

# **BUDGET AND FINANCE COMMITTEE**

**Council of the County of Maui**

## **MINUTES**

**April 16, 2009**

**Council Chamber, 8<sup>th</sup> floor**

**CONVENE:** 9:03 a.m.

**PRESENT:** Councilmember Joseph Pontanilla, Chair  
Councilmember Danny A. Mateo, Vice-Chair  
Councilmember Gladys C. Baisa, Member  
Councilmember Sol P. Kaho`ohalahala, Member  
Councilmember Michael J. Molina, Member  
Councilmember Wayne K. Nishiki, Member (Out 4:01 p.m.)  
Councilmember Michael P. Victorino, Member

**EXCUSED:** Councilmember Jo Anne Johnson, Member  
Councilmember Bill Kauakea Medeiros, Member

**STAFF:** Gayle Revels, Legislative Analyst  
Lance Taguchi, Legislative Analyst  
Yvette Bouthillier, Committee Secretary

Leinaala Kihm, Executive Assistant to Councilmember Medeiros

**ADMIN.:** Charmaine Tavares, Mayor  
Frederick Pablo, Budget Director, Office of the Mayor  
Kalbert L. Young, Director, Department of Finance  
Scott Teruya, Acting County Real Property Tax Administrator, Real Property Tax  
Division, Department of Finance  
Traci Fujita Villarosa, First Deputy Corporation Counsel, Department of the Corporation  
Counsel

**OTHERS:** **Item 1:** Hana Kraker  
Wendy Higa  
Tony Fisher  
Bill Frampton, Member, Kula Community Association; and PTA  
President, Kula Elementary School  
Others (30)

**PRESS:** Akaku: Maui Community Television, Inc.  
Melissa Tanji, *The Maui News*

---

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

CHAIR PONTANILLA: . . .(*gavel*). . . The Budget and Finance Committee meeting for April 16, 2009 is now in session. At this time, the Chair would like to recognize the Committee Members that are present this morning. We do have Member Molina.

COUNCILMEMBER MOLINA: Good morning, Chair.

CHAIR PONTANILLA: Good morning. Member Baisa.

COUNCILMEMBER BAISA: Good morning, Chair.

CHAIR PONTANILLA: Good morning. Member Kaho`ohalahala.

COUNCILMEMBER KAHO`OHALAHALA: Good morning, Chair.

CHAIR PONTANILLA: Good morning. Member Nishiki.

COUNCILMEMBER NISHIKI: Good morning.

CHAIR PONTANILLA: Good morning. Member Mateo.

VICE-CHAIR MATEO: Good morning.

CHAIR PONTANILLA: Good morning. And Member Victorino.

COUNCILMEMBER VICTORINO: Good morning, Chair.

CHAIR PONTANILLA: Good morning. Excused at, at this time is Member Johnson as well as Member Medeiros. This morning we do have our Director of, Budget Director Mr. Fred Pablo and our First Deputy Traci Fujita Villarosa. Again, supporting the Committee, we do have Gayle Revels and Lance Taguchi as well as Yvette Bouthillier.

This morning, Members, we do have people signed up for public testimony. Before we receive public testimony, the Chair would like to ask everyone in these Chambers to put their cell phones to silent mode or turn it off, please. For those of you that are providing public testimony this morning, you have three minutes to provide testimony and if you could give us your name and the organization that you represent, the Committee would appreciate that. The first person signed up for public testimony this morning is Hana Kraker.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

**...*BEGIN PUBLIC TESTIMONY*...**

MS. KRAKER: Good morning. My name is Hana Kraker. I'm here from Baldwin High School's Projection Graduation. And I'm here this morning to ask you to please maintain funding in your budget for Project Graduations. Many of us here have children and we all know that we cannot be with them all of the time to protect them from making questionable decisions. Celebrations like graduations bring on a sense of euphoria and invincibility, which sometimes produce tragic results.

The vision of Project Graduation is to provide graduates with an all-night, age appropriate event in a controlled environment for a safe celebration of one of the most significant accomplishments of their lives. Planning for Project, for Baldwin High School's Project Graduation begin as soon, begins as soon as one year's celebration is done and involves a committee made up of parents of current, past, and future seniors. This group collaborates to select a site, theme, we arrange transportation, entertainment, and security, and design activities, decorations, and keepsakes. Administrative concerns like correspondence, fundraising, grant opportunities, and budgeting are also handled by parent volunteers.

Approximately 35 percent of the cost of Baldwin High School's Project Graduation is supported by a fee charged to each participant. We also extend aid to students who cannot afford the fee and want to attend the event. Our goal at Baldwin High School is to provide all who want to participate and whether they can afford the fee or not, they are all welcome. The balance of our funding comes from donations, grants, and fundraising. To date we've been able to provide wonderful celebrations for our students due to the tremendous community support we've received. We solicit and receive donations in many forms, from reduced rates, to donations of door prizes, to cash.

Many of the people involved in providing activities at the actual celebrations has been doing so since my involvement, which dates back to 2004. These people continue to support us because they believe in our vision, and the support from the County has been instrumental in past years and we ask that you continue to support the students of Maui County. Thank you. Does anyone have any questions?

CHAIR PONTANILLA: Thank you. Members, questions? Member Nishiki?

COUNCILMEMBER NISHIKI: You mentioned 35 percent is a fee.

MS. KRAKER: Yes.

COUNCILMEMBER NISHIKI: What has that been in the past?

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

MS. KRAKER: They range anywhere from 75 to \$90 per student.

COUNCILMEMBER NISHIKI: Per student?

MS. KRAKER: Yes. We've been trying sometimes as low as 60. We try to, we've been trying to keep it as affordable as we can. In the past few years it's been set at \$75.

COUNCILMEMBER NISHIKI: What does that buy for the child? How many days or is it one night?

MS. KRAKER: It's a one-night celebration. It starts from the time, on the night of their graduation they check in with us after the graduation ceremony is done, and then we take them away to somewhere else, and then the parents pick them up the following morning at about 6:00 or 7 o'clock.

COUNCILMEMBER NISHIKI: Oh, so they actually are in a room and they eat also?

MS. KRAKER: Yeah. We, they have, we have all kinds of things going on for them, but we, we make sure that it's in a secure facility. We keep the, the place, the site secret so that they can't have other people following them or coming around to join the celebration. And then it's only for students and, and the chaperones, and we have security outside to make sure no outsiders are, are allowed in.

COUNCILMEMBER NISHIKI: Thank you.

MS. KRAKER: Thank you.

CHAIR PONTANILLA: Thank you. Members, any more questions for the testifier? Seeing none, thank you.

MS. KRAKER: Thank you.

CHAIR PONTANILLA: The next testifier is Wendy Higa.

MS. HIGA: Good morning, Council Members. My name is Wendy Higa. And I'm also here on behalf of Project Graduation. Project Graduation is a drug-free, alcohol-free, all-night celebration right after graduation. This affects the entire Maui County. We don't have to worry that these graduates are out there on one of the biggest nights of their lives celebrating with drugs and alcohol and driving on our streets. Our streets are, therefore, safer.

Last year, the Council supported Projection Graduation with funding. On behalf of the graduates, parents, and guardians, thank you for all you have done for

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

keeping the kids safe. I realize in this tough economic times that we all have to make sacrifices. I ask that the budget appropriation not be cut beyond the 10 percent. It makes a difference to the graduates and the people of Maui County. Thank you and please continue to support Project Graduation.

CHAIR PONTANILLA: Thank you, Wendy. I'm glad you mentioned that, you know, you guys are willing to take the 10 percent cut. So, I appreciate it.

MS. HIGA: It's something that we all have to face.

CHAIR PONTANILLA: Thank you. Members, any questions? Seeing none, thank you very much.

MS. HIGA: Thank you.

CHAIR PONTANILLA: Next testifier is Tony Fisher.

MR. FISHER: My name is Tony Fisher and I'm also here to represent seniors, but a different kind. You know whether it's in our Federal level, our State level or particularly at a County level, there is a group of people that has been, you know, hit hardest by the economic downturn. Every Friday morning I participate in a Food Bank food distribution at the Keolahou Church in Kihei, and I get to look at those people in the eye every single week, hundreds of 'em. And let me tell you, one of the things that I'm here to ask your support for is MEO, the Food Bank, Kaunoa--those people that have so many programs that support those people who are less fortunate. I hope that's not something that, you know, well suddenly gets hacked out.

Again, some of these places have already given up 10 percent, cut back bits and pieces here and there, and I've talked to all of them. But, you know, the Food Bank is the food bank. We used to, we used to feed about somewhere about 15 to 20 families representing around 40 to 50 people per week. That number is now up over 50 families and 125. And we get our food from the Food Bank and also from Safeway--thank God for them for their bread products--but that which comes from the County and which helps to support that because well, there just isn't enough money. The people that used to donate money to help us with our Food Bank program, as an example, are also some of those people who are out of work, and they don't have the money then to put into a nonprofit such as this.

So, I would ask that when you consider cutting and where you have to really hit people, consider those that are less fortunate. I'm not going to take the time up now, but I would just like to briefly comment on the fact that I, I hope that as you go through this year and maybe even think about having some special session that would be organized to, to support it, that the whole concept of a budgeting

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

process--and I do it in a group that I am head of in AARP--you have income and you have expenses, and what you're talking really here about is primarily that aspect of it. I guess next week on the 23<sup>rd</sup> you're going to talk about the other.

For years we have COMET, which is the other group that I'm associated with, has asked that this County Council consider the concept of tax reform. Had you done so, you would have a lot more money this year, okay. It is absolutely and positively true that the way the plan was laid out, you would have tens of millions of dollars more in this fiscal year. And I think whether you do it, it can't be done for this current year --

MR. TAGUCHI: Three minutes.

MR. FISHER: --but consider the fact that this is going to be done in the future. Did you say three minutes?

MR. TAGUCHI: Yeah.

MR. FISHER: Thank you. I don't mean to overstep the time and so forth, but I appreciate the fact that you all consider the, both the income and the expense side. Thank you, sir.

CHAIR PONTANILLA: Thank you. Members, any questions for Mr. Fisher? Seeing none, thank you, Tony, for coming out this morning and testifying. I know you stayed up late in Kihei and never did have a chance to testify--

MR. FISHER: But you asked me if I wanted to testify to come back here, and I've done so.

CHAIR PONTANILLA: Exactly. Yeah.

MR. FISHER: Thank you, sir.

CHAIR PONTANILLA: Yeah. Thank you. The next person to testify is Thomas Croly.

MR. CROLY: Aloha, Chair. Aloha, Members. I'm Thomas Croly and I want to make clear today I'm speaking on my own behalf as a concerned taxpayer and in no way representing an organization. Okay. I watched with great distress yesterday afternoon when, when you had to face the, the difficult questions of where's the money going to come from. How, how are we going to balance this particularly in light of the fact that we're probably going to lose the TAT? That looks like a certainty. This afternoon, you're probably going to get even more bad news, I predict, when the tax certification comes in because I think we're going to find that, that there's a lot of appeals and that, and that some of the values come in

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

lower. And I think you're going find that, that the numbers don't add up tremendously.

And I look at this kind of like the whole economic condition that, that the country has found itself in. We've been spending beyond our means and we've been having a good time, and, and somebody has to pay the bills. And we have to look now at, you know, what are we going, going to cut or who are we going to ask to pay the bills. And in this County we have a long-standing policy of proportioning the majority share of our, of our taxes to the visitor industry. The hotel and timeshare folks are paying almost half of all the property taxes, and they're, they're the ones that, that are also in distress right now. Look at the, look at where, where their occupancy rates are and so forth.

We don't really want to cut the grants for, for many of these wonderful programs, but I do want to point out one huge grant that, that we may not be able to afford anymore, and that's the grant that, that we're making to the homeowner class. Via the homeowner exemption and the low \$2 per 1,000 tax rate, we're subsidizing the homeowner class right now to the tune of \$73,000,677 per year. And where, how I got that is if we add back in the, the homeowner exemption and, and tax all that at improved residential rate or at the, the agricultural rate depending on where, where they fall, this would generate \$94,439,000 in revenue from those, from that class. But right now in the new budget we're asking for 20,762,000 and then we're going to hand back another 1,400,000 via the circuit breaker. So we're going to have less than 19 million from that class.

The homeowner class represents the largest share of property in Maui. That, that particular class has, has almost 40 percent of the property in Maui, yet is paying only 9 percent of the total taxation. I don't like the idea of raising taxes on homeowners, but I don't like the idea of my taxes being raised either. But the reality is you can't continue to get something for nothing. And, and that \$300,000 exemption, that's going to have to be cut for next year or you'll never make 2011 balance because many of the properties are going to fall into that zero tax category. And that brings up the other issue of we have to raise the minimum tax above the \$60 that it's at now and get some revenue out of, out of that class.

But this year we need to be in preparation for next year as well. You're not going to balance the budget in the homeowner class. You're not going to be able to double the taxes there and make up for the \$18 million in TAT, but we have to start by adding something to that \$2 rate and we also have to be looking towards next year with respect to reducing that \$300,000 exemption. There's no other municipality in the country that grants --

MR. TAGUCHI: Three minutes.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

MR. CROLY: --that grants such a generous taxation to homeowners. And we've kind of gotten away with it because when visitors come here they say, oh, your taxes are cheap, we don't mind paying higher taxes. But we have really pushed the, the visitor industry to the extreme at this point, and I don't think it would be wise to be --

MR. TAGUCHI: Four minutes.

