmental contracting agency in excess of \$25,000 shall be granted unless all the conditions of this section are met. Failure to comply with the conditions of this section during the period of the contract to perform services shall result in cancellation of the contract.

It shall be the duty of the governmental contracting agency awarding the contract to perform services in excess of \$25,000 to enforce this section.

This section shall apply to all contracts to perform services in excess of \$25,000, including contracts to supply ambulance service and janitorial service.

This section shall not apply to:

- (1) Managerial, supervisory, or clerical personnel.
- (2) Contracts for supplies, materials, or printing.
- (3) Contracts for utility services.

- (4) Contracts to perform personal services under paragraphs (2), (3), (12), and (15) of section 76-16, paragraphs (7), (8), and (9) of section 46-33, and paragraphs (7), (8), and (12) of section 76-77, Hawai'i Revised Statutes, (HRS).
- (5) Contracts for professional services.
- (6) Contracts to operate refreshment concessions in public parks, or to provide food services to educational institutions.
- (7) Contracts with nonprofit institutions.

SECTION SEVEN
ATTACHMENTS AND EXHIBITS

- Attachment 1: Act 174, Session Laws of Hawai'i 2014
- Attachment 1A: Interim Report of the State-County Functions Working

Group, dated December 18 2014

- Attachment 2: OFFER FORM, OF-1
- Attachment 3: OFFER FORM, OF-2
- Exhibit A: OVERVIEW OF THE RFP PROCESS
- Exhibit B: GENERAL PROVISIONS
- Exhibit C: GENERAL CONDITIONS
- Exhibit D: CONTRACT FOR PROFESSIONAL SERVICES

Sunshine Law - Chapter 92, HRS (Excerpt)

§92-2.5 Permitted interactions of members.

(b) Two or more members of a board, but less than the number of members which would constitute a quorum for the board, may be assigned to:

- (1) Investigate a matter relating to the official business of their board; provided that:
 - (A) The scope of the investigation and the scope of each member's authority are defined at a meeting of the board;
 - (B) All resulting findings and recommendations are presented to the board at a meeting of the board; and
 - (C) Deliberation and decisionmaking on the matter investigated, if any, occurs only at a duly noticed meeting of the board held subsequent to the meeting at which the findings and recommendations of the investigation were presented to the board; or
- (2) Present, discuss, or negotiate any position which the board has adopted at a meeting of the board; provided that the assignment is made and the scope of each member's authority is defined at a meeting of the board prior to the presentation, discussion, or negotiation.

State-County Functions Working Group
Instructions for Investigative Groups

At the March 4, 2015 Meeting

1. Define scope of the investigation
2. Define scope of each member's authority
3. Assign members (2 or more, but less than 7)
4. Name an investigative group chair

By March 23, 2015 – Notify Auditor's Office of language for agenda item (if any)

March 25, 2015

1. Auditor's Office files agenda
2. Provide Auditor's Office with investigative group handouts (if any)

March 26, 2015 – Kūhiō Day Holiday

March 27, 2015 – Auditor's Office emails, sends, and posts handouts

At the April 1, 2015 Meeting – Present investigative group findings/recommendations

At the May 6, 2015 Meeting – Deliberate/make decisions on the matter investigated

Investigative Group – Chair’s Responsibilities

Name of Investigative Group:

Chair:

Responsibilities:

1. Lead investigative group discussions.
2. Help group arrive at consensus on scope of the investigation.
3. At least two (2) days prior to next meeting agenda filing date:
 - a. Submit written report (for handouts), including:
 - i. Methodologies used (if any)
 - ii. Sources used
 - iii. Finding(s)
 - iv. Recommendation(s)
 - b. Submit specific language for agenda item (if needed).
4. Provide oral report at the next Working Group meeting.
5. Propose language for motion for Working Group decision-making at the following Working Group meeting.

