

BUDGET AND FINANCE COMMITTEE
Council of the County of Maui

MINUTES

January 26, 2012

Mitchell Pauole Center, Main Hall (Molokai)

CONVENE: 6:01 p.m.

PRESENT: Councilmember Joseph Pontanilla, Chair
Councilmember G. Riki Hokama, Vice-Chair
Councilmember Gladys C. Baisa, Member
Councilmember Elle Cochran, Member
Councilmember Donald G. Couch, Jr., Member
Councilmember Danny A. Mateo, Member
Councilmember Michael P. Victorino, Member

EXCUSED: Councilmember Robert Carroll, Member
Councilmember Mike White, Member

STAFF: Scott Kaneshina, Legislative Analyst
Camille Sakamoto, Committee Secretary
Ella Alcon, Council Aide, Molokai Council Office

ADMIN.: Scott K. Teruya, Administrator, Real Property Tax Division, Department of Finance
Scott K. Hanano, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Lynn DeCoite
Three (3) additional unidentified attendees

ITEM BF-70: DISPARITY OF REAL PROPERTY ASSESSMENTS FOR AGRICULTURAL VERSUS NON-AGRICULTURAL LANDS (CC 11-227)

CHAIR PONTANILLA: ...*(gavel)*... The Budget and Finance Committee meeting for January the 26, 2012 is now in session. Members, we're at Mitchell Pauole Center. The time is 6:02. The Chair would like to introduce the Members that are present this evening. We do have...the Chair of the Council, Mr. Danny Mateo; Vice-Chairman for the Committee, Mr. Hokama; Member Gladys Baisa; Member Elle Cochran; Member Don Couch; Member Mike Victorino. Member Bob Carroll, as well as Member Mike White are excused. Supporting the Committee this evening, we do have Legislative Analyst Scott Kaneshina, as well as Committee Secretary Camille Sakamoto. From the Administration this evening, we do have Scott Teruya, who is the

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Real Property Tax Administrator; as well as Scott Hanano, who is the . . . who is from the Corporation Counsel. Members, this evening we . . . we do have one person to provide public testimony. And we'll be accepting public testimony on BF-13 [*sic*]. So at this time, the Chair would like to call on our first testifier . . . and the only one that has signed up this evening. . . Lynn DeCoite . . . (*laughter*) . . .

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

NOTE: Pause while Ms. DeCoite approached the mic.

MS. DeCOITE: Oh, thank . . . hi, hi, good evening, everybody. . . Mr. Chairman, County Council. Thank you so much for coming. I really appreciate. . . being able to testify on behalf of this. For those of you who don't know me, I've been farming for . . . many years. I come from a third-generation sweet potato farm. And . . . you know after looking at what you guys put before us, I, you know I would just like to say. . . farming is one tough job. And any rate increase at this time could devastate the ag industry. If it is the intent of the County Council to seek . . . seek out those that try to get around the loopholes of being taxed, my solution to that is let's maybe take some time. . . and, and go after these guys. And they should pay their fair share of, of . . . of trying to get around that tax exemption or ag rate increases. Um. . . an instance of filing of general excise tax is good--which is already set by you folks. But to even push it even further, find out if they actually have markets that they sell to on, on a weekly basis. It brings hardship to the farmer. And the extreme end of it were to have the farms go out of business. At this point in time, I would not like to see any more layoffs of farms. We in the state of water shortages, water cutbacks. And even at this point, we have chosen not to put any more crops in the ground for Molokai. I sat down with homestead farmers, as well as non-homestead farmers. And the feeling of . . . just trying to get by this year is, is gonna be hard. Kumu Farms employs about 20 workers, another 20 seasonal. Papaya farmers, who's actually self-supporting themselves; myself, who employs about 8 other employees, including myself and my husband--you know it, it's just . . . would be devastating to the ag . . . industry to be taxing on at another. I would even commit to sitting on a committee and, and voicing some concerns as to what we can do to help. But at this time, I, I would ask that you know let's really take a look, step back and, before implementing this tax rate increase. And I thank you all for coming. Wow, I feel honored . . . (*laughter*) . . . and privileged that you guys are all here. But if anybody has any questions? Thank you very much.

CHAIR PONTANILLA: Thank you. Members, any questions for the testifier? We, we'll start from Member Baisa, and then followed by Member Victorino.

COUNCILMEMBER BAISA: Thank you very much.