MR. CROLY: --tacking more onto the, the visitor industry. Thank you.

CHAIR PONTANILLA: Thank you, Mr. Croly. You bring out a very important point in regards to not only we have the lowest tax rate for homeowners, but we afford them with the \$300,000 exemption which is, you know, not even close among the other four counties in this State. So, best of both worlds. Thank you. Members, any questions for Mr. Croly? Member Molina?

COUNCILMEMBER MOLINA: Thank you, Chair. Good morning, Mr. Croly. So, hearing your testimony this morning, sir, you mentioned about maybe eliminating the exemption all together or just eliminating a portion, reducing it from 300,000? Did, did you have figures just by. . .without even touching the rates, just by reducing the homeowners exemption, how much millions do you think we could--

MR. CROLY: I don't have those numbers, but I can tell you this. This year you can't do anything about it. The, the, you know, the people are granted their homeowners exemption as part of the, their assessment, but for next year you're probably going to have to roll it back from 300,000 down to 200,000 or down to 150,000, or what's going to happen is more than 25 percent of the people in that homeowner class are going to end up at zero tax rate. Right now it's about 15 percent, 15 percent of the people in homeowner class end up at zero tax rate because their value of their property is not more than \$300,000. But because as we all know property values are going down tremendously, more properties are going to fall into that zero tax category unless we reduce it.

Am I advocating getting rid of it completely? No. I mean you can't make those, those wholesale changes all that quickly, but I am advocating that, that it needs to be discussed that it, it would be reduced for next year. It did rise from \$50,000 in 2003 up to \$300,000 by I think it was 2006 or 2007, and that looked right when the values of properties were going up so quickly. But now that the properties or values are falling, we can't overlook the fact that it's kind of out of, out of line.

COUNCILMEMBER MOLINA: Thank you. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Member Nishiki --

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

COUNCILMEMBER NISHIKI: Yeah.

CHAIR PONTANILLA: --followed Member Victorino.

COUNCILMEMBER NISHIKI: You know, you talk about a certain group of people that enjoy paying very little taxes, but, you know, we're fortunate that many of us live here, but we're unfortunate that unlike places somewhere else on the mainland, we pay probably the highest food cost. We pay probably the highest gas to run our automobiles. We pay probably the highest amount of rent. We pay probably the highest electricity. You know, so there is some consideration, you know, for those of us that get that exemption. And to now hit those of us that choose to live in Maui and own a home, I think there's got to be a little sensitivity towards that also. What are your thoughts?

MR. CROLY: I think that, that we, we do have a program that protects the people at the lower end of the food chain. The exemption is one of the things that does that. And I shouldn't use the word food chain. To people, the people at, at the lower end of the economic scale, okay. The exemption does help protect them and reduces their tax burden and then so does the low rate. However, keep in mind, that applies all the way up the scale too even the most expensive homes. And perhaps one, one way that we could generate some revenue would be to phase out that low tax rate for properties over \$2 million a year. While I recognize that working class people are having trouble just getting by and we don't want to make their burden any greater than, than we have to, everyone does have to pay a portion of their share. Those who can pay, and again those at the, at the very high end, someone owning a property worth more than \$2 million, perhaps they shouldn't be getting this \$2 per 1,000 rate. Perhaps that should be phased out at some point.

So, I, I believe that, that our tax rate does protect the working class person to a great extent, but people shouldn't expect a free ride. People shouldn't expect not to have to pay any tax or to pay the minimum tax to live here. All these programs that, that, that we're trying to fund are helping the people of Maui, and, and people should recognize that it's their kuleana to, to pay into that.

CHAIR PONTANILLA: Member Nishiki?

COUNCILMEMBER NISHIKI: What about taxing the million dollar homes at a higher rate then?

MR. CROLY: Where, where you set the, the, the jump whether it's a million dollars or whether it's \$2 million is, is a reasonable discussion to make.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

COUNCILMEMBER NISHIKI: Yeah. I'm just interested in protecting those people that have seen things rise constantly whether it be fees, garbage fees, you know, the gamut.

MR. CROLY: The garbage fees is, is a good, is a good --

COUNCILMEMBER NISHIKI: Or water fees --

MR. CROLY: --example.

COUNCILMEMBER NISHIKI: --or sewage fees.

MR. CROLY: The entire homeowner class isn't paying enough tax in as an entire group just to fund the garbage. Just, just that alone, just paying for that--forget about police, forget about fire, forget about programs, forget about running the government--just picking up our garbage, the entire homeowner class isn't paying enough money just to do that. So, we, you know, there's, there's not a free ride.

COUNCILMEMBER NISHIKI: We understand that, but if we told you that there was over 1,000 people that probably can't afford to pay it and that's why their delinquent, what would you say to that?

MR. CROLY: If these folks are, are homeowners, which is what we're talking about at this point, it means their property owners, and, and they need to be more responsible with, with managing their property and managing their money. We have wonderful programs. We have the circuit breaker program in place. If someone has no money, basically, we can reduce their taxes down to the minimum even if they're, they're, they're rich. And I'm not advocating getting rid of the circuit breaker tax. But we have many, many programs to try to, to try to protect people from being taxed out of their home. It's not unreasonable to ask people to pay their share of taxes.

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER NISHIKI: Thank you.

CHAIR PONTANILLA: Thank you, Mr. Nishiki. Member Victorino?

COUNCILMEMBER VICTORINO: Yeah, thank you. Thank you, Mr. Croly. I mean you bring up some very interesting and very debatable issues. And, and the concern I have here. . .many of these people as Member Nishiki has mentioned are being hit in many areas, but the one that I was concerned was you said the same tax rate as improved residential. That worries me because to take it from \$2 to 4.55 would really, I just did a quick calculation on a home like mine which is

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

not very much, I pay almost \$800 a year. I would go up to almost \$2,900 a year. I don't think that's going to make really a fair equitable change for people, especially those who are working, who are barely struggling, barely making things, ends meet. My son could never afford it. I think then he'd have to sell his house or foreclose.

So, I, I disagree with that. I may agree with you on the exemption, playing with that one a little bit and we have to pay more. I also agree with you that the minimum has to be looked at. It has to be changed a little because that is \$60 a year. Yeah, we all know that's, that's, that's not feasible. But the question I have for you is, if we were--and you mentioned about timeshare. Answer me this question. On a timeshare if the bill was, the same bill I just said, let's use \$3,000 for the year for one timeshare, does that mean I pay \$3,000 as a owner of a timeshare?

MR. CROLY: I'd like to, I'd like to address all the, all the components--

COUNCILMEMBER VICTORINO: Different demographics. I threw, I threw a number of things at you.

MR. CROLY: --you made. The, the first is that I wasn't advocating that we get rid of the homeowner rate all together. Okay. I'm just pointing out that we are subsidizing homeowners by reducing the taxes by that amount. So that is \$78 million that we're handing back to homeowners. Can they afford to, to not have that? No, they can't. They, they do need a portion of that, but when we go to the well and we have to find out where we're going to get money from, we have to recognize that that \$78 million subsidy might be one of the places that, that, that we need to reduce. But I'm not advocating in any way that we immediately bring homeowner rates up to improved residential rate. No.

The timeshare rate, which is \$14 per 1,000.

COUNCILMEMBER VICTORINO: Right.

MR. CROLY: Okay. The point that, that you just made of --

COUNCILMEMBER VICTORINO: Three thousand.

MR. CROLY: --a timeshare that's, that's paying \$3,000.

COUNCILMEMBER VICTORINO: Yeah.

MR. CROLY: I don't think that that exists anywhere because that would mean that the timeshare would, would only have an assessed value of \$220,000, and I don't

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

think there's any timeshares that have an assessed value that low. Most of the timeshares are up in the million dollar class or more. So, that timeshare money is divided among the 26 or 52 timeshare owners, and we're fortunate to, to gain that, those funds. In the Budget, we've got \$28 million of revenue coming from just \$2 million in the timeshare class, but we've only got about that...well, \$20 million of revenue coming from \$19 million in the home...homeowner class.

So, you know, we really are hitting the timeshare guys, but I don't think we can hit 'em any harder. That's my point. And, and, and the guys that, that are really not paying anything down here, we're going to have to add a little bit to, to, to their, their tax obligation.

COUNCILMEMBER VICTORINO: I'm glad you clarified that point. The point I was trying to make is if you took me from \$2 to \$4.55, which what is improved residential? Generally, rentals, apartments, right, which income comes in? My house, I have no income off of my house, except my wife and I live there. Right. Okay. So, let's clear that up because there's no additional money to pay any additional tax. So let's clear that part up. So, I beg to differ with you when you try to put even close the two together.

The second part, when you have 52 owners or 26 owners and let's say the tax is \$10,000, it's divided, and they also have the ability--'cause I just stayed at a timeshare KOR last weekend and paid rental to use that for two nights. Okay. So there's income that is derived off of that also. Okay. When you're talking homeowners, there is no income unless you sell your house, unless you rent a room out and then you change your classification.

So, there is a big difference and I agree with Mr. Nishiki. To burden them a lot more is not the place I would go with this, but I want to be fair and equitable all around. So, I thank you, Mr. Croly, I don't mean to be a little upset at it, but to take it from two to four, take my bill or any other body that's in this room from 700 - 800 a year to \$2,800 or \$3,000 a year would hurt many working people. It may put 'em out.

CHAIR PONTANILLA: Thank you.

MR. CROLY: I know how that feels. ...*(chuckle)*...

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER VICTORINO: ...*(chuckle)*... Okay. Thank you.

MR. CROLY: I understand.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

CHAIR PONTANILLA: Thank you. Just a comment. I've heard that when the hotel industry became abundant on West Maui and . . . West Maui, that our forefathers looked at it as, you know, one of the areas to, to tax high so that they could relieve the homeowners from paying those increases all the time. So, our forefathers utilized the, the hotel rate as one means to lower the homeowners' exemptions and tax rate. Member Baisa?

COUNCILMEMBER BAISA: Yes. Thank you very much, Chair. And thank you very much, Tom, for coming this morning. I think that what, what is needed here is a very frank and open discussion about this issue like we're having this morning. And my regret is that we're here at this juncture again having to do the budget. And I have tried for the past two years, starting a third year, that we, I totally agree with Mr. Fisher that we need to dedicate some time of this Council away from budget to look at the property tax issues and have the debate and look at all of the options and all of the ideas and all of the ramifications, because it is apparent to me that the way it has been is going to be very difficult to take us into the future.

You know, we've been very fortunate to be able to count on a lot of revenue from the tourist industry to pay a lot of our bills. And I don't see that we can count on that the way we did before, even if the tourists start to return. It's going to be a very long time before we see the money that we were . . . we had before. Also, now that the State has made their move and try to snatch our TAT money, which I think they're going to do, even this idea of adding a surcharge to that is debatable how much money we're going to get. Because let's face it, that revenue will be based on the tourists returning and if the tourists don't return at the rate that they were, it's not going to help us. Because we got to deal with the fact that every year costs increase. Whether we approve them or not approve them is not the issue. We have to deal with collective bargaining; we have to deal with manufacturers, with shipping, with all of these escalating things, like our cost of fringe benefits. We all know that HMSA just said they're going to increase our dues like 12 percent. I don't know if they'll get that, but they're talking about it.

So, costs go up and I don't see them going down. So, I don't know how two and two for me do not make six. It makes four. And we got to realistically look at every revenue stream and see how can we do it without killing our people. And I, I know that I didn't hear you saying that you were going to take away the homeowners rate, but I am with you when we talk about maybe having to do something modest. Maybe from \$2 we got to go to \$2.20 or, you know, I tried upping the hotel tax a few years ago by 10 cents and I got killed. But if we had done it then, we would have it. You know, and if we don't do it this year, guys, we're going to do it next year for sure.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

So, I think that we . . . *(end of tape 1A – 9:35 a.m.)* . . . realistic, I for one am not going to be comfortable about seeing the programs that keep this, this community comfortable and take care of our people disappear. We're going to have to bite the bullet. And I don't think it has to be ridiculous, but we have to do something and we have to be open to looking at it. So, I want to thank you for coming. You certainly provide an eye opener when you give us the figures. These are not small things. These are major things. You talk about \$94 million that the homeowner class is worth. I'm not even suggesting we go for \$18 million but, you know, we have to do something and I think it's just to be fair to everybody.

MR. CROLY: And this, this is my point. Fairness is, is what it's about. We want to come up with, with a tax basis that is fair, and I'm just trying to make the point that we've gotten so far out of balance now that, that we, we just have to reevaluate what fair is. And that's, that's the tough question for you folks . . . *(inaudible)* . . .

COUNCILMEMBER BAISA: But the only way you get there is by open discussion and having an open mind and be looking facts, figures and ideas of many people. Not, the nine of us do not have the answers. We, we have our ideas, but I'm sure there are many, many other people from many jurisdictions, many disciplines, many people who understand money, who understand many, many things that we know very little about--at least I speak for myself, I know a little about--that who probably could come here and offer us good ideas and good information. But unless we're open, we're never going to get that.