Investigative Group Worksheet

Name: **County Duties and Responsibilities Investigative Group**

Define scope of the Investigation:

Define scope of each member's authority:

Assign Members:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Name Chair:

Investigative Group Worksheet

Name: **State Duties and Responsibilities Investigative Group**

Define scope of the Investigation:

Define scope of each member's authority:

Assign Members:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Name Chair:

Investigative Group Worksheet

Name:

Define scope of the Investigation:

Define scope of each member's authority:

Assign Members:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Name Chair:

Agenda Item V

Structure of County of Hawaii

In general Tourism Related

General Government:

Legislative (County Council and County Clerk)	X	X
Elections	X	
Legislative Auditor	X	
Office of Management (Mayor's Office)	X	X
Information Technology	X	
Finance	X	
Corporation Counsel	X	
Planning	X	
Human Resources	X	
Research & Development (includes tourism promotion)	X	X
Public Works (includes Building Maintenance, Automotive and Engineering)	X	X

Public Safety:

Police	X	X
Fire	X	X
Protective Inspection (Construction and Building Inspections)	X	
Flood Control	X	X
Animal Control	X	
Civil Defense	X	X
Liquor Control	X	X
Prosecuting Attorney	X	X

Highways & Streets:

Highways	X	X
Traffic	X	X
Mass Transit	X	X

Health, Education & Welfare:

County Physicians	X	
Office of Aging	X	
Cemeteries	X	
Schools (student hires)	X	
Non Profit Grants	X	X
Elderly Activities	X	
Office of Housing	X	

Culture & Recreation:

Parks & Recreation	X	X
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Sanitation:

Environmental Management Admin	X	
Wastewater	X	X
Vehicle Disposal	X	
Solid Waste	X	X

General Structure of Government City and County of Honolulu	Approx Nexus w/ Tourism
General Government	
Executive:	
Mayor	Low
Managing Director	Low
Customer Services	Low
Finance:	
Budget and Fiscal Services	Low
Data Processing:	
Information Technology	Low
Law:	
Corporation Counsel	Low
Prosecuting Attorney	Low
Personnel Administration:	
Human Resources	Low
Emergency Services	Low
Planning and Permitting	Low
General Government Facilities and Infrastructure:	
Facility Maintenance	Low
Design and Construction	Low
Automotive Equipment Service:	
Facility Maintenance	Low
Public Safety	
Police Protection:	
Police	High
Fire Protection:	
Fire	Medium
Emergency Management:	
Emergency Management	High
Protective Inspection:	
Planning and Permitting	Medium
Traffic Control:	
Transportation Services	Medium
Other Protection:	
Emergency Services	High
Medical Examiner	Low
Highways and Streets	
Highways, Streets and Roadways:	
Facility Maintenance	High
Sanitation	
Waste Collection and Disposal:	
Environmental Services	Medium
Sewage Collection and Disposal:	
Environmental Services	Medium

Human Services	
Human Services:	
Community Services	Medium
Culture-Recreation	
Community Music:	
Managing Director	High
Parks and Recreation:	
Parks and Recreation	High
Special Recreation Facilities:	
Enterprise Services	High
Utilities or Other Enterprises	
Mass Transit:	
Transportation Services	High

X	X	Council Services	\$	5,042,637					\$	5,042,637
X		County Auditor	\$	1,133,575					\$	1,133,575
X		County Clerk	\$	1,434,346					\$	1,434,346
		Public safety								
X	X	Civil Defense	\$	588,835					\$	588,835
X	X	Fire Control - Administration and Maintenance	\$	2,383,157					\$	2,383,157
X	X	Fire Control - Prevention	\$	836,324					\$	836,324
X	X	Fire Control - Rescue Operations	\$	25,418,264					\$	25,418,264
X	X	Fire Control - Training	\$	1,283,047					\$	1,283,047
X	X	Police - Administration	\$	4,845,289					\$	4,845,289
X	X	Police - Investigate Service	\$	9,941,670					\$	9,941,670
X	X	Police - Technical and Support Services	\$	8,671,634					\$	8,671,634
X	X	Police - Uniformed Patrol Services	\$	27,068,934					\$	27,068,934
X	X	Prosecutors	\$	6,025,987					\$	6,025,987
		Sanitation								
X		Metals and Abandoned Vehicles								
X	X	Solidwaste Administration			\$	13,060,062			\$	13,060,062
X	X	Solidwaste Operations				\$	16,755,422		\$	16,755,422
X	X	Wastewater Administration			\$	19,014,906			\$	19,014,906
X	X	Wastewater Operations			\$	22,078,563			\$	22,078,563
		Social welfare								
X		Animal Management	\$	1,542,959					\$	1,542,959
X		Community Partnerships Grants	\$	1,110,845					\$	1,110,845
X		Early Childhood	\$	692,069					\$	692,069
X		Health, Human Services, and Education	\$	4,698,761					\$	4,698,761
X		Housing	\$	1,578,330					\$	1,578,330
X		Housing and Human Administration	\$	541,462					\$	541,462
X		Human Concerns - Administration	\$	5,995,465					\$	5,995,465
X	X	Liquor Control			\$	3,040,340			\$	3,040,340
X		Substance Abuse Prevention and Treatment	\$	869,369					\$	869,369
X		Youth Centers and Program	\$	2,802,568					\$	2,802,568
		Water Supply								
X	X	Water Supply				\$	58,691,134		\$	58,691,134
		Grand Total	\$	320,370,039	\$	36,185,278	\$	3,040,340	\$	41,093,469
						\$	29,815,484	\$	58,691,134	\$
								\$	3,815,282	\$
									\$	493,011,026