NOTE: Pause while Member Baisa turned on the mic.

COUNCILMEMBER BAISA: . . . Thank you very much, Lynn, for being here tonight. It's really important that we hear from the true farmers because you're the people that we wanna save. You're the people we wanna keep going. You're very important. And so it's. . . thank you for,

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you know, I know you work hard all day and it's hard to come to meetings. But thanks for coming. I wanna ask you a question, and you know if you can answer it, fine. I, I don't wanna make you, get, ask you anything that might be uncomfortable. But one of the things that we've heard in imposing this tax is that it's *fair*, that a home. . . maybe a home in Kaunakakai and a home on a farm should be taxed the same because they're both *homes*. What do you think about that?

MS. DeCOITE: . . . My feeling on that is. . . if we going use the comparison of a home in Kaunakakai versus a home that's out in a rural area, I would, I would suggest a different type of tax. One, because a rural area limits the services provided versus that of someone in town. Complete different services being offered, the distance of emergency services that would be sent out--you talking about whole different ball game. On another note, that single dwelling. . . of that actual farm is now housing that person who's truly farming versus that of a farm of a *second* dwelling. If, if I could be so blunt, as a snowbird. . . you know coming and saying okay, here's my second dwelling, here's my orchard. . . which you know we know the scenario. And at the same time, that snowbird is accessed Federal funding. . . you know and can tap all those other tax resources--whether it be drought related, insurance related, and so forth.

COUNCILMEMBER BAISA: Thank you very much for your honest answer. It's really important, again, that we hear from people like you. Thank you.

MS. DeCOITE: Thank you.

CHAIR PONTANILLA: Mr. Victorino?

COUNCILMEMBER VICTORINO: Thank you. And my question went along the same lines. But what I wanted to clarify is that if you have a home in a rural area or even a home--and I guess the whole question has been home for home, a house that I live in, a house that you live in. What I work and do and have another job, I have a job, I'm not *farming* the land, right, you know we wanna try make that equitable as *homeowners*. That's what this whole thing has been about. What you're saying, if I hear you correctly, that can be. . . and even *that* could be *devastating* to you folks at this point in time because you're so fragile at *this* point with all the different dilemmas that you face, that something of this nature could have an adverse and affect and force some people completely out of farming. Is that what I hearing from you?

MS. DeCOITE: Correct. Correct.

COUNCILMEMBER VICTORINO: And, and so what you feel, if you could really form some kind of task force to look into the matter to, to develop what you call an equitable true farming, true farming; and those who are not--and that's what we feel, those who are not, let's get their fair share so that maybe we can turnaround and help you folks--you would be more applicable or know more. . . more committed to do something of that nature than have us throw something at you at this time?

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MS. DeCOITE: Definitely. Definitely.

COUNCILMEMBER VICTORINO: Okay, thank you. I appreciate that.

MS. DeCOITE: Thank you.

CHAIR PONTANILLA: Thank you. Member Couch?

COUNCILMEMBER COUCH: Thank you. Thank you very much for testifying . . .*(inaudible)*. . . testify. You know you talked about or Ms. Baisa talked about fairness. And we have situation--I don't know if it happens as much on Molokai as it does on Maui--that we have farmers who live in one place and farm in another. And that's, I mean, they're true farmers and they do a lot of farming, but they just don't happen to live on the farm. And they pay for their homesite the, the full Homeowners' rate. And that, and that some of them are asking, too, you know. . .if, if just the site where your house is, not the whole farm--if you're on 40 acres or whatever--it's just the area where your home is to be assessed at the Homeowners. . .is that something that you guys can live with or is that. . .and, and also to answer. . .kinda if you have some sort of answer to help us out with the, the fairness issue of the guy who doesn't live on his, on the land he's farming?

MS. DeCOITE: Okay. One is the evaluation you guys send out in 2009 was to basically take out if your house is on that section of what's being either raised via cattle, via processing, via planting. If, if that's the case. . .I'd say do the exemption. Do the exemption off of the house based on that flat rate. If you had that time or your Committee or your task force was to come in actually do one site visit and say, 'eh, we looking at one million dollar house, now I say tax the guy. But if you looking on single dwelling, simple three-bedroom house that you get the farmer physically working. . .I think it be a fair assessment. But not to allow this million-dollar mansion. You know *that's* where these people really affect the true farmer. You know they just trying to get away out of the tax. You've come this far and built the house such as that, you *deserve* to get taxed.

