

# BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

## MINUTES

February 12, 2013

**CONVENE:** 9:02 a.m.

**PRESENT:** Councilmember Mike White, Chair  
Councilmember G. Riki Hokama, Vice-Chair  
Councilmember Gladys C. Baisa, Member (Out 11:53 a.m.)  
Councilmember Robert Carroll, Member  
Councilmember Elle Cochran, Member (In 9:06 a.m.)  
Councilmember Donald G. Couch, Jr., Member  
Councilmember Stacy Crivello, Member (Out 11:53 a.m.)  
Councilmember Don S. Guzman, Member (In 9:05 a.m.)  
Councilmember Michael P. Victorino, Member (Out 11:42 a.m.)

**STAFF:** Scott Kaneshina, Legislative Analyst (Out 11:00 a.m.)  
Carla Nakata, Legislative Attorney  
Camille Sakamoto, Committee Secretary  
Ella Alcon, Council Aide, Molokai Council Office (via telephone conference bridge)  
Denise Fernandez, Council Aide, Lanai Council Office (via telephone conference bridge)  
Dawn Lono, Council Aide, Hana Council Office (via telephone conference bridge)  
Gerald Keoni Enriques, Executive Assistant to Councilmember Don S. Guzman

**ADMIN.:** Danilo F. Agsalog, Director, Department of Finance  
Scott K. Teruya, Administrator, Real Property Tax Division, Department of Finance (Item BF-74)  
Marcy Martin, County Real Property Technical Officer, Real Property Tax Division, Department of Finance (Item BF-74)  
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

*Seated in the gallery:*

Mark Walker, Deputy Director, Department of Finance

**OTHERS:** Thomas Croly (Item BF-74)  
Two (2) additional unidentified attendees

**PRESS:** *Akaku: Maui Community Television, Inc.*

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CHAIR WHITE: . . .(*gavel*). . . Good morning, Members. This Budget and Finance Committee for February 12, 2013 please come to order. Welcome, all of you. And I'd like to please ask that everyone in the Chambers please turn off their cell phones or other noise-making devices. I can start by welcoming our Vice-Chair Riki Hokama.

VICE-CHAIR HOKAMA: Chairman.

CHAIR WHITE: And Council Chair Gladys Baisa.

COUNCILMEMBER BAISA: Good morning, Chair.

CHAIR WHITE: Member Bob Carroll.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR WHITE: Member Stacy Crivello.

COUNCILMEMBER CRIVELLO: Aloha, Chair.

CHAIR WHITE: See it's not as easy as Mike White, so. And Don Couch.

COUNCILMEMBER COUCH: Good morning, Chair.

CHAIR WHITE: And Mike Victorino.

COUNCILMEMBER VICTORINO: Good morning and aloha, Chair.

CHAIR WHITE: Good morning. And with us today as our Committee Staff are Camille Sakamoto, our Secretary and Scott Kaneshina our Legislative Analyst, and we also have with us this morning Staff Attorney Carla Nakata; Corp. Counsel Jeffrey Ueoka; and this morning we have Danny Agsalog, our Director of Finance. And we will have Scott Teruya and Marcy Martin will be joining us for one of the items this morning. So I'd like to start by verifying that the districts are with us. So, Dawn, are you there in Hana?

MS. LONO: Good morning, Chair. This is Dawn in Hana.

CHAIR WHITE: Good morning. And, Denise, are you there in Lanai?

MS. FERNANDEZ: Good morning, Chair. This is Denise at the Lanai Office.

CHAIR WHITE: Good morning. And, Ella, are you there on Molokai?

MS. ALCON: Good morning, Chair. This is Ella on Molokai.

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CHAIR WHITE: Super. With that we will...I'd like to begin public testimony, and, Members, just a reminder that for the district sites to hear you well, you need to speak directly into your microphone. And I see that the only person who has signed up here in the Chambers knows all the rules and doesn't need to be advised. So we'll call the first testifier here in the Chamber, Members, if you don't mind us starting.

COUNCILMEMBER COUCH: No objection.

COUNCILMEMBER VICTORINO: No objection.

CHAIR WHITE: Thank you. Our first testifier here in the Chambers is Thomas Croly to testify on BF-74.

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

MR. CROLY: Thank you, Chair.

CHAIR WHITE: Good morning, Mr. Croly.