County of Kaua'i		General Fund	Highway Fund	Liquor Fund	Beautification Fund	Criminal Asset Forfeiture Fund	Solid Waste Disposal Fund	Parks & Rec. Improvement Fund	Housing & Comm. Dev. Fund	Public Access Fund	Debt Service Fund	Sewer Fund	Golf Fund	Housing Development Fund	Kalepa Housing Fund	Paanau Housing Fund	CIP Exclude Bond & Grants
General Government:		Totals															
Auto maintenance and fuel	\$ 375,410	375,410															
Building division:	\$ -																
Inspection	\$ 1,731,819	1,731,819															
Repairs and maintenance	\$ 3,026,857	2,909,846															117,011
Janitorial	\$ 2,816,846	2,816,846															
Total Public Works	\$ 10,164,073	10,124,471															39,602
Highways & Streets-Road Maint:																	
Roads Administration	\$ 2,213,232		1,599,097		466,400												
Hanapepe Baseyard	\$ 1,976,282		1,976,282														
Kapaa Baseyard	\$ 1,390,730		1,390,730														
Hanalei Baseyard	\$ 984,656		984,656														
Sign And Roads Marking	\$ 1,330,616		1,330,616														
Roads Maintenance Other	\$ 2,342,348		2,336,104														6,244
Auto Maintenance	\$ 2,206,292		2,206,292														
Total Highways & Streets	\$ 12,444,155		11,823,776		466,400												153,979
Sanitation:																	
Solid Waste Disposal	\$ 6,775,715					6,775,715											
Solid Waste Collections	\$ 3,614,925					3,614,925											
Solid Waste Recycling	\$ 1,973,850					1,973,850											
Roads Maintenance Other	\$ -																
Auto Maintenance	\$ 413,368					399,831						13,537					
Wastewater	\$ 9,514,978											9,475,179					39,799
Total Sanitation	\$ 22,292,837						12,764,322					9,488,716					39,799
Culture and Recreation:																	
Administrative and fiscal	\$ 1,761,547	1,334,369															
Planning and development	\$ 222,256	222,256						18,062									409,116
Recreation	\$ 2,070,623	2,020,478						50,145									
Maintenance	\$ 5,283,439	4,140,397						212,927									930,115
Beautification	\$ 850,320	832,422						17,898									
Auditorium	\$ 414,979	379,240															35,739
Stadiums	\$ 586,827	580,960						5,867									
Golf Course	\$ 2,407,981							100,509					2,307,472				
Total Culture and Recreation	\$ 13,597,972	9,510,122						405,408					2,307,472				1,374,970
Public Welfare:																	
Housing	\$ 2,665,959	684,764							888,178					1,190	747,806	344,021	
Elderly Affairs	\$ 997,320	997,320															
Transportation	\$ 6,410,077	4,460,502	1,949,575														
Total Public Welfare	\$ 10,073,356	6,142,586	1,949,575						888,178					1,190	747,806	344,021	
Debt Service:																	
Debt Fund	\$ 9,494,226	5,254,484					955,799				2,583,000	700,943					
General Fund Net Transfers-Out:																	
Public Access, Open Space	\$ 1,610,427	1,610,427															
Committed Reserve & Self Ins.	\$ 14,900	14,900															
	1,625,327	1,625,327															
Total General Fund Expenditures	\$ 157,769,811	109,580,181	13,773,351	849,616	466,400	37,420	13,720,121	405,408	888,178	8,576	2,583,000	10,189,659	2,307,472	1,190	747,806	344,021	1,867,412

**State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2014**

At June 30, 2014, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's other postemployment benefit liability of \$3.3 billion.