CHAIR PONTANILLA: . . . Thank you. Members, any more questions? Member Baisa?

COUNCILMEMBER BAISA: Let me ask you a follow-up question to that, about the *value* of the house. At one of the meetings that we had, not during the. . .the meetings we're having now, but in one of the preliminary meetings we had with the cattle people, it was suggested that maybe we should do these taxes based on the valuation of the *house* so that you could catch these people with the 5- and 10-million dollar houses. Because most of the farmers are living, real farmers are living in very modest homes. . .like the ones Upcountry, the old farmers, they're living in buildings that are just you know old, like from the '40s, '50s, '60s. What do you think about that?

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MS. DeCOITE: I, I think that's a fair assessment. You know, like myself, I not living in one mansion. We living day to day. And I would agree with that. I would agree with what. . .the ranchers have said.

COUNCILMEMBER BAISA: Thank you.

MS. DeCOITE: Thank you.

CHAIR PONTANILLA: Thank you. Members, any more questions for the testifier? Uh . . .

VICE-CHAIR HOKAMA: . . . Chairman?

CHAIR PONTANILLA: Member Hokama?

VICE-CHAIR HOKAMA: You know, Chairman, in talking to Ms. DeCoite, you know the, the issue of the house assessment and the value of the house, we've heard her thoughts. And yet as farmers. . .talking to Lynn this evening, we, you know, the. . .the issue of true farmers is just not the land and the house. You know it's also. . .if we, they have no water, how can they grow and become true farmer, maintain farming or agricultural practices? And that's why maybe part of the things that we might wanna think about, Ms. DeCoite, that you can say, is to see if maybe we need to create additional categories. Because now we have four categories: pineapple, sugar, diversified, and pasture. But maybe we can create another, fifth category, such as what we might wanna say as an example. . .research and development. So when Monsanto comes in and is willing to pay uku-bucks for land. . .there, we're gonna tax them at one different level because there's no way people like our, our local people can compete with one Monsanto for agriculture land when they get the multi-conglomerate millions of dollars in their bank and you're just trying to survive day-to-day. So what do you think about maybe us looking at different categories for different type of agriculture uses?

MS. DeCOITE: I would agree with something like that, which is why I say let's step back, give us a year or two years to visit this at the Committee level, an ag task force level and, and visit those scenarios--

VICE-CHAIR HOKAMA: Uh-huh.

MS. DeCOITE: --and let's really figure out how we can actually help. . .be it the count, the County itself and ag.

VICE-CHAIR HOKAMA: Right. And then with the valuation of the land as it impacts your household, so. . .do you think we should also look at how much and the ability of water to provide to the land to make it viable and to make it work--also be part of the key component of the consideration of valuation and taxation?

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MS. DeCOITE: Definitely. And that, that is exactly where the farm plan comes in--before anything is actually executed. Yes.

VICE-CHAIR HOKAMA: I, I thank you. And more than likely we're gonna take you up on your volunteering to serve . . . *(laughter)*. . . So thank you, Ms. DeCoite.

MS. DeCOITE: Thank you. Thank you for coming.

CHAIR PONTANILLA: Thank you. Members, any more questions for Ms.--

COUNCILMEMBER MATEO: Chair, just a follow up.

CHAIR PONTANILLA: --DeCoite?

COUNCILMEMBER MATEO: . . . *(inaudible)*. . .

CHAIR PONTANILLA: Chairman Mateo?

COUNCILMEMBER MATEO: Thank you, Mr. Chairman. Lynn, I just wanted to follow up with, with one of your, your comments. And, and everything is relative, so you know your comment about you going be planting 50 percent less?

MS. DeCOITE: Well. . .with. . .right now I, I sit on the MIS Advisory Committee. And we've been monitoring water for the past two years. We looking at low water levels. We looking at 11 feet of water. . .in January at what time this year we would be at 17 feet. We've already implemented water cutbacks on non-homesteaders of 30 percent. Preference to homestead water users. But again, like I said, if there's no water, two-thirds means nothing to anybody at this point. We've implemented on 50 percent cutback on planting based on water situations. And at some time we'd like to visit that with the County Council, to ask for your support in working with DOA and implementing some kind of water, emergency water pumping for this island and its ag industry. I'm just one of who have already implemented something like that. Not to mention what Kumu Farms is looking at, Coffees of Hawaii, other homestead farmers, and of course included in that would be the corn companies . . .

COUNCILMEMBER MATEO: Yeah--

MS. DeCOITE: . . . as in fairness in to all companies.

COUNCILMEMBER MATEO: Yeah, so for, for our Molokai farmers, then, I, I think I've heard not only from you but from Coffees as well, yeah, that they're all gonna be reducing acreage in planting because. And that "because" is the water. So--

MS. DeCOITE: Yeah.

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COUNCILMEMBER MATEO: --you know, I just. . .as Lynn said, I'm gonna reiterate one more time. Any increase at this point has its impacts--yeah?

MS. DeCOITE: Yes.

COUNCILMEMBER MATEO: Thank you.

MS. DeCOITE: Yes.

NOTE: Silence.

CHAIR PONTANILLA: . . . Members, any more questions for Ms. DeCoite? Ms. DeCoite, I, I just. . .just for my information in regards to what you said. The water level is 11 feet. You mentioned 11 feet. What, what is the 11 feet?

MS. DeCOITE: Eleven feet of water . . .

CHAIR PONTANILLA: Kualapuu reservoir?

MS. DeCOITE: Kualapuu, Molokai Irrigation System reservoir. Yeah . . .

CHAIR PONTANILLA: Well, let--

MS. DeCOITE: . . . basically.

CHAIR PONTANILLA: I know we're going out of subject, but--

MS. DeCOITE: Yeah.

CHAIR PONTANILLA: --I'm kind of interested.

. . . *That* reservoir, do you suspect there's a leak, a major leak. . .that need to be corrected?

MS. DeCOITE: I no suspect no major leaks. Um. . .three years ago an audit was reviewed of the system. At that point in time, appropriations were implemented by the depart. . .State of Hawaii. Monies were sent back this way to help fix the system, which. . .usual, usual thing is money, you know like you guys know--general funds go back out, helps the rest of the systems. So at, at this time, everything was put back up to snuff. I believe maybe two pumps are running down, they're not even running. We want, we've run one pump a day for ten hours of off-peak of pumping. And. . .as the rainfall is not here, we just don't get the free flow on it. We've agreed that, not to overpump anything because of recharge and drain, draining of any well. But the mystery is still there--how much water *is* there, what can be pumped, and what is feasible enough to carryover the ag industry into whatever rain is about to come or what would be the hold off of any more rainfall.

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CHAIR PONTANILLA: Okay. Thank you. I just gonna stop there because I was just advised
...*(laughter)*...

MS. DeCOITE: ...*(laughter)*...

CHAIR PONTANILLA: It wasn't a agenda'd item. But thank you, again, Ms. DeCoite. For your information, though, we do have the Real Property Tax Administrator over here. Should this thing goes through, he can basically tell you. . .you know what, what is the estimated increase would be on the piece of property that you farm.

MS. DeCOITE: Okay.

CHAIR PONTANILLA: He's over there.

MS. DeCOITE: Okay.

CHAIR PONTANILLA: Scott Teruya.

MS. DeCOITE: Scott Teruya.

CHAIR PONTANILLA: Thank you, again.

MS. DeCOITE: Thank you.

CHAIR PONTANILLA: Um. . .again, Ms. DeCoite was the only person that signed up for public testimony this evening. Is there anyone that wanna provide testimony that haven't signed up yet?

NOTE: Silence.

CHAIR PONTANILLA: . . . Seeing none coming forward, if there's no objection, the Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR PONTANILLA: Thank you.

...END OF PUBLIC TESTIMONY...

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CHAIR PONTANILLA: Again, Members and . . . audience, we're here to take testimony on BF-13 [*sic*], which is the Disparity of Real Property Tax Assessment for Agriculture versus Nonagriculture Lands. So . . . the Committee is in receipt of a proposed bill, a bill for an ordinance amending Chapter 3.48, Maui County Code, relating to the tax assessment of the homesites on parcel receiving agricultural use assessments. So with that, Members . . . the Budget and Finance Committee meeting for January 26 at Mitchell Pauole Center is now adjourned . . . (*gavel*). . .

ADJOURN: 6:21 p.m.

APPROVED:


JOSEPH PONTANILLA, Chair
Budget and Finance Committee

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Transcribed by: Camille Sakamoto