MR. CROLY: Aloha, Committee. I'm Thomas Croly. You know me well as a testifier here. I think Maui is a compassionate County, and this measure before you today, the Circuit Breaker Tax Credit is a good example of that compassion. I've always liked this provision in our Tax Code, but I've not always liked who I have seen take advantage of this particular provision. I don't think that it's always gone to the people it was intended for. That's why I support the additional qualification criteria that's contained in this measure. I support the provision that requires the taxpayers to have lived on the property and have received a homeowner exemption for at least five years. I remember looking at the taxes and seeing that there was a tax...there was someone who bought a very high-end condo and the very next year applied for the Circuit Breaker Tax Credit. And I thought how did someone have \$3 million to buy a condo in Wailea and then the next year didn't have enough money to pay the taxes, it just didn't make sense to me. So I think that, that makes a lot of sense. I also support the provision that it not apply to people whose incomes are greater than \$100,000 a year. And I would like to make another suggestion with respect to that. I think that maybe it should also not apply to households earning more than say \$50,000 a year in interest and dividend income. Sometimes very rich people don't have a high number at their adjusted gross because they have various things in business concerns that allow them to write that off, but if someone is making \$50,000 a year in interest and dividend income that means they have a bunch of money in the bank, a bunch of investments. And I don't think this measure is intended to apply to folks like that. I also would extend it to anyone whose wages are greater than \$100,000 a year, because again, you can have \$100,000-a-year wage but then after you take off these various business concerns that you might have that show passive losses, at the bottom line your adjusted gross income could be less than \$100,000. And again, I don't think it should apply to someone who has wages that would put them in that category. However, I do have some concerns about how this measure is administrated. It needs to be administrated with compassion for the people it was intended for. I fear that those who it was

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intended for are the ones least able to comply with difficult provisions in it that say you have to apply by this date, you have to make sure you do this and circle that, 'cause those aren't the people with lawyers and accountants and so forth who would do all this for them. So I urge you to ask the Administration exactly how it would, you know, what the requirements on those coming forward would be, and make sure that it's easy for those. Many times, measures that come out of this Chamber, they go into the Administration and they get far more complicated than they were intended to be by the folks here, and I have firsthand experience with that.

MR. KANESHINA: Three minutes.

MR. CROLY: On a side note, I kind of wish that it would apply to those of us with a bed and breakfast permit. It of course doesn't because we lose our homeowner exemption, but I can think of operators who their bed and breakfast income is the only income that they have. And if that income is low enough that their taxes are becoming a burden, I would like to see this apply, but nonetheless, that's a really side note. Finally, I hope that the existence of this measure frees you as legislators to make sound decisions about the County's finances and how we apply our taxes to the people of this County without having to be concerned about boy, are we going to tax someone out of their home. I've been insulted when I've seen many people stand at this podium and tell you folks that if you raise their taxes by \$100, they were going to be taxed out of their home. If that truly was the case then I don't understand why they weren't making use of this Circuit Breaker Tax Credit. So let's make sure that it applies to the people who deserve it and we keep out the people who doesn't deserve it, but at the same time that it then allows you guys to make very sound judgments about what the tax burden should be for everyone in this County. Thank you.

CHAIR WHITE: Thank you, Mr. Croly. Any questions for the testifier, Members? Seeing none, thank you. And we'll go to Hana. Hana, please call your first testifier if you have one.

MS. LONO: There's no one waiting to testify in Hana.

CHAIR WHITE: All right. We'll go to Lanai. Please call your first testifier.

MS. FERNANDEZ: Chair, there's no one here to testify.

CHAIR WHITE: Thank you. And, Molokai, do you have a testifier?

MS. ALCON: No one's here waiting to testify.

CHAIR WHITE: Thank you very much. Members, since there are no one remaining in the Chambers, unless...okay, there's no one remaining in the Chamber who would like to testify, so without objection, we will close public testimony.

COUNCIL MEMBERS: No objections.

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CHAIR WHITE: Thank you.

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

CHAIR WHITE: Members, this morning we have three items on the agenda, and without objection, I'd like to move BF-85 which is the first item to the end of the agenda.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Okay, thank you. With that, we have two other...no, that item is discussion about the Treasury Department and collections in real property tax, an issue that has been before us before and requires further discussion. The other two bills are a bill relating to County operations in which we are asking the County to provide a forecast of, to match the CIP forecast that we receive during the budget each year, so we'll get into that discussion. And the other one as Mr. Croly mentioned is relating to amending the Circuit Breaker Tax Credit.