Changes in Net Position

The State's net position decreased by \$117.9 million, or 2.5%, during the fiscal year ended June 30, 2014. Approximately 56.0% of the State's total revenues came from taxes, while 28.0% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 15.7% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, general government, and highways.

The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

**Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013
(Amounts in thousands)**

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013 As Restated	2014	2013 As Restated	2014	2013 As Restated
Revenues						
Program revenues						
Charges for services	\$ 641,341	\$ 494,647	\$ 981,967	\$ 1,154,047	\$ 1,603,308	\$ 1,648,694
Operating grants and contributions	2,660,770	2,589,537	-	-	2,660,770	2,589,537
Capital grants and contributions	97,290	96,184	98,628	64,313	195,918	160,497
General revenues						
Taxes	5,698,560	5,798,549	-	-	5,698,560	5,798,549
Investment income and other	13,163	25,502	12,805	33,633	25,968	59,135
Total revenues	<u>9,111,124</u>	<u>9,002,419</u>	<u>1,073,400</u>	<u>1,251,993</u>	<u>10,184,524</u>	<u>10,254,412</u>
Expenses						
General government	567,941	532,471	-	-	567,941	532,471
Public safety	533,727	451,946	-	-	533,727	451,946
Highways	554,039	490,091	-	-	554,039	490,091
Conservation of natural resources	101,587	52,208	-	-	101,587	52,208
Health	849,493	813,190	-	-	849,493	813,190
Welfare	2,879,813	2,798,053	-	-	2,879,813	2,798,053
Lower education	2,685,037	2,592,125	-	-	2,685,037	2,592,125
Higher education	693,292	654,811	-	-	693,292	654,811
Other education	21,766	20,086	-	-	21,766	20,086
Culture and recreation	104,303	94,679	-	-	104,303	94,679
Urban redevelopment and housing	137,160	173,677	-	-	137,160	173,677
Economic development and assistance	166,455	172,602	-	-	166,455	172,602
Interest expense	239,760	241,677	-	-	239,760	241,677
Airports	-	-	346,699	365,828	346,699	365,828
Harbors	-	-	89,327	90,941	89,327	90,941
Unemployment compensation	-	-	244,947	336,931	244,947	336,931
Nonmajor proprietary fund	-	-	87,031	66,119	87,031	66,119
Total expenses	<u>9,534,373</u>	<u>9,087,416</u>	<u>768,004</u>	<u>859,819</u>	<u>10,302,377</u>	<u>9,947,235</u>
Change in net position	(423,249)	(84,997)	305,396	392,174	(117,853)	307,177
Net position						
Beginning of year (restated)	1,228,082	1,313,079	3,560,038	3,167,864	4,788,120	4,480,943
End of year	<u>\$ 804,833</u>	<u>\$ 1,228,082</u>	<u>\$ 3,865,434</u>	<u>\$ 3,560,038</u>	<u>\$ 4,670,267</u>	<u>\$ 4,788,120</u>

State of Hawaii
Statement of Activities
Year Ended June 30, 2014
(Amounts In thousands)