So, I want to thank you for having the courage to come here and, you know, listen to us and answer our questions 'cause I know it's not easy. But thank you for coming.

MR. CROLY: Thank you for, for the task that you're about to over. . . undertake.

CHAIR PONTANILLA: Thank you. Member Kaho`ohalahala?

COUNCILMEMBER KAHO`OHALAHALA: Thank you. You know, Tom, I just want to make a couple comments on, on statements that you've made about fairness. And, and I want to at least make sure that we also acknowledge the fact that tourism has become a consequence for our situation, and tourism has contributed to what you call this imbalance and, therefore, we're now looking at an opportunity now how to find balance on a system and a process that has always been imbalanced.

So, I am concerned that you leave that out of the equation here and now you're, you're saying that we're, we've been subsidized by that, by that industry. But I want you to also acknowledge that it is that industry that has driven most of what

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

we are bearing as burdens, and now to pass that on just simply to find balance is not, to me, as simple as, as you're stating. So, I think that we need to sit down and have those discussions, but it cannot be without acknowledging the fact that tourism was a, a general and a, a long-term plan that has now been successful. And in its success, it has created all of these kinds of needs, all of these infrastructure to the point that now we have to figure out how we're going to pay for it. So, let's not lose sight of that fact. And if we are willing to have that discussion, then that's the kind of discussion I would like to have.

MR. CROLY: Absolutely.

CHAIR PONTANILLA: Thank you. Members, any more questions for Mr. Croly? Member Molina?

COUNCILMEMBER MOLINA: Thank you, Chair. One simple question for Mr. Croly with regards to homeowners. What do you think in your opinion as a taxpayer is, if we have to look at raising the homeowners rates, what do you think is a fair amount?

MR. CROLY: I spoke, I spoke to this body last year and basically gave this same warning. My recommendation last year was that we raise the homeowner rate from \$2 to \$2.75. Okay. I, I probably would make that same recommendation this year in light of losing the TAT and as a place to try to find some of the revenue for this year. But it, it definitely should be raised and it should be the first place that, that we look to, to add taxes as opposed to continuing to overburden the tourism industry.

COUNCILMEMBER MOLINA: And you're recommending something like across the board, right, everybody pays, not just the homeowners, but all property tax, property owners?

MR. CROLY: No, actually, I'm, I'm looking for more balance in the, in the property tax rates. And right now, again, the effective rate of, of the homeowner class is about \$1.06. That is if you take how much the total homeowner class is and how much we get out of it, it's \$1.06 is the effective rate after the, the, the, the circuit breaker--not the circuit breaker--but the exemption is figured into that. Okay. The hotel rate as you know is \$8.20. So, we already have a disparity of almost eight times that the, that the hotel rate is over the homeowner rate. That can't continue. We have to, we have to bridge that gap. Maybe we have to do it slowly, okay, but, but we do have to bridge that gap.

And over the past nine years--I think most of you guys are homeowners, you probably know--your taxes, your tax bill hasn't gone up. Okay. During that same period, the tax bills for improved residential and for all the other classes besides

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

homeowners have doubled or tripled. Just, just look at what the tax they paid eight years ago or nine years ago versus the tax that they're being asked to pay, pay today, and it's two or three times in every other class, but the homeowner class where it's either about the same as what was paying eight or nine years ago or less. So, I'm looking for that, for that to be a little bit more, you know, the homeowner class to be the one that, that we do bring up.

COUNCILMEMBER MOLINA: Okay. Thank you for your response. So, basically, you're saying the, the homeowners for this cycle should bear a bigger burden. And just for me right now is, it's just the timing of it. . .so, you know, would, would the probability of we're increasing rates and fees as well and then to shift additional burden on the homeowners. Well, I'll, I'll keep my comments to my, opinions to myself at this point, Mr. Chair. Thank you, Mr. Croly.

CHAIR PONTANILLA: Members, it's going to be tough. It's going to be real tough. Member Nishiki, for the last time.

COUNCILMEMBER NISHIKI: Yeah. Thank you. You know, Mr. Croly, you look at rates that we charge for homeowners. You don't look at the fact that--or maybe I should ask you this--do you ever look at the valuations of some of the properties, some of. . .

MR. CROLY: Absolutely. I'm quite. . .learned it on the, on the, on the whole Tax Code --

COUNCILMEMBER NISHIKI: Good.

MR. CROLY: --and, and what the valuations are.

COUNCILMEMBER NISHIKI: Good.

MR. CROLY: And I followed as the valuations have gone up and I thought that it was a good policy that as the valuations went up that we did increase the homeowner exemption, because that helped keep the taxes in, in proportion. But at the same time that we were increasing the homeowner exemption, we were reducing the rate. So, as we did, when you just got to, to the bottom line tax, someone who was paying \$500 tax, ten years ago, is still paying \$500 tax. Even though the value of the property has gone up tremendously, the, the, the bottom line tax that they're, that the homeowner is paying is basically been pretty stable or it's gone down some. And it's, it's just, it's nice and, and, and I'd appreciate it to continue but, but again it goes back to how we got ourselves into this whole economic condition to begin with. We haven't been paying our bills and we can't continue to not pay our bills.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

CHAIR PONTANILLA: Thank you.

COUNCILMEMBER NISHIKI: I, I just beg to differ with you when you tell me that the bottom line tax after the valuation has gone down, because I can talk to many people and they will tell you that their bottom line taxes have gone up. This year when we asked the tax people, yesterday, they had said that this year, and I don't know about the year before, many of the valuations have gone down.

The other question, and you bring this up constantly, and, you know, when you look at a home that somebody lives in compared to a hotel that generates money, I don't think that you can equate what they are paying to what a homeowner is paying. That hotel is charging who knows what a night, you know, and, and, and many people have said to me a lot of that money, a lot of that money doesn't stay on Maui. It leaves Maui. And I think this is some of the considerations, as Sol has pointed out, that we need to look at. And to say that, to justify what you said about homeowners having to bear more of a brunt, to me doesn't make sense, because you're comparing a hotel parcel generating money, big bucks, compared to one where someone just lives there and hopes to live there and not be driven out of that home. And you and I know when you look around the oceanfront now, many of the kamaaina families that, that used to live there are all gone. And that's where my concern is. Thank you, Mr. Chair.

CHAIR PONTANILLA: Thank you, Mr. Nishiki.

MR. CROLY: May, may I respond to Mr. Nishiki?

CHAIR PONTANILLA: This is not a debate, Mr. Croly.

MR. CROLY: . . .*(chuckle)*. . . Okay. Okay.

CHAIR PONTANILLA: Thank you very much for being here this morning.

MR. CROLY: Thank, thank you.

CHAIR PONTANILLA: The last testifier this morning is Bill Frampton.

MR. FRAMPTON: Good morning, Budget Chair, and Committee Members. My name is Bill Frampton. And I'm here today as a member of the Kula Community Association as well as the President of the PTA for the Kula Elementary School. I'm here to speak about and provide some testimony regarding a significant and troubling concern involving the closure of the playground equipment at Kula Park. I also, however, want to share what I believe is a neat opportunity or a great opportunity to demonstrate the benefits of public/private partnerships and how we

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

as a community, various groups can get together and try to solve some problems especially in this tough economic times.

Because of the fact that the land that we're talking about is on County property, it will involve some information about your budget. Kula Park has the only playground equipment for children, ages 5 through 12, up in Kula. The park is used by many kids and children in Kula, including my two sons. I used to take them there before they started Kula School, but it also serves as a great little playground equipment for the children at Kula School during their lunch recess and morning recess. And they also serves for equipment for other people, Summer Pals and A-Plus Program. However, for safety reasons the park has been closed, that section of the park has been closed for quite sometime now. And as the President of the PTA, I'm hearing a lot of concerned parents as well as a member of the Kula Community Association. And I believe Gladys, Councilmember Gladys Baisa has also received numerous concerns.

Again, the park was closed for safety reasons because of equipment failure. The park is approximately 17 years old, that specific equipment, and the County Park's folks assessed the situation and thought about maybe repairing the equipment; however, it would require a fair amount of money to do so and the, the life expectancy of those repairs would not be that great. And so, the best we believe cost benefit is to simply replace the project. However, money, this is going to cost money. Where was that money going to come from? We believe the money, the estimated cost to date in working with the Parks Department has been \$220,000, which would, a large bulk of that cost is the, the surface involved with these parks. It's quite costly to put in that, almost. . .it used to remind me of a rubberized track, but it's a safe. . .safety concern.

So that funding we believe is available through the County Park's assessment fees and specifically there's a project in Kula, a subdivision called Kula 'O Subdivision that's being. . .the developer is KSD and. . .

MR. TAGUCHI: Three minutes.

MR. FRAMPTON: Okay. And I'll wrap it up. And they have approximately an assessment fee of \$260,000, which will be coming in this fall. What we're hoping for is to respectfully requesting your kind consideration of the addition of a line item to earmark those funds. . .to keep those funds from the park assessment fee in Kula. If we could keep 'em in Kula to take care of our children Upcountry.

CHAIR PONTANILLA: Thank you. Members, any questions for Mr. Frampton this morning? Member Baisa?

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

COUNCILMEMBER BAISA: Thank you. Thank you, Chair. And thank you, Mr. Frampton, for coming this morning. I appreciate your coming to share this information with the Members, my colleagues because this has been going on now for a while. There's been a huge concern from the Kula Community Association and the school about how would they provide a playground for the kids. And it was through a collaboration between the private sector, of course, Mr. Goode and Mr. Frampton, and the Kula Community Association, and the school and the Parks Department, that we have come up with this proposal. And I would really appreciate your support being that the money is available and there's a need, the Kula kids really would appreciate it, them and their parents.

So, Mr. Frampton, I would like to thank you and Mr. Goode for all the support that you've given the school and Kula Community Association, and the PTA, PTG, everybody in trying to make this a reality. And I know that the Parks Department is very supportive and they have helped us in the estimating and finding the equipment and all of the information that's needed. Thank you.

MR. FRAMPTON: Thank you, Member Baisa. I just would like to note, I forgot to mention, that there is a handout that was prepared by Kula Community Association that was delivered this morning. And it includes some photos of the fencing and it shows how the park, again, the equipment has been fenced off. And it is concerning. I go down there as the President of the PTA during morning recess specifically, and lunch recess, the kindergarteners and first graders, that's their sort of safe haven. They're the only ones allowed to go to that equipment. Well, my little boy's in first grade, comes home and is very concerned 'cause he's having to go out amongst the big field, and big players. And. . .anyways, again, I think it's a neat opportunity considering these tough economic times to try to be creative and innovative because I know it's a challenge.

COUNCILMEMBER BAISA: Thank you.

MR. FRAMPTON: Thank you.

CHAIR PONTANILLA: Thank you, Mr. Frampton. Like all parks, you know, we, we do have the park assessment fee for all of the districts and we certainly make use of those monies. Thank you.

MR. FRAMPTON: Yeah. I appreciate that.

CHAIR PONTANILLA: Members, any more questions for the testifier this morning? Seeing none, thank you very much.

MR. FRAMPTON: Thank you, Chair.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

CHAIR PONTANILLA: Members, Mr. Frampton was the last person to provide public testimony this morning. Seeing no one in the gallery other than testifiers, the Chair would like to close public testimony without any objections.

COUNCIL MEMBERS: No objections.

**...END OF PUBLIC TESTIMONY...**

**ITEM NO. 1: PROPOSED BUDGET FOR FISCAL YEAR 2010 FOR THE COUNTY OF MAUI (CC 09-59 and 09-88)**

CHAIR PONTANILLA: Thank you. Members, this afternoon we'll be receiving the certification, Real Property Certification from Mr. Young. And I, you know, joining us this afternoon at 2:30 will be the Mayor of this County. So, Members, without any objections, the Chair would like to recess this meeting to 2:30 this afternoon.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you. This meeting in recess. ...*(gavel)*...

**RECESS: 9:50 a.m.**  
**RECONVENE: 2:35 p.m.**

CHAIR PONTANILLA: ...*(gavel)*... The Budget and Finance Committee meeting for April 16, 2009 is now reconvened. Members, we're happy to have with us the Mayor of this County, Mayor Charmaine Tavares. Also, we do have upfront from this morning the Budget Director, Mr. Pablo as well as our Finance Director, who wasn't here this morning but this afternoon he's here, Mr. Kalbert Young. Also, we have Mr. Scott Teruya from the Real Property Division and, of course, our First Deputy Traci Villarosa with us.

This afternoon, Members, on our calendar, we do have the Finance Director to provide us with the Real Property Tax Certification prior to, you know, we finalizing our proposals. I don't know who's going to go first, but, Budget Director, if you can provide us some comments and then we'll go to Mr. Kalbert Young and then the Mayor will take up the rear.

MR. PABLO: Thank you, Chair. And good afternoon, Members, and good afternoon everyone. Just a brief comment. The, the Real Property Tax Certification has been moved up a little bit. We're going to be doing it this afternoon and Finance Director Kalbert Young will be explaining the Real Property Tax Certification.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

And this will be followed by remarks from Mayor Charmaine Tavares. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Young.

MR. YOUNG: Good afternoon, Chair and Members. A Real Property Tax Certification is the certified official roll for all properties and parcels in the County of Maui and in accordance with Maui County Code Chapter 3.48, we are providing the certified rolls that are due on April 19<sup>th</sup> of each calendar year. I've prepared a handout for you. It's this chart, starts on a chart. It's multiple pages. It's similar to the ones that have been provided you in the past years and it shows the assessed valuations for each of the land classes in the County of Maui. There are ten separate land classes and the assessed valuation applied to the current and proposed tax rates in the Mayor's FY '10 Proposed Budget, and then the applicable revenue that would result.

To start off at the bottom line, you'll see at the very bottom of the page, certified real property tax revenue is coming in at \$231,169,830. Now, the bad news is that that is about \$4,500,000 less than what was originally proposed in the submitted Budget, and there are reasons for that. When the Mayor constructs the Proposed Budget as early as October and November, we're using estimates and projections for real property taxes and for property assessed valuations. That estimate includes the effect of appeals, so it's guessing how many appeals are going to be filed. It also, we also have to guess at what the final assessed valuation for properties will return before April 19<sup>th</sup>. We try and always guess or estimate on the conservative side. This year, however, given the real estate market and the economy and the effect of a lot of appeals that have been filed, many of which have occurred right up to the final day of the deadline, this has resulted in a certified roll less than the actual, than the amount that was actually projected.

So, I'll go in through the format of the, of the document, the presentation document and will be available for any questions afterwards. But as you can see, each of the rates that are applied are the proposed rates the Mayor has submitted on the first page. On the second page, it's a graphical presentation of each of the classifications and a historical illustration of where the amount of revenue for each of the classifications, how they've increased or decreased over the last five years.

The third graph is a pie chart graphical that shows the different contribution of tax revenues on the right-hand side versus the estimated assessed valuation on the left-hand side by community districts. These are not electoral districts, they're not Council districts. They're community districts. So, for example, the two big pieces on the left-hand side and right-hand side of the top two-thirds of the pie

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

charts--the one on the left being West Maui; the one on the right being Kihei-Makena--they, you know, clearly on these pie charts those two districts have the largest valuation for assessed valuation in the County. Similarly they also contribute the most in terms of real property tax revenue.

The next series of graphs labeled page 1 through 9 are the breakdowns for each of the classifications by those same community districts. So, the first on Page 1 is a breakdown of the classifications. It shows the tax rates that are currently, in the current fiscal year, the taxable valuation for the current year and how that returns to the amount of revenue that is in the current year's budget. And then on the right-hand side of the table is the same evaluation for the Proposed Budget for Fiscal Year '10. And then on the bottom, again, the breakdown by pie charts, but this time the, the presentation is by land classifications, for assessed values on the left, and for the contributing revenues on the right. So here the largest segments of the pie chart on the left is in the Homeowner classification on the left-hand side of the pie chart, and Hotel and Resort.

So, for the County of Maui those two classifications basically contribute the largest in terms of assessed valuation. However, when you go to look on the pie chart on the right, you'll notice that the same piece of the pie that's attributable to the homeowner is not one of the more significant contributions for real property tax revenue. The Hotel/Resort piece of the pie, though, is a larger part of the overall picture for tax revenues, larger than the portion that they contribute for assessed valuation. The same graphic and presentation is on all the subsequent pages provided for you for each of the community districts. So, starting with Hana to Kihei-Makena, then to Lanai, Makawao-Pukalani-Kula, Molokai, Paia-Haiku, Wailuku-Kahului, and finally West Maui.

I won't belabor the...the Committee by going through each of the individual districts, but am prepared to discuss any questions that the Committee may have. With me today is Mr. Scott Teruya and we are both available for any questions. Thank you, Mr. Chair.

**CHAIR PONTANILLA:** Thank you. Before we go to Q&A for Mr. Young, at this time the Chair would like to call upon the Mayor. Mayor Tavares.

**MAYOR TAVARES:** Thank you, Mr. Chair, and good afternoon, Members.

**COUNCIL MEMBERS:** Good afternoon.

**MAYOR TAVARES:** I think that this is sobering news for everyone. There are reasons why they occurred and I think your questions are probably more about this Real Property Tax Certification, and I can hold off my portion until the Members have

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

some of the questions that they have addressed by the Real Property Tax Division and Mr. Kalbert Young.

CHAIR PONTANILLA: Thank you. We'll start off with Member Victorino --

COUNCILMEMBER VICTORINO: Thank you.

CHAIR PONTANILLA: --if you have any questions for Mr. Young.

COUNCILMEMBER VICTORINO: For Mr. Young, right?

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER VICTORINO: Yeah. Thank you, Chair. Mr. Young, I was doing some quick comparisons and I guess the big downturn primarily comes out of two areas; number one, timeshare; number two, homeowners. I think you--and the vast majority under timeshare. So, when we had, when we had been presented this, and I, I heard your rationale and I understand, but also you had said that at that time because of the new properties coming online both out at KOR, at the Airport Beach area, that you felt that it would have a little increase versus a little decrease. So what changed that? Is it the appeals? What caused that particular one to take the dive?

MR. YOUNG: Yes, Mr. Victorino, the comments that you refer to I made yesterday and they're still effectively true, because that, that statement was relative to the current year's assessed valuation and revenue for Time Shares versus for Fiscal Year '10.

COUNCILMEMBER VICTORINO: Uh-huh.

MR. YOUNG: What is different, however, is what has resulted from the Mayor's Proposed Budget until certification. Because I'm looking specifically on the illustration for the first graphic where it was showing the. . .it's labeled Page 1, but it's actually the third slide or fourth slide. You'll notice here that for the Fiscal Year '09, the current taxable year for value, for Time Share, for instance, is 1.1 billion.

COUNCILMEMBER VICTORINO: Right.

MR. YOUNG: For Fiscal Year '10, the certified taxable value for Time Share is actually 2.0 billion.

COUNCILMEMBER VICTORINO: Uh-huh.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

MR. YOUNG: So there actually was an increase in valuation and that is attributable to the fact of new inventory. However, what is, what has changed is that when the, when the Administration has constructed its FY '10 Budget, we accounted for a certain level of appeals and a higher rate of appeals at that for Time Shares. However, in actuality for the amount of appeals that have been filed have been far in excess of what was originally estimated, and for that reason if you look, if you, if you happen to have the documentation for the presentation that we did when we earlier submitted the budget --

COUNCILMEMBER VICTORINO: Yeah.

MR. YOUNG: --you will see that the amount of revenue that is projected in the Time Share category has decreased from the amount that was in the submitted FY '10 Budget. So that's actually one of the large attributions for why we're actually seeing a decrease in the certified real property tax revenue.

COUNCILMEMBER VICTORINO: You know, I do have the original one that you did submit to us. I have it online right here from the original. . .Mayor's Proposed Budget. And, and unless I'm reading it wrong, it says two billion sixty-three million--no, sixty-three thousand. Wait. I get hard time. Two billion, I think, sixty-three thousand five hundred and--no, I'm sorry--\$2,063,502,074 that I'm reading right off of here. Here it says, and unless I read it wrong, it says 2 million. . .2,074 billion. So are my eyes playing tricks on me or am I playing tricks on my eyes?

Right, 'cause, because now. . .no, and we're laughing, but I don't mean to laugh at it because it's serious because then I look at it and it says \$28 million in revenue and this chart says 24 million.

MR. YOUNG: Uh-huh.

COUNCILMEMBER VICTORINO: Okay, I'm. . .I'm sorry.

MR. YOUNG: And that, yes, and that could be the effect of the appeals that have been filed. We did have, we do have a number of appeals that are quite significant in the Time Share category that have been filed and that does overall affect the amount of revenue that eventually that we can certify to the Council.

COUNCILMEMBER VICTORINO: Okay. You know, Mr. Chair, I'm, I'm having a hard time because unless somebody can point out to me why I'm reading this wrong, I see 2,063,000,000, I see 2,074,000,000. I see 28 million here and I see 24 here. My math does not work out and I'm not the sharpest candle. So, my math is not working out. I'm asking what's wrong?

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

CHAIR PONTANILLA: I think you're looking at an earlier chart that was provided.

COUNCILMEMBER VICTORINO: Is that what I'm looking at?

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER VICTORINO: Okay.

CHAIR PONTANILLA: And you compare it--

COUNCILMEMBER VICTORINO: 'Cause that's the chart that's on the computer.

CHAIR PONTANILLA: Yeah, that's the one that's on the computer. That's an earlier chart that was provided us back in March, I think.

COUNCILMEMBER VICTORINO: Okay. So, so that's why this is different?

CHAIR PONTANILLA: Yes.

COUNCILMEMBER VICTORINO: 'Cause that's the one you provided to us, Chair --

CHAIR PONTANILLA: Yesterday. Yeah.

COUNCILMEMBER VICTORINO: --to work off of. Yeah. So, that's why I'm . . . *(end of tape 1B - 2:48 p.m.)* . . . the last two days, 17 hours my brain only focuses on certain things.

CHAIR PONTANILLA: And, Mr. Victorino, this is the certified numbers, the true numbers.

COUNCILMEMBER VICTORINO: Yeah, I understand that, Chair. I understand. But I read 2,063 billion, I read 2,074 billion. This is less, that's what I'm saying, but yet I had 28 million in income and I see only 24 million in income. You understand my point?

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER VICTORINO: Okay. Thank you. I, I think there's a mistake there. That's. . . I think what I'm trying to get to more than anything else at this point. Anyhow, I guess the last question I have, and I'll let the other Members ask because I think it's only fair everybody has a chance. On the Homeowners is this a direct result of the down-market because I see less than last year. Last year we were assessed at 10 billion, if I'm correct, and this year we're assessed at

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

9,000,932,000. So is that a direct result with the downturn in the real estate market?

MR. YOUNG: Yes, Mr. Victorino, clearly that's a downturn issue because the other factor is that if you look at the property class count --

COUNCILMEMBER VICTORINO: Uh-huh.

MR. YOUNG: --there's actually more parcels --

COUNCILMEMBER VICTORINO: Right.

MR. YOUNG: --in the Homeowner class than there were last year and you still have a decreased, assessed valuation decreased revenue.

COUNCILMEMBER VICTORINO: Yeah.

MR. YOUNG: So, yes.

COUNCILMEMBER VICTORINO: Okay. Thank you. Thank you, Mr. Chair. I'll allow other Members. If my questions are not answered, I'll come back later. Thank you.

CHAIR PONTANILLA: Thank you. Mr. Mateo?

VICE-CHAIR MATEO: Chairman, thank you. Mr. Young, thank you very much. Madam Mayor, good afternoon. Mr. Young, can you help, can you help quantify what the appeals actually comes out to in terms of a dollar value? And if you could also add to that so we can get a better picture in addressing appeals plus the, the current delinquencies so we can get a picture of what is still outstanding that could have an impact on the, the actual numbers that you just provided to us today?

MR. YOUNG: Sure. Some of that is a little bit more technical so I'll have to, I'll have to punt that off to Mr. Teruya, but I'll, I'll take a first stab at it. The certified list that was provided to Council this morning reflects about \$1.88 billion in assessed valuation that is disputed. And that is on 3,400 appeals. They're spread over ten different property classifications. How appeals affect the overall certification rolls, though, is the amount that is in dispute limits how much we can actually include into the certified rolls and, therefore, affects the overall revenue calculation. By County Code, 50 percent of the value that is in dispute needs to be held off of the, the certified rolls. Or the other way of looking at it, I can only include 50 percent of the amount in dispute into the certified rolls to calculate for revenue.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

So, when 1.88 billion is held off of the rolls, that's basically removed in the amount of the revenue calculation. In terms of the amount that's in, that's delinquent--I see Mr. Teruya is busy in discussion--but the County Code still requires that even if you file an appeal, you must pay your property taxes as the County has billed you. So, the fact that you filed an appeal doesn't absolve you or delay you from filing or paying your property taxes. With this rate of appeals, 3,400, it's probably the most significant in recent years in terms of the number and the Real Property Tax Board of Review that hears appeals takes about 12 months to make its way through the 2,500 appeals that have been filed in previous years. So, I suspect that it will take the board a significant amount of time. . .at least that long to, to go through 3,400 appeals, meaning that these taxpayers will have to pay their taxes during that time, and for that reason the County Code allows for only 50 percent of that amount in dispute. Because if the taxpayer is, you know, prevails over the County's assessment, they are entitled to a, a refund or yes, or credit.

VICE-CHAIR MATEO: Okay.

MR. YOUNG: Mr. Teruya informs me that the total amount of delinquencies is currently at approximately 6 million and with a tax roll of about, you know, tax revenue of about 220. . . \$230 million a year, 6 million is about just a shade under 6 percent.

VICE-CHAIR MATEO: Okay. Thank you. And then for, for those that still going through the appeals process, the County in terms of staying the appeal, is it consistent that we normally win the appeals because with the appeal they also have to pay, do they pay a fee when they file an appeal?

MR. YOUNG: Yes, Chair Mateo, they--

VICE-CHAIR MATEO: So, they pay a fee--

MR. YOUNG: There's a \$50 fee to pay to file an appeal.

VICE-CHAIR MATEO: And historically the County wins?

MR. YOUNG: The rate, the County usually prevails on its assessed valuation upwards of 75 percent. And, however, if, if the taxpayer does prevail on their appeal, they are entitled to a rebate of the appeal fee.

VICE-CHAIR MATEO: Okay. So, at this point then there still is a considerable amount of monies technically in limbo for a period of time and hopefully, it will come into play in FY '11 for us. Yeah. Thank you.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

MR. YOUNG: Yes. Yes, Mr. Chair.

VICE-CHAIR MATEO: Thank you.

CHAIR PONTANILLA: Thank you. Maybe I missed something. The \$1.88 billion, is it in valuation?

MR. YOUNG: Yes, in valuation, Chair.

CHAIR PONTANILLA: So, the 3,400 appeals, would you know how much that would be in property tax?

MR. YOUNG: Mr. Chair, I couldn't give you that amount right now because it would entail me calculating across the ten different property classifications.

CHAIR PONTANILLA: Okay. Thank you.

MR. YOUNG: But I would tell you that it, you know, it, it is a contributing factor to the . . . at least 4.5 million, right, because that's the difference between what was proposed in the Mayor's submittal and what we are certifying today.

CHAIR PONTANILLA: Thank you. Mr. Nishiki?

COUNCILMEMBER NISHIKI: Kalbert, so 4.5 million had not the appeals been filed, would be what the revenue stream would be in this year's budget. Now, my question when Joe asked you that that money which would be held by the appeals people, you said that it wouldn't show until the '11 Budget, despite that some appeals may be happening and we may win? Why wouldn't it go into this year's budget?

MR. YOUNG: Yeah, I'll, I'll, I'll try and be more clear. When, when the Administration constructs its Proposed Budget, we do factor in a rate for appeals. So, the Budget that comes down to the Council already has calculated what the Administration feels is a realistic account for projected appeals. The fact that it's, the certification is less, it's not that, it's not due to the fact that people file appeals. It's that certain appeals or the rate of appeals or the valuation that is in dispute in certain classification is more than what was projected.

People still have to pay their taxes even though they file an appeal, but because appeals take, you know, into 12 months to be heard by the Board of Appeal, they may not be resolved or decided on during that time. But when people file, pay their property taxes even though they are in appeal, the valuation we have to, we have to--we take their money and we, by County Code, are required to set it aside until the appeal is resolved or decided upon. So that kind of takes some money

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

off of the, the table. So, when we provide the certification, what the County Code has provided is that we can only record or certify to you 50 percent of the amount that's in dispute. So, it kind of gives that factor that, yes, there's money that's coming in. If we are sustaining on the, if the County sustains its valuation, we will realize more real property tax revenue than is what is certified. And optimistically, that's more likely because we have a very good record of assessing value.

However, you know, 25 percent of the time maybe, you know, a taxpayer wins an appeal and in those instances we do have to return those revenues. So, in the end, what we're saying is that the amount that is certified accounts or makes account for that either side of the equation for the appeals. And if we sustained on the appeal and we collect more real property tax revenue than what is certified, the difference is actually available or will show up as carry-over savings for the Council to deploy in Fiscal Year '11.

COUNCILMEMBER NISHIKI: Okay. So that's how you will show that money if we should win the appeal --

MR. YOUNG: Yes.

COUNCILMEMBER NISHIKI: --as carry-over savings.

MR. YOUNG: Yes.

COUNCILMEMBER NISHIKI: Okay. I'm done.

CHAIR PONTANILLA: Thank you. Member Kaho`ohalahala?

COUNCILMEMBER KAHO`OHALAHALA: Thank you, Chair. My questions are really not going to be steered toward the certification, but what I do want to know is that--and we had part of this discussion yesterday--if what you're saying to us is that there is 4.5 million in, in shortfall and if we are going to be realistic about the 18 million, then what we are tasked with is looking at a \$22.5 million deficit right off the top. I'm more concerned about what are we going to do with that, not so much about the details of how you came about the certification. I would like to have the discussions about what we're going to do to look at an additional 4 percent reduction across the board.

Because so far in our deliberations we have been talking about a proposed budget that includes the 18 million. We've not talked about a budget that is going to be reduced by 18 million, and then the reality is that we may have to be talking about a budget that's reduced by 22.5 million. So that to me is more important about what we must be engaged in, and I'm looking forward to that discussion because I

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

want to be able to be prudent as a, as a legislator making decisions on a budget that has to be balanced. And I want to know that in order for us to do that, some of what we need is going to be assistance from you and your departments.

None of your departments have come in so far with a proposed budget that's reduced by 7 percent, yeah. So how are we going to get to that point within these next couple weeks is, is my concern. And so, I would like to have those discussions so that we can be realistic about what it is that we need to do. I would rather make decisions about where to cut based on the departments' request where places that they can stand the cuts rather than us trying to guess where to make the reductions within the departments. And then for those areas that the department feels that they must keep intact, then we should at least understand that so that we know that these are areas that perhaps are kapu, don't touch, you know. But we haven't had that discussion and now we're at a 22.5 million potential deficit. So, I would rather be working toward that and that's what I'm looking forward too. So. . .

**CHAIR PONTANILLA:** That's it? Member Baisa?

**COUNCILMEMBER BAISA:** First of all, I'd like to say I kind of feel like Member Kaho'ohalahala. I'd like to spend the time solving the problem. But I do have a question in regard to the delinquencies. It concerns me that we have a \$6 million delinquency, and I have a couple questions. One, is. . .are these monies that are owed after they've been through the appeal process?

**MR. YOUNG:** I'm sorry, Ms. Baisa, can you. . .

**COUNCILMEMBER BAISA:** Okay. We owe, we have all these money in delinquencies, okay, so these delinquencies that are owed to us, these are monies that have been determined that is owed to the County after they've been through these appeal, through the appeal process. So there's no longer a decision about if it's owed or it's not owed. It's been declared owed.

**MR. YOUNG:** Are you referring to the \$6 million that I mentioned?

**COUNCILMEMBER BAISA:** Yes.

**MR. YOUNG:** Okay. The \$6 million is just purely the amount that people owe and they haven't paid. Whether or not they filed an appeal or they have an appeal pending is not relevant for that number. It's just purely they owe it. They may not have even filed an appeal. They may, you know, just, people just not paying their taxes for a number of years. That's included in the 6 million. So, the 6 million is just purely people who have not paid.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

COUNCILMEMBER BAISA: Well, the reason why I'm interested in whether they've been through the appeal or not is if the appeal has not been determined, it's possible that they don't owe it to us. So that, that was why I was asking. But let me take it to the next step.

MR. YOUNG: That is true.

COUNCILMEMBER BAISA: What is our procedure for collecting delinquent taxes? How do we go about that?

MR. YOUNG: Currently, the Division. . .currently, the Division collects or pursues collection measures on current taxes and that includes you are, by Maui County Code, you are assessed a penalty for not paying on time. You are also assessed monthly interest and penalty on top of that for not paying. After a certain period of time, you are also assessed with a property tax lien on your property that's on, that can stay on the property until, you know, the transaction is settled or the property is transacted against. And then the County also has the authority to pursue tax foreclosure on properties as well.

Now, I will say though, however, that the County has not pursued tax foreclosure proceedings against properties for quite some time, but that does not mean that we will not do so in the future. Right now, the most severe penalty that I am aware of is the tax lien and the accruing interest issue.

COUNCILMEMBER BAISA: Is there a finite time attached to how long you give people before you actually take some kind of legal action?

MR. YOUNG: A finite time? Um. . .

COUNCILMEMBER BAISA: You know so many days, so many years. What is it? I mean I'm wondering how old is this, are these accounts? Are they very, very old?

MR. YOUNG: My understanding is that some of 'em, a portion--I don't know if it's the majority or minority--can be prolonged. And by prolonged, I would say in excess of five years. I have seen some individual taxpayers that have quite a significant amount of taxes owed, and by significant, I mean in excess of 25,000. The County always evaluates whether or not the, the level and degree of pursuit, meaning pursuit could mean, you know, phone calls, you know, one on one contact, personal contact encouraging arrangement for payment plans, et cetera. Pursuit could also mean instigating tax foreclosures proceedings and as I mentioned, we, we have not instituted that measure in recent history.

COUNCILMEMBER BAISA: Do we contract with a collection agency or do we try to do this in-house?

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

MR. YOUNG: We do both. We do contract with a collection agency, but we also pursue largely in-house. In the area of Real Property Tax, we have, we have staff people at the Division that actually pursues individually, so, you know, placing the phones calls, the letters, the demand letters, et cetera, following up.

COUNCILMEMBER BAISA: Thank you very much. 'Cause it's a significant amount of money and we need to get that money in here in fairness to those of us who do cough up the bucks.

COUNCILMEMBER VICTORINO: Uh-huh.

COUNCILMEMBER BAISA: ...*(chuckle)*... So, thank you. I'll wait for the second half of this. Thank you.

CHAIR PONTANILLA: Thank you. Just a fast question for the Director. Does the Department have, you know, some people who haven't paid for ten years? I know of one case that I got through from the credit union that this particular individual didn't pay their tax for five years and now she's in arrears almost \$12,000. Is there like a time payment type of thing that we can do for someone that owes, you know, that amount of money to pay it in, you know, several years?

MR. YOUNG: The Division has, has negotiated payment plans for, you know, delinquent taxes. But these payment plans, you must remember, must conform to the requirements of the County Code, meaning that there's very little avenues for suspension or ceasing of accruing interest. So, even though we can, you know, we can arrange for payment plans, but if the payment plan, you know, when you're talking about somebody who has a large amount owed, you know, the payment plans have to be very creative but well within the conformance of the County Code. So there is some limitations to the extent of payments plans, but they are done, they are done, Mr. Chair.

CHAIR PONTANILLA: Thank you. Mr. Molina.

COUNCILMEMBER MOLINA: Thank you, Chair. No, no more questions. I think Director Young did a good job in responding to the questions related to the 4½ million differential. I'm just ready to get to work and look at the Administration's proposal to see how we can make up that shortfall. And, you know, Mr. Chairman, the mountain just got that much more difficult to get to the top. So, boy, it feels like a funeral today, Mr. Chair. Thank you.

CHAIR PONTANILLA: A funeral from early Monday. Mr. Victorino, you got any more questions?

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

COUNCILMEMBER VICTORINO: No, I'll wait for the, the Mayor and, and the departments --

CHAIR PONTANILLA: Okay.

COUNCILMEMBER VICTORINO: --and the suggestions. I think I finally figured out when I looked at what they were presenting versus what, what we're presenting --

CHAIR PONTANILLA: Yeah.

COUNCILMEMBER VICTORINO: --it doesn't, it doesn't balance, but I, I understand the differences now. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Mr. Mateo?

VICE-CHAIR MATEO: Chairman, thank you. Mr. Young, is there still a large number of properties that are not, have not yet been assigned TMK's so we have not been able to collect on any of these subdivision projects?

MR. YOUNG: There, there's. . . I have no doubt that there are, there are properties in the queue, but I wouldn't classify them as a large number. We, you know, if you recall, we did have a large backlog several years back. We've spent a number of years trying to address that backlog. My understanding is that the Division is at a level where I feel that the, the delay is. . . is a procedural duration, meaning that it's not, you know, you can't shorten it up to 24 hours. So the amount of duration is within the processing time, that being about in the 90-day period. So, I don't consider the, the assignment of TMK's to be a significant factor in loss revenue. And by the way, on those we, we still do tax even though TMK's haven't been assigned. We do eventually collect once the TMK's are assigned and we can collect --

VICE-CHAIR MATEO: Retro.

MR. YOUNG: --retro. Yes.

VICE-CHAIR MATEO: Okay.

MR. YOUNG: So, although we may not get the tax revenue current, we do get it eventually.

VICE-CHAIR MATEO: Thank you. Thank you, Chairman.

CHAIR PONTANILLA: Thank you. Member Nishiki?

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

COUNCILMEMBER NISHIKI: No.

CHAIR PONTANILLA: Member Kaho`ohalahala?

COUNCILMEMBER KAHO`OHALAHALA: Pass.

CHAIR PONTANILLA: Thank you. Member Baisa?

COUNCILMEMBER BAISA: No. Pass.

CHAIR PONTANILLA: Question?

COUNCILMEMBER MOLINA: No.

CHAIR PONTANILLA: No? Where's the Mayor?

MR. YOUNG: Mr. Chair.

CHAIR PONTANILLA: Mr. Young.

MR. YOUNG: The, the Mayor was down here to provide some comments and statements relative to the 4.5 million shortfall. She unfortunately had a scheduled conference call for this afternoon at 3:00. She says that she'll be back as soon as she's concluded. At your desire, I am prepared to start in with the, start on what the Mayor had intended to discuss or if you prefer to take a short recess to give her time to return, if you want to hear from her directly.

CHAIR PONTANILLA: Do you know how. . .

MR. YOUNG: I'm prepared to go either way.

CHAIR PONTANILLA: Yeah. Do you know how long it's going to be?

MR. YOUNG: I'm sorry, Mr. Chair, I, I don't know.

CHAIR PONTANILLA: I would rather hear from the Mayor.

COUNCILMEMBER MOLINA: Mr. Chairman, oh, I'm sorry. I'm fine with getting started and then the Mayor can come in and --

CHAIR PONTANILLA: Okay.

COUNCILMEMBER MOLINA: --you know, follow up on the Director's comments. I'm ready to go, Mr. Chair.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

CHAIR PONTANILLA: Okay. The rest of the Members, okay? Okay. Mr. Young, if you can.

MR. YOUNG: Okay. I'll, I'll try and do the Mayor's presentation justice here, so please bear with me. In part to our discussion yesterday with the issues that Mr. Kaho'ohalahala brought up and as well as today and Ms. Baisa earlier, the Administration as represented by the appointees and all the Directors and Deputies that are here today, are here to convey our level of support in the spirit of cooperation and collaboration on the very challenging times that face us over the next couple of weeks.

The Mayor has prepared a series of strategy or items to address the 4.5 million shortfall in Real Property Tax revenue. I believe a handout has been provided to you. I'll go over each of the items with you. The Administration feels that these are items that will offer the best opportunity to address the shortfall while improving and maintaining the fiscal condition of the County without impacting or unduly creating a significant loss of services for the public. The first item is a strategy to look at the overall Interfund Transfers that come from the General Fund to the Special Fund. The philosophy on this strategy is that since the real property tax revenue has been impacted, the General Fund needs to shed off some of its obligations or requirements to the Special Funds.

And the only means that this would be able to be done is to adjust rates and fees charged by the Special Funds, and the first one is the Solid Waste Fund. Solid Waste Fund in the area of the Residential Trash Collection Fee in the current Proposed Budget is proposed to be increased from \$16 a month to \$18 a month. The Administration is proposing to revise that projection to amend the fee to be \$21 a month. This will result in an increase of about \$5 per month for the current residential trash pickup fee and will result in an estimated revenue generation of about \$870,000 in the Solid Waste Fund. Therefore, the ability to decrease the amount of the Interfund Transfer from General Fund to the Solid Waste Fund would be decreased by that same amount.

In the area of the Highway Fund--Mr. Chair, would you like for me to go through all of 'em or did you want to have discussion on each of 'em as I . .

CHAIR PONTANILLA: Go through every single one and then we'll come back for discussion.

MR. YOUNG: Okay. Very well. The second one is in the area of the Highway Fund. There are two strategies being proposed there. The first one is to increase the County Fuel Tax Surcharge on every gallon of gasoline purchased from the County of Maui by two cents. Currently, the tax is actually 16 cents. Yesterday I

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

mentioned I believed that it was 14, but I checked and it's actually 16 cents. It's tied for the same rate that is charged by the City. I mentioned yesterday that for every penny in the fuel, fuel tax would result in approximately \$700,000. We estimate that if you can raise the Fuel Tax Surcharge by two cents it would result in little bit over 1.4 million in the Highway Fund, thus enabling to decrease the amount to the Interfund Transfer from the General Fund by that same amount. I also note that the last time the County surcharge for Fuel Tax was amended was in Fiscal Year '06 when it was actually lowered from 18 cents to 16 cents. So this proposal merely brings it back up to the amount that it was in Fiscal Year '06.

The second area in this fund is to increase the Vehicle Weight Tax for all categories and this rate and fee is specified on Page 26 of the Budget Ordinance. The proposal is to increase it by one-half cent per pound, which would equate to about \$10 per ton for vehicle restrictions on the Vehicle Weight Tax. We estimate that this increase will generate an anticipated revenue of about 1.7 million, which will go directly into the Highway Fund and thus decrease the amount of transfer from the General Fund to the Highway Fund.

The next Special Fund is the Golf Fund. We're looking at a series of rate revisions in the area of the Golf Fund. I've listed them out on the presentation for you. The rate, the weekday rates for residents with resident cards is proposed to go up from the current rate of \$8 to \$12; the same for the military rate. The weekday rate for retirees with the resident card is proposed to go up from the current \$3 rate to \$5, and the non-Maui County of Hawaii, non-Maui County, State of Hawaii resident with a drivers license, that rate is proposed to amend from the current \$30 up to \$35. And for non-residents the rate is proposed to increase from \$50 to \$55.

Then on the weekend and holiday rates, the residents with card, same thing, moving it from \$8 to \$12, that's the same as the weekday rate; military, same thing, \$8 to \$12, that's the same as the weekday rate. Retirees with the resident card is currently \$5, that is proposed to move up to \$12 to be the same as the resident with resident card and the military rate. For the State of Hawaii non-Maui residents with drivers license, that rate is proposed to move up from \$30 to \$35, which is the same as the weekday rate. And for non-residents it's currently \$55, that rate is proposed to stay the same.

The rate, the monthly rate for students of the State, within the State of Hawaii through age 18 is currently \$18. We're asking for a revision to that to make it \$15, which is what was originally intended when the FY '09 Budget was constructed. There is a golf club no show fee that is currently \$8, that's proposed to move up to \$12 to make it consistent with the weekend and weekday rate. And then the tournament fee also proposed to move from \$8 to \$12 to make it consistent with the weekend and weekday rate. This result, will result in an

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

estimated increase revenue generation of approximately \$297,000 in the Golf Fund and thus decrease the amount of the Interfund Transfer from the General Fund.

There is a real property tax adjustment in this proposal and that is to adjust the Minimum Tax, which is currently in the Maui County Code 3.48.590. The Minimum Tax is currently \$60 per year. That means that every parcel our taxpayer must pay \$60. Your tax can't be less than \$60. The proposal is to increase that amount to \$100. The Minimum Tax has not been adjusted since 1994 and adjusting the Minimum Tax will make it more current and equitable within the current tax system, but that will only generate about \$350,000 in additional real property tax revenue.

There is an addition for the, in addition to operations and that's in the area of the Congregate Meals Program in the Department of Housing and Human Concerns for \$48,000, so that's actually a further reduction . . . *(end of tape 2A - 3:20 p.m.)* . . . The net effect of the plan that I just laid out will result in a revenue net adjustment of about \$4,570,000, which is effectively the amount of the revenue shortfall in the Real Property Tax Certification. That concludes the presentation, Mr. Chair. Mr. Pablo and I can answer any questions to the best of our ability before the Mayor returns. Thank you.

CHAIR PONTANILLA: Thank you. You know on that last one that you mentioned funding Congregate Meals Program, that's an increase to the program rather than a decrease?

MR. YOUNG: Yes.

CHAIR PONTANILLA: Okay.

MR. YOUNG: It is an increase, Mr. Chair.

CHAIR PONTANILLA: Thank you. Member Victorino.

COUNCILMEMBER VICTORINO: Well, I was hoping the Mayor would be back by now. So, let's start with Solid Waste. Are we going one by one or through the whole--what is your pleasure?

CHAIR PONTANILLA: Um. I'll go through maybe two sets of questions.

COUNCILMEMBER VICTORINO: Okay. Thank you, Chair. Let's start with the Solid Waste, you know, 'cause that was something that continuously has been a sore thumb. And so, you think by this adjustment here--and this would be just for the

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

residential, right, nothing to do with the commercial, you're not in any way, shape, or form touching that area?

MR. YOUNG: Correct.

COUNCILMEMBER VICTORINO: Okay. Okay. The other part I'm concerned--I guess the other big part. . . I can live with golf. I can live with, with the vehicle weight tax, but the other thing is gas and gas is continuously rising. And the thing that we had discussed is even if we increase it by two cents, isn't it our belief that gas usage may continue to go down and so wouldn't that be kind of like you go do this and if it continues down, we're still coming up short someplace along the line? What is your, what is your take on that part?

MR. YOUNG: Well, Mr. Victorino, there, there is that risk, there is that revenue risk. And I think we discussed it thoroughly yesterday. Yes, there is that risk. The one penny equals \$700,000 of --

COUNCILMEMBER VICTORINO: Right.

MR. YOUNG: --revenue, that is a, has historically shown to be a very, a conservative side of the estimate, 700,000. So, the reason why it's proposed at, at two cents resulting in 1.4 million, we feel that it's still within that conservative realm. There is still that risk that consumption could wane and that would, that would affect this, this estimate, but we feel we're in, we are still in the ballpark there.

COUNCILMEMBER VICTORINO: Okay. Thank you. And thank you, Mr. Chair, I'll, you know, if I have other questions I want to ask, I'll wait till everybody is completed. Thank you, Chair.

CHAIR PONTANILLA: Thank you. Mr. Mateo?

COUNCILMEMBER VICTORINO: Thank you, Mr. Young.

VICE-CHAIR MATEO: Chairman. Mr. Young, the purpose of this exercise was primarily just to address the RPT shortage, that's the purpose of this intent?

MR. YOUNG: Yes. Yes, Chair. The presentation before you is --

VICE-CHAIR MATEO: Strictly just to address that.

MR. YOUNG: --purely on the. . .yes.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

VICE-CHAIR MATEO: Okay. So, in no way does it help us to prepare in addressing for FY '11 or thereabouts, nor does it help us to also address the 18. We're specifically looking at addressing the real property difference, that's all it is?

MR. YOUNG: Well, the Mayor's back, but for the presentation, for this particular presentation at this specific point in time in the, in the relevance of the, of the discussion that I presented on this real property tax certification, this strategy was to lay it on the table as a means to address the shortfall in the real property tax certification. Yes.

VICE-CHAIR MATEO: Okay. And you, you know, also when we take a look at your Highway Fund, and I know we're only looking County, but there are the additional impacts as well, because in terms of the fuel tax surcharge and in terms of vehicle weight increase taxes, the State is also looking at increasing in the very same areas, too. So, while we talking two cents here, you know, it, it becomes compounded. And, and, you know, I just, you know, I know we're just trying to meet a shortfall, but I still, you know, need time to digest and take a look at it, because two cents seems like a small thing, but two cents is going to be added to another three cents and it's going to be added to another two cents and all the way down the line. So, you know, I appreciate recognizing the sources, but I, I, I think we've got to go look at additional sources as well. But thank you. Thank you, Chairman.

CHAIR PONTANILLA: Thank you. Mr. Nishiki?

COUNCILMEMBER NISHIKI: Thank you. In your Solid Waste Fund people are currently paying \$14, so you're proposing to raise it all the way to 21 or \$7 more a month? Because your proposal is. . .right now on the floor is to raise it from 14 to 18, now you're going from 14 to 21.

MR. YOUNG: Yes.

COUNCILMEMBER NISHIKI: Okay.

MR. YOUNG: Thank you, Mr. Nishiki. Yes, you've corrected me.

COUNCILMEMBER NISHIKI: And, and that is fine because we know that there is a big puka of General Funds subsidizing rubbish, but we were also told that 70 percent of the landfill, what goes into the landfill is being put in by commercial people. And so, when you look at this increase, my question is why not more for the commercial who puts in more? Was there any consideration on increasing what you proposed in the increase for commercial to go up more?

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

**MAYOR TAVARES:** When Solid Waste came down to explain their rates and fees increases to you all, I think they showed you a chart that showed the actual cost of residential operation and the actual cost of the commercial operation. Commercial tipping fee is much closer to where it should be for it to pay for itself. The residential is way, way low compared with what it costs to operate the landfill for the residential part. And the, the commercial part, commercial tipping fees are high--I don't have that figure in front of me now--but residential has always been, you know, subsidized by the General Fund and almost by some of the commercial also. So, it's trying to bring parity, parity with, with what people should be paying for. It's a pay as you throw thing.

You know, we just can't keep doing business the same way and while we were in those years that we had money, it wasn't such a big thing. And I remember when we wanted to raise the rates from \$4 to \$8, we got all this. . .you know, the Council didn't go along with them. I was on the Council at that time. We were only talking \$4 to \$8, you know, 100 percent increase. It's \$4 to \$8, a dollar a week more. You know, it's like is that worth it to have--I mean that's the cheapest bargain in the world is our trash pick-up, residential trash. And, you know, you have to think about who is subsidizing this. Give it some thought. Who subsidizes Solid Waste? It's all the taxpayers whether they get trash pick-up or not.

And I think that's why these funds were setup so that people who use the service pay for the service. It's like if you're, you're Upcountry and you don't have a wastewater treatment plant, we don't pay sewer fees. Okay. We still have cesspools and we have to buy septic systems. And I would be the first one yelling and screaming if there was a General Fund subsidy to wastewater 'cause I don't use that. I don't use that system so why am I paying for it. So, I think it's all about balancing that out and this seem, you know, this is a way and, and we, we really have to make some tough decisions here.

If we have all the money in the world, yeah, let's give everybody what they want. We can't do that. We really can't. We've got to tighten our belts and it's very, very difficult 'cause we haven't had to do it for decades. I think the last time when, when the Governor was Mayor was in '93 or something like that when we actually had to reduce our budgets by 5 percent. I wish that was the case today, but it's not. So, it is, it is difficult and, and we offered in this, I mean, we found out about the certification last night, late last night. We met until almost 11 o'clock last evening trying to put our heads together to look at all the options of things that we had in our little basket, look at what options would probably be the least offensive, and try to start from there and do some little changes here and there.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

So you see it spread out over several areas. It is not like an across the board we're going to cut some more or across the board real property tax increase. None of that is, is represented here. There's a few things with the real property tax, but very little. So, you know, I just got off the phone, why I had to leave, and I apologize I had to leave. We had a conference call scheduled at 3 o'clock with the Governor today 'cause I thought this was tomorrow, real property tax certification. But what we're, what she was talking with all of the mayors about is this idea that is floating around getting stronger and stronger that the counties are not going to get the TAT. And she is urging us not to give up on the TAT because there's enough uncertainty that we, she feels pretty strongly that the TAT can still remain with the counties. We have to believe that and we have to act that way. We have to fight for our TAT.

So that means calling our senators and representatives, calling other people who may be on this Conference Committee. But if everybody is calling their representative, they're going to get some pressure. So a lot of the folks, especially the State-funded programs that are coming to the County to testify about oh, my gosh, we need to have this money, blah, blah, blah, that's fine, but you're talking to the wrong group. They should be talking to the Legislature. Every time they threaten to take money away from the counties, I'm sorry, but we have to look at those State programs. And while it's a big benefit and a great benefit to our people here to run those programs and help the State in partnership, we can't be expected to do it and we're going to have to cut our own programs, our own County responsibility programs in order to support a State program.

So, anybody who's watching this right now, if you're one of those State projects or programs that's funded by a grant from the County, you need to be calling your Legislators now and let them know that that TAT has to stay in place. In fact, giving more would be better. We only budgeted 18 million in TAT when normally we get 20, 22 million, but we knew times were getting bad so we, we lessened our estimate. We're trying to be conservative. But it's getting to a point where it's, it's not fun. I know it's not fun for you. It's not fun for me. I didn't enjoy cutting everybody. I didn't go home laughing every night. . .ha, ha, ha, look what I did, I cut so and so, and so and so. That's just, this has been hard because I know the kinds of services that are provided in the community by the nonprofits, by those State programs. We need them. Our community needs them, but we have to make some hard choices and we're, we're running out of options.

But the thing we need to still do right now, this moment, is to continue to rely on the fact that we're going to get our TAT. We're going to get that 18 million or whatever it is intact. And until we know for sure that we don't have it, we, you know, we can be looking and planning for another option if that doesn't go through, but we cannot be, we cannot be acting as if we don't have it 'cause that's only going to convince the Legislature that we don't need it. So, I mean that's all

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

I can say right now, but. . .and I'm sorry I got off the topic, but if you have questions or things, I'll be happy to try to provide some sort of explanation. Thank you.

COUNCILMEMBER NISHIKI: Mr. Chairman, if I may continue?

CHAIR PONTANILLA: Go ahead.

COUNCILMEMBER NISHIKI: We were told by Waste Division that residential was paying 14 and when they should really be paying 38. Similarly with commercial, and I don't know what this rate is, but 53 when they should be paying 97. So they're only paying 50 percent. My. . .I'm not against this, this raising this fee, but when I hear that the commercial is fueling 70 percent of what we pour in the landfill. So this is the residential and this is the commercial and we know that these costs are basically because of having to run our landfills, closing 'em and opening 'em and they cost money. So that's the reason why the question of you raised the residential, fine, but why can't we look at the commercial a little bit?

MAYOR TAVARES: We can.

COUNCILMEMBER NISHIKI: Because of what was told to us as decision makers, to me it made sense that commercial should be paying a little bit more, Madam Mayor. So that's all.

MAYOR TAVARES: Well, this is just a proposal and if there's other things that you folks feel are more important than what's here or there should be more equality or parity, by all means please, you know --

COUNCILMEMBER NISHIKI: Yeah.

MAYOR TAVARES: --let's, let's work on this together.

COUNCILMEMBER NISHIKI: And then finally, outside this box here as you, you told me this morning, your departments are at bare bones right now, so that's not where we should be looking at. Is that what you said?

MAYOR TAVARES: I don't think so because we, we have cut quite a bit and at the same time that we cut we also had to honor existing contracts. So as much as they tried to cut, most of the, you know, most of the budgets were increased a little bit because of the, where we had no control and that's over fringe benefits, OPEB, EUTF, all those things, and the salaries that already under contract. We cannot not pay the employees who have contracts, you know, not unless we go see them and get an agreement that we're going to, you know, delay a raise or something like that, but that's not been on the table yet.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

COUNCILMEMBER NISHIKI: I'm done.

CHAIR PONTANILLA: Thank you, Mr. Nishiki. As the Mayor said, these are proposals that are done by the Administration and, and if we see fit that it should be otherwise, then we have the ability to change it. Mr. Kaho'ohalahala?

COUNCILMEMBER KAHO'OHALAHALA: Thank you, Chair. And, Mayor. . .

MAYOR TAVARES: Yes.

COUNCILMEMBER KAHO'OHALAHALA: . . . I want to say mahalo for bringing this forward. And, and I appreciate the fact that, as was stated earlier, that you are here with your departments to be in partnership in helping us through. I appreciate that you're taking some look at the 4.5 million and having been a Legislator, we don't know anything until it's done.

MAYOR TAVARES: Uh-huh.

COUNCILMEMBER KAHO'OHALAHALA: So at the midnight hour when the, the session finally ends, well, that's when we're going to know what's truth and what's not. But even up to that point I think it's still on a very practical level and a very prudent one. We need to start looking at a budget that has to reflect some measure or reduction by 18 million 'cause if we don't, then when that time, when that, that midnight hours strikes and the 18 million is not there, it would leave us in, in a position of perhaps chaos in terms of how we're going to deal with that shortfall.

So, while I would say I would like to have that and your encouragement of everyone to contact your Legislators in the process that's before the Legislature, we have no control over. So, it seems to me then to be prudent that we should try to at least have a plan B that looks at a reduction perhaps at 20. . . you know, 24 million versus or 22 million versus not having one at all. So, I would like to have, you know, that kind of an opportunity to really take a hard look at should we be expected now to make that kind of cut, that we are at least looking at it in, in a manner that has been given a chance to, to, you know, that's not a guessing game. And I would hate for us to be looking at just snipping here and there for no reason whatsoever other than dollar amounts.

But let's have some of that discussion with the departments to understand where we might be able to, to look further and see how close we can get to an amount that's \$22 million, and then just look at that as, as a backup plan. But if we don't even go to that exercise, I'm afraid that we're not really prepared here. I mean I can say for myself having reviewed all of your budgets with all of your

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

departments, I cannot honestly say that I know which area within each department could stand a few more dollars to be cut from. And I would rather that kind of exchange come from within the departments and from your Administration to help give us some guidance because otherwise it's an exercise in just numbers, and to me that's not what we're trying to achieve here.

So, so it's, it's, it's with that direction that I'm trying to, to have at least some understanding and some area of concern and caution and, and prudence that I think I would like to be able to work to. So, I appreciate that this is an attempt to help us, you know. We met the other day with, with Solid Waste and Sewers. When they said that their shortfall was \$15 million that had to come from General Funds, I mean that was a big shocker, because 15 million could almost take care of the 18 million shortage, you know. So why aren't we now bringing the Department to a position of self-sufficiency so that we don't have to subsidize it by \$15 million?

So, therein lies some of the, the debates. It's not to pick on one department, but it's to say across the board what are those areas that we need to tighten up like you said, and that's what we should be working toward to look at doing the same with, with less rather than doing more with, with less. But here I think is where I'm appealing to, to the Administration to, and your departments to helps us to, to give guidance, 'cause I would rather us collaborate on this than be placed in a position of saying it's your position to, to do that or I didn't do it or, you know, and then start pointing at one another. I'd rather not do that. So that's, that's why I'm coming forward with this kind of a proposal.

**MAYOR TAVARES:** And I haven't moved from my position from when I first talked about this budget, even from the State of the County to the budget messages--I delivered the budget on March 15<sup>th</sup> or March 13<sup>th</sup> to you all--that we still are, I view us as working in partnership with each other, especially this year. It's going to be a tough year and it's turning out to be a tough year. And I told or I had discussed at that time that we, as Administration, are looking at all kinds of options and trying to fill up our basket of tricks so to speak so that we have some options.

I think if you look at this proposal for the 4.5 million, you will see that there are lots of things not in here because we may need them later. So there is a plan. I can tell you there is a plan. We're already on plan D, I think. We're past A, B, and C. This is C. Okay. So, we got plan D more to do and E and F, and G. We'll do whatever it takes and we will work with you for whatever it takes. But it's not like we're going to dream about it after we get the word. It's already in motion and we will have some things to propose to you so it's not, oh, I'm just dumping it in your laps and you guys just have at it. No, we're in it together and we're going to come out of it together.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

And you and I have worked together on the Council. So, you know my style already, and I'm not going to leave you guys out there to hang out there to dry by yourselves. You know. . .for say if we're going to go down in flames, we're all going down in the same flame. It's not going to, this finger pointing isn't going to happen. And I think, I think the community is beginning to realize it too day in, day out. They read the paper. They see what's going on at the State level. They see what's going on nationally. . .you know cities filing bankruptcies; State's furloughing their entire workforce for days. California is a mess as far as that's concerned. We're not quite there, but we could get there. But we hope that we will be able to come out of some of it some ways.

You know there are options, right, in both the House version and the Senate version. We'll have to deliberate those options, too. So, we better be looking at what, what is that going to take? If we've got authority to do "x", what's the impact of that? If we follow the House's version, what's that impact? Follow the Senate version, what's that impact? So, we're gathering that information now as best as we can so that we can present all of that to you as we have those discussions and say, okay, do we go this way or this way? What do we want to do? But you'll have the information rather than wait until, oh, did we look at this yet? Oh, no, this is the first time we're seeing it.

And there are lots of figures floating around out there, and sometimes I wonder where the sources are for some of these numbers that are coming out. If we raise TAT ourselves at 1 percent, you know, what will that generate for Maui County? I mean I've seen all kinds of figures for that. Or if we have a retail tax, what will that generate for Maui County? And if you listen to some people, that looks like the miracle. Forty-nine million we could raise for Maui County with the retail tax, but they don't tell you it takes two years to implement a system to create that tax. So, we won't see any immediate benefit from that.

So, all of those things we're, we're getting information as, as updated as we can so that we're ready to present it to you when you, when we know for sure what's going on. It's like I said in the beginning, this is probably going happen between first and second reading and we'll, we'll need to get together, we'll need to group up. And, you know, I stand here to offer my entire Administration. We have one session, all in here, one day, and we do it until we get it done. Yeah, you know, you guys have gone to midnight, huh, before in the State Legislature, right?

COUNCILMEMBER KAHO`OHALAHALA: I watched till the seconds ran out.

MAYOR TAVARES: . . .*(chuckle)*. . . Till the seconds ran out.

COUNCILMEMBER KAHO`OHALAHALA: Yeah.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

MAYOR TAVARES: But we're prepared to, to stay with you till the bitter end.

COUNCILMEMBER KAHO`OHALAHALA: Okay. I appreciate that, Mayor, and that's been my, my, my thought in this process coming into the budgets knowing that there were some uncertainties.

MAYOR TAVARES: Uh-huh.

COUNCILMEMBER KAHO`OHALAHALA: And so, based on that I thought that this is the time really for us to be collaborating, and I appreciate that you're looking at plan D's. And I will look forward to, to those opportunities should they be necessary. So thank you.

MAYOR TAVARES: Thank you.

CHAIR PONTANILLA: Thank you. Member Baisa?

COUNCILMEMBER BAISA: Thank you very much, Chair. And I'm really glad that I follow Member Kaho`ohalahala 'cause he often says a lot of the things that I'm thinking about and he's just done it again, but I have a few comments. I think, first of all, let me thank you. Thank you for coming down and thank you for your proposal. It really does move towards the partnership that I think we're all looking for, because nobody wants to stand alone in this because we all know it's scary.

I think what has made us a little nervous, of course, is that we are finally doing what you did several months ago and that is having to put on paper by tomorrow afternoon at 2:30 our ideas about how to make things work. And so, reality has set in and we're sitting here with calculators trying to figure out how to make this whole thing come together. So, it's now, you know, kind of like putting your money where your mouth is, you know, you got to put it on a piece of paper, even though we know that that is subject to much revision between now and the final vote. But, you know, this is the first attempt at having to get serious about it. So, I think we're beginning to really realize what we're dealing with. And everyday what we're dealing with gets bigger, and it doesn't get any better, it gets, everyday it gets deeper.

So, I want to make another comment about how deep we are in here. You know, I know it's the 18 million plus today it's another 4.5, but I'm also in the back of my mind concerned about the fact that we may have to factor in some union bargains that we haven't made provisions for. And we may have to come up with more money, and so that could make this even more challenging. And we don't talk about that, but that's out there. I have a bargaining unit person in my home, so

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

I'm very much aware that they're hoping for something, although I keep telling him good luck. But anyway, I'm not only concerned about what is happening in terms of, you know, what's out there this time in solving the problem for this year, but I'm thinking about next year. And I think if we don't make some tough decisions this year, that next year we're going to have to make really big adjustments. And it's always better to make adjustments in little increments than it is to make them all at once because it hurts more.

I've seen this done over and over where, you know, you postpone the inevitable and then the bill comes due and you have to pay, and that's not fun. I have concerns about the idea of the TAT and sales increases that the Legislature is, is proposing. I think by now all of us have gotten the message that relying on the tourist industry to pay our bills is kind of iffy in terms of sales, because we see interruptions in the sales like we're having right now. And, you know, I'm old, I lived through the United Airlines strike, I lived through the Gulf War, I lived through 9/11, you know, I've seen these things where we have unforeseen circumstances and it all goes to hell in a basket, but it doesn't change our obligations. So, I would rather see the income that we're going to try to adjust come from a more reliable source, and I'm going to say it out loud one more time, I'm sorry, it's going to come from property tax because that is more reliable. Even though we know that the valuations are going to go down, whatever it is we can count on it because the land isn't going to disappear. It's going to be here and people don't want to give it up.

So, I certainly appreciate this tax, the tax fee increase. I understand that's going to have to happen at some point, now or later. I have little concern about increasing the gas taxes as has been stated before, because we don't know what the State is going to do and people are struggling. And I know how hard it was for people during the time when the gas got way up there. People really were suffering in order to pay gas bills. The weight tax we might want to, I might suggest that we might want to look at maybe a tiered rate and reward people for driving small cars. And if you're over a certain amount, then maybe it should be more than \$10 for you, because they're the ones who beat up our roads and drive the huge automobiles that, you know, take up a lot of gas and stuff.

Golf Funds, I have no problem. I'm sorry, I have a golfer in my house but such is life. If you have to pay a little more, you have to pay a little more. I certainly agree with your idea of changing the minimum tax because I think that's fair. Just to process the bill probably costs us more than \$60, I, I don't know, but being what we have to pay nowadays just for paper and wages probably cost more than \$60, so I think this is realistic. In fact, it may be low. And I have no problem with your suggestion to increase the meals program. I was planning to put that in my proposal because I certainly am a big advocate of taking care of our seniors.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

So that's where I'm at and I really look forward to working with everybody to try to solve this problem. My last statement I want to make, guys, is this. We are either going to hang together or we are going to hang separately . . . *(end of tape 2B - 3:51 p.m.)* . . . we can come up with a unified stance so that we are not played one against the other. Thank you.

CHAIR PONTANILLA: Thank you.

MAYOR TAVARES: Thank you.

CHAIR PONTANILLA: Member Molina?

COUNCILMEMBER MOLINA: Thank you, Chair. Good afternoon, Madam Mayor. . .

MAYOR TAVARES: Good afternoon.

COUNCILMEMBER MOLINA: . . .and thank you for coming down and, you know, hanging with us.

MAYOR TAVARES: . . .*(chuckle)*. . .

COUNCILMEMBER MOLINA: And I, I really love your analogy about all us being in the same boat together. I, I hope to God the boat we're riding is the Queen Mary and not the Titanic, you know.

MAYOR TAVARES: . . .*(chuckle)*. . .

COUNCIL MEMBERS: . . .*(chuckle)*. . .

COUNCILMEMBER MOLINA: But anyway, share my thoughts with you. I certainly can appreciate the funding of the Congregate Meals Program. Minimum tax, maybe there's a possibility, you know, I'm open to maybe adjusting it up even further--well, before I say that, maybe if Director Young can chime in. Do we have numbers as to how many people pay the minimum tax in our County? I don't know if those numbers are, if they're not. . .

MR. YOUNG: Mr. Teruya is looking it up now if you want to continue on your question.

COUNCILMEMBER MOLINA: Okay. I'll continue and then when you get the answer. Golf, yeah, I'm fine with those rates. I'm, you know, it's tough on a lot of folks but, you know, we have to prioritize what's, you know, need, needs first in the community. Gas tax, like some of my colleagues have expressed, I have some reservations about that because of what could occur at the State level. One issue I'm adamantly not in support of is the Solid Waste going from 18 to 21. I think

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

we're already hitting our citizens already with a \$4 increase. Just today I was cornered in the store by some senior citizens concerned about just that increase from 14 to 18 which I'll support that, up to 18, but no more. I would instead maybe look at the vehicle weight maybe bump that up from instead of half a cent maybe three-quarters of a cent that could make up for what we could get with regards to the increase on the residential trash collection I mean as one way.

For some reason trash is a real sensitive subject for people. In all my years, I have never, I never had anyone complain to me, you know, Mr. Molina I'm upset with the vehicle weight tax. Anytime there's increases with rubbish, yeah, Mr. Chair. . .*(chuckle)*. . .we always get people express themselves on that. So that's, you know, where I'm at and, you know, I'm glad you're willing to work with us at least on this \$4½ million shortfall and, of course, later on when we got to deal with the bigger shortfall should the TAT not go through. But thank you for your words of encouragement and asking us to hang tight with regards to the TAT, but for me I like to just plan for the worst case scenario. So just have plan B ready to go and just cross our fingers and get ready for either a smooth ride on the ocean or hopefully maybe not hit any icebergs, you know. So, we're going to just hang tough together and this is what we're, you know, we have to make these tough decisions. Our citizens put us here to do all this.

So, anyway, I think there's some flexibility with this \$4½ million proposal. I mean I guess maybe it doesn't, sometimes it doesn't matter how you always get there, the main thing is you do get there. So, those are my thoughts. So the, the trash collection fee increase from 18 to 21, I really have some strong feelings on that one. Thank you.

CHAIR PONTANILLA: Thank you. From the Chair, comments.

MR. YOUNG: Mr. Chair.

CHAIR PONTANILLA: Mr. Young, go ahead.

MR. YOUNG: Yes. Mr. Molina, to your question of how many parcels would be affected by the Minimum Tax, oh, I'm sorry, at the current Minimum Tax of \$60, we have about 8,000 parcels that are currently paying only Minimum Tax. There's approximately 66,000 parcels in the County of Maui. If the Minimum Tax was raised to \$100, it would actually affect another, upwards of another 1,000 parcels. So it would be 9,000 parcels at the Minimum Tax amount and that would be at the current proposed tax rates, though, where homeowners are \$2.

COUNCILMEMBER MOLINA: Okay. Thank you for that information. And, you know, well, the startling statistic that you provided for us was that the Minimum Tax has not been adjusted since 1994, 15 years, and as we all know times have

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

changed, cost of government has gone up. So, anyway, that's all I have to say for now on this, Mr. Chairman.

CHAIR PONTANILLA: Thank you. Mayor.

MAYOR TAVARES: If I can make a couple more comments about the Minimum Tax and that, that kind of stuck out at me too, this 1994, since it was last changed. But if you recall in the meantime, we have increased the homeowners' exemption but we haven't adjusted this. So there became many more people eligible to just pay the Minimum Tax because the exemption went up so high. So, I think it's time to correct that because that was an unintended consequence, I believe. We're trying to give a break with the Minimum Tax for people who can't afford to, to, to pay their taxes for their land even. . .you know, you notice here, yeah, land rich, cash poor. That's it. But as we raise the exemption we made a whole lot more people qualify, which we didn't intend to do. We just wanted to give people a break, but not, you know, not to the point where the rest of us are carrying these.

The other thing I wanted to address was, Member Baisa, you had talked about the, the vehicle weight tax. It already is a tiered system depending on the weight of the vehicle. So that's in your rates and fees. I'm sure you've memorized, you know, Appendix B already. I don't understand how you missed that. . . .*(chuckle)*. . .

COUNCILMEMBER BAISA: No. I know, I know what you're saying, but I'm saying that instead of the \$10 --

MAYOR TAVARES: Yeah.

COUNCILMEMBER BAISA: --for the real heavy guys make it 20. . . .*(chuckle)*. . .

MAYOR TAVARES: . . .*(chuckle)*. . . Oh, you want a different rate per pound --

COUNCILMEMBER BAISA: I want a different rate --

MAYOR TAVARES: --for each tier?

COUNCILMEMBER BAISA: --for each tier, that's what I'm looking at.

MAYOR TAVARES: Okay. . . .*(chuckle)*. . .

COUNCILMEMBER BAISA: So, so that we encourage people to drive small energy efficient cars.

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

MAYOR TAVARES: Yeah, they could ride the bus, too, you know. Got great deals on the bus.

COUNCILMEMBER BAISA: Yeah, if you want to ride a bus. . . .*(chuckle)*. . .

CHAIR PONTANILLA: Thank you.

MAYOR TAVARES: . . .*(chuckle)*. . . It's great. I've ridden a bus. Thank you, Chair.

CHAIR PONTANILLA: Thank you. I just want to make some comments. You know I want to thank you, Mayor, and your team for coming up with some ideas in regards to making up the difference of \$4.6 million from the short of the certified numbers. I guess me and Member Victorino because we represent Central Maui there's a lot of seniors in that area and we're probably going to have a lot of discussion with a lot of seniors in regards to the Solid Waste area. I thought I'd just share that comment with you.

Member Baisa brings up a very good point in regards to the vehicle weight tax, and I was looking at a two cents increase for anything that were 10,000 GVW and greater, the big trucks. Because I live in Kahului, Papa Avenue was a nice road at one time until all those big trucks with heavy loading went through the neighborhood and that road became. . . well, we needed some repairs done. So, I agree with Member Baisa and that's something that we can discuss as, as Council Members, you know, to increase or, or leave it as it is. The golf, I got to take a look at that.

COUNCIL MEMBERS: . . .*(laughter)*. . .

COUNCILMEMBER BAISA: I wonder why? . . .*(chuckle)*. . .

CHAIR PONTANILLA: And, and I do hope, and I do hope that the, the, the Parks Department and the golf, golf course is being looked at as far as the audit that we had done so that, you know, we get golfers out there that going to end up in these Chambers when we come to that rate fees, that's for sure. . . .*(chuckle)*. . . And the Congregate Meals, that was a good add. In fact, I've been working with the Human Services area down Kaunoa in trying to restore all the elderly luncheon programs. And I want to concentrate also on the early childhood programs because I think it's very important that we take care the elderly and the young. That is important.

Members, we got our work cut out for us and, you know, like the Mayor said, you know, we got to look at some reductions in different areas and look for revenues in different areas. And, you know, I, I. . . you know, the Mayor mentioned about her talk about, you know, when she presented the Budget to this Committee. And

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

one of the things that hit me is that. . .and most people don't want to talk about it is employees. So, in order for maintaining our employee count, we need to make, you know, adjustments in operations, in equipment purchases, the thing, the, the way we do things to become more efficient. When all of those things are done, guess what? The next thing is the next level which, which all of us don't want.

So, we need to work together, both the Administration as well as the Council, to try and, well, for me it's trying to achieve one of her greatest goal, yeah, not to have any furloughs and not to reduce employees.

So, with that, Members, I want to thank the Administration for being here. I want to thank Staff. If there's no more questions--I hope no more--this meeting is adjourned.

MS. BOUTHILLIER: Recess.

MS. REVELS: Recess.

CHAIR PONTANILLA: Oh, I'm sorry. I never pound the gavel. . . .This meeting is in recess. . . .*(gavel)*. . .

COUNCILMEMBER KAHO'OHALAHALA: Till?

COUNCILMEMBER BAISA: Till when? Till when?

CHAIR PONTANILLA: 4:05. Till 4:05.

**RECESS:        4:01 p.m.**  
**RECONVENE:    4:08 p.m.**

CHAIR PONTANILLA: . . .*(gavel)*. . . The Budget and Finance Committee meeting is now reconvened. Members, I'm going to recess this meeting to 2:30 tomorrow afternoon when we receive all of your proposals. And we're going to be meeting in these Chambers at 2:30 on Friday afternoon, Friday, April 17<sup>th</sup>. Thank you. Questions? Seeing none, the Budget and Finance Committee meeting is now adjourned--

MS. REVELS: No.

CHAIR PONTANILLA: --oh, I'm sorry, recess. . . .*(gavel)*. . .

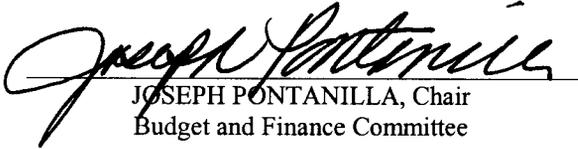
**RECESS:    4:10 p.m.**

**BUDGET AND FINANCE COMMITTEE**  
**Council of the County of Maui**

**April 16, 2009**

---

APPROVED:

  
JOSEPH PONTANILLA, Chair  
Budget and Finance Committee

bf:min:090416

Transcribed by: Cathy Simmons

**BUDGET AND FINANCE COMMITTEE  
Council of the County of Maui**

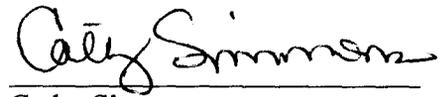
**April 16, 2009**

---

**CERTIFICATE**

I, Cathy Simmons, hereby certify that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED this 7<sup>th</sup> day of May 2009, in Wailuku, Hawaii.

  
\_\_\_\_\_  
Cathy Simmons