**ITEM BF-116: AMENDING CHAPTER 3.04, MAUI COUNTY CODE, RELATING TO INFORMATION ON COUNTY OPERATIONS (CC 12-231)**

CHAIR WHITE: So our first item today will be BF-116, Amending Chapter 3.04 of the Maui County Code, Relating to Information on County Operations. And unfortunately Sandy Baz, the Budget Director is unable to be with us today, but Mr. Agsalog, the Director of Finance is with us and can answer any questions. The purpose of the proposed bill is to require that the Administration transmit to the Council each year a, along with the operating and capital budget programs a forecast of anticipated appropriations for the next five years and the sources of revenues. And pursuant to Maui County Charter, it requires the budget to include the capital improvements for the following five years after the upcoming fiscal year. And together with the cost of each improvement and the impact of its, of that, the staffing and operating needs, that it will...that we'll hit the operating budget. So what we're asking for is to...or what this bill asks for is for them to provide us operational budget estimates and sources of revenues going out for five years. And part of the reason that this may be very important for us is not only the question of what's going to happen to Federal and State funds and their availability in the future, but also identifying sources and methods by which we are going to keep ahead of our unfunded liabilities. So with that, I would be happy to ask the Director of Finance for his comments.

MR. AGSALOG: Good morning, Mr. Chair and Members of the Committee. Thank you for really exploring an opportunity for us to have a dialogue with the operations of our County. With my discussions with the Budget Director, he impressed upon me that discussion with regards to this proposal is ongoing in the management of our County. At this time we will reserve any comment with regards to it at the moment, because we haven't arrived to an approach that we would want to present to you. So I would take some questions if you have, but as far as my discussion with the Budget Director, he asked me to bring the discussions here to the management as soon as the meeting is finished. Thank you, Mr. Chair.

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CHAIR WHITE: Okay. Members, any questions? Mr. Hokama.

VICE-CHAIR HOKAMA: Thank you, Chairman. Director Agsalog, thanks for being here this morning. And I know you're not the Budget Director, but can you share this morning with the Committee at least the current approach on projections of how you folks are currently looking at one, two, three, five years down the road?

MR. AGSALOG: Thank you, Mr. Chair. Well the current approach we have right now, as you know the CIP we have an ongoing five year, six years approach as far as funding and what program that we have. Operational though as you already know, our Charter tells us it's a balanced budget all the time, and we are restricted in a one-year projection. This is not the...I bring you this because I was also sitting in the Budget Office way, way back when you were the Chair of the Budget Committee, Mr. Hokama, and the way I have looked at it at that time...I don't know if it's still relevant today. Because we have so much unknown in the five years time, either the State taking out some sort of revenue source from us, TAT cap, that type of things and union negotiation, the operational projection is very difficult to project. The increases, inflationary, I think we have a good estimate of it in a way if we do that, but the revenue side depending on how do you propose a budget, if you are a revenue-driven budget or you are an expenditure-revenue budget. So when I was at the Budget Office, it was always more we start from what do we need to pay, what are the mandated things that we have to pay, so that's how I used to approach it and bring it to the Mayor for approval, that way. Currently, Mr. Chair, I, unfortunately I'm not privy to a lot of those discussions as far as the approach of it. And another thing that I have, I looked at it and it's a fact that the policymakers always change every two years also, the Administration have four years, so whatever is important today, when the policymakers change, it might not be their approach anymore. Okay. So and there's other unknown that we have there, so but that's me, that's not the position of the Mayor as we speak today. Please do not take that.

VICE-CHAIR HOKAMA: Okay.

MR. AGSALOG: I'm just bringing you this as my background of when I was sitting as the Budget Office and now as the Finance Director. And as you know, I was testifying at the House yesterday on the Franchise Tax that the State want to take half of it, so we didn't know that two weeks ago. You know now it comes and the budget is almost finished. And where will we get 5 million now for the highway funds? You see? Do we have to raise 9 cents per gallon on the Fuel Tax so that we can put the same revenue back? That's our tax for our people again, so there's a lot of moving target into this approach, Mr. Chair. But again, I think it's the discussion is important for us to understand how this thing works together as far as the operation is concerned. The CIP, it's good because you can project what would be there, okay, but the operation is just too much for me to put it together. That's my take, Mr. Chair.

VICE-CHAIR HOKAMA: If I may continue, Chair?

CHAIR WHITE: Certainly.

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VICE-CHAIR HOKAMA: Thank you. And, Director Agsalog, I appreciate your perspective being a former Budget Director and our current Finance Director. And I appreciate for the short term it's difficult, again, because...and I think that is why our County's strength has been consistent fiscal discipline and philosophy. We don't normally jump how we look at money every two years. We tend to have a very solid, long-term perspective of financing that I can say came from the Board of Supervisors when I was in the Council. And so I gotta commend my fellow colleagues for helping to maintain that fiscal discipline. But for people like us, you know, when the Mayor comes up with his proposal for us to consider his vision for a new campus, let's say, that's long-term visioning, right. Well part of the long-term visioning in that for us in our initial review was how are you going to push out the monies, how is the phases going to be done, how does it impact the long-term obligations of the County, including Debt Service and the impact on our General Fund cash flow to pay for the day-to-day operational needs, particularly in HR you know, personnel services? And so I hope you would take back to Mr. Baz as our Budget Director that more than ever now in this critical time of uncertainty from the State and Federal governments, we should have one very good fiscal plan that we can control which is our General Funds and our fee structures and those items that we have full control of to do the projections that we know we need to take care. And I'm with you 100 percent, Director, we gotta take care our core mandated requirements first before we look at giving, spending money other places. You know we have obligations for public safety.

MR. AGSALOG: Yes, sir.

VICE-CHAIR HOKAMA: We don't provide it, the State's not going to provide it.

MR. AGSALOG: Yes.

VICE-CHAIR HOKAMA: You know the Fed's not going to provide it. Our people demand, you know, safe roads, County roads, safe sewers, you know, a working and efficient sewer system. Those kind of things I think it would be helpful for us as we move forward into the new budget cycle with Chair White, to understand how you folks want to approach the money, so we can make the appropriate decisions and assist you with the appropriate adjustments. But I think it's critical for us to help you plan long range, especially if you want us to be supportive to fund big projects in this kind of times, the campus, other considerations that the Mayor has interest in. You know I mean, you know, they always saying what's your problem, Hokama? And I go, money. Who's going to pay the bill? That's my problem. You know and I end up with my eight other colleagues asking for the money. So that would be helpful for me, and especially the projections of when we borrow, Director, I think it's important for the nine of us to know exactly how that Debt Service impacts our ability then not to give that cash that we're making payments on for the debt, on where we could have put it in, whether it be, I don't know, maybe Fire wants a new ladder truck, maybe Police wants to, you know, redo all their whole fleet with new cars or whatever it be. I mean, you know, I think you appreciate our position just as much as we appreciate the difficulty of your position, Director. So I think for us, you know, I like charts, I

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like numbers, you know, and for me that helps me make a better decision, Director. So, you know, if you could pass that on to the Budget Director, that would be appreciated.

MR. AGSALOG: Mr. Chair?

CHAIR WHITE: Go ahead.

MR. AGSALOG: Yeah, thank you very much. And I think I appreciate the discussion that we have today. Again, this particular approach in looking at all the possibilities, I think that's why, what makes Maui, you know, a good place, you know, a lot better financially with, than the other jurisdictions within our neighbors, and I think we have. And with the policymakers here being very good in watching our finances, I can say that when we go and borrow the money like last time, they have looked at our policies, and the projections for our capital improvements was very, very good. And in some ways, Mr. Chair, we can look at the, those particular projects, and on those particular projects we can see the cost of what the manpower would be for that particular one. The only reason that I'm saying about the operation, it's a little bit more difficult is that it's the number of personnel, the salaries that we have, the union negotiation. It's about 70 percent of our operation, it's not the equipment that we buy. My thinking is and I think the honorable representative from Lanai will appreciate it is that the establishment of the Emergency Fund was very, very critical, and I have seen that in when we went for funding, floating the bonds, and they really scrutinized that, the rating analyst. So when it was established years ago, I think if we can add more to that as a part of our stability for our funds, I think in the operation of our County we'll be able to provide for any financial things that will come. But yes, this particular subject matter today, item, Mr. Chair, I think it's good for discussion, it's just for me as the Budget, former Budget Director like I said, it will be a little bit more difficult--and I'm just saying this for me, I didn't discuss this with the Mayor or Sandy, the Budget Director or the Managing Director--it's more difficult. Or let's say the State Legislature have a biannual budget and you put that and then all of a sudden you don't have the projected revenue and you're cutting whatever you have allocated, you have a lot of people come and testify and against all those policymakers. So I just want to say that part, Mr. Chair. But having a projection it's good, but if it is...you have to commit to that, I think the current structure that we have right now that every two years it change, and if I have a five year one, the new people that came in, they will not have any say-so because now it's already decided for them. That's how I see that as the former Budget Director.

VICE-CHAIR HOKAMA: No, I would say maybe help us, you know, and then normally we try to get it in the budget documents and the initial reviews. But, you know, if the long-term goal is, you know, for me I like single digit Debt Service levels and I don't like double digit. So, you know, that kind of policy and forecasting, you know, that makes sense to me. But you brought up one point and this is my last comment or question with you. If possible, and I know it's, you know, might cross some jurisdictional lines but I would ask that, you know, you and the Budget Director and the appropriate Administration, I would say when appropriate talk