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government								
Governmental activities								
General government	\$ 567,941	\$ 223,068	\$ 31,798	\$ -	\$ (313,079)	\$ -	\$ (313,079)	
Public safety	533,727	50,056	60,535	-	(423,136)	-	(423,136)	
Highways	654,039	8,084	93,732	97,290	(354,953)	-	(354,953)	
Conservation of natural resources	101,587	58,767	28,408	-	(14,412)	-	(14,412)	
Health	849,483	130,338	125,255	-	(593,900)	-	(593,900)	
Welfare	2,878,813	64,341	1,838,538	-	(878,936)	-	(878,936)	
Lower education	2,685,037	48,619	295,033	-	(2,341,385)	-	(2,341,385)	
Higher education	693,292	-	-	-	(693,292)	-	(693,292)	
Other education	21,768	-	-	-	(21,768)	-	(21,768)	
Culture and recreation	104,303	8,790	8,502	-	(87,011)	-	(87,011)	
Urban redevelopment and housing	137,180	24,313	16,791	-	(98,056)	-	(98,056)	
Economic development and assistance	186,455	24,987	62,182	-	(79,286)	-	(79,286)	
Interest expense	239,760	-	-	-	(239,760)	-	(239,760)	
Total governmental activities	9,534,373	641,341	2,660,770	97,290	(8,134,972)	-	(8,134,972)	
Business-type activities								
Airports	346,899	404,442	-	84,303	-	122,048	122,048	
Harbors	89,327	121,038	-	-	-	31,711	31,711	
Unemployment compensation	244,947	353,546	-	-	-	108,599	108,599	
Nonmajor proprietary funds	87,031	82,941	-	34,325	-	30,235	30,235	
Total business-type activities	768,004	961,967	-	88,628	-	282,591	282,591	
Total primary government	\$ 10,302,377	\$ 1,603,308	\$ 2,660,770	\$ 185,918	(8,134,972)	282,591	(5,942,381)	
Component units								
University of Hawaii	\$ 1,659,858	\$ 382,181	\$ 494,321	\$ -				\$ (783,344)
Hawaii Housing Finance and Development Corporation	51,778	59,883	10,015	-				16,920
Hawaii Public Housing Authority	139,574	19,316	73,020	13,868				(33,370)
Hawaii Health Systems Corporation	737,090	576,460	2,638	48,718				(111,278)
Hawaii Tourism Authority	102,282	8,205	-	-				(94,087)
Hawaii Community Development Authority	9,412	15,810	-	-				6,498
Hawaii Hurricane Relief Fund	5	-	-	-				(5)
Total component units	\$ 2,700,007	\$ 1,080,785	\$ 579,994	\$ 60,584				(898,884)
General revenues								
Taxes								
General excise tax					2,818,348	-	2,818,348	-
Net income tax—corporations and individuals					1,840,890	-	1,840,890	-
Public service companies tax					166,179	-	166,179	-
Transient accommodations tax					188,721	-	188,721	115,000
Tobacco and liquor tax					155,990	-	155,990	-
Liquid fuel tax					88,707	-	88,707	-
Tax on premiums of insurance companies					139,074	-	139,074	-
Vehicle weight and registration tax					124,688	-	124,688	-
Rental motor/tour vehicle surcharge tax					42,853	-	42,853	-
Franchise tax					38,983	-	38,983	-
Other tax					96,131	-	96,131	-
Interest and investment income					13,183	12,805	25,988	53,554
Payments from the State, net					-	-	-	992,793
Gifts and subsidies					-	-	-	75,805
Other					-	-	-	(8,470)
Total general revenues					5,711,723	12,805	5,724,528	1,230,482
Change in net position					(423,249)	305,396	(117,853)	231,818
Net position								
Beginning of year, as restated					1,228,082	3,560,038	4,788,120	3,182,028
End of year					\$ 804,833	\$ 3,865,434	\$ 4,670,267	\$ 3,413,846

The accompanying notes are an integral part of the basic financial statements.

Agenda Item VII

Various Metrics
Provided by Member Hunt

	Honolulu	Maui	Hawaii	Kauai	State	Statewide	Source
TAT Collected (\$)	319,074,755	29,827,620	26,012,013	20,314,604		395,228,992	1
TAT Collected (%)	80.73%	7.55%	6.58%	5.14%		100.00%	
Total Visitor Days (count)	35,059,623	19,795,040	10,678,171	8,516,938		74,049,772	2
Total Visitor Days (%)	47.35%	26.73%	14.42%	11.50%		100.00%	
Estimated Visitor Population	96,054	54,233	29,255	23,334		202,876	3
Resident Population	983,429	160,292	190,821	69,512		1,404,054	4
Estimated Total Population	1,079,483	214,525	220,076	92,846		1,606,930	
Percentage of Visitors	8.90%	25.28%	13.29%	25.13%		12.63%	
Expenditures (\$)	1,933,500,000	453,784,000	352,819,516	203,470,000	9,947,300,000	12,890,873,516	5
Expenditures (%)	15.00%	3.52%	2.74%	1.58%	77.17%	100.00%	
Revenues (\$)	2,093,400,000	474,805,000	436,797,129	181,530,000	10,254,412,000	13,440,944,129	5
Revenues (%)	15.57%	3.53%	3.25%	1.35%	76.29%	100.00%	

Source Documents

1. State of Hawaii Department of Taxation FY14 TAT data (from website)
2. HTA 2013 data, refer to "slide 2" of document submit by Ed Case
3. Using HTA "slide 2" data divided by 365 to calculate average visitor count each day for annual basis
4. DBEDT data for July 1, 2013
5. FY13 CAFRs for each County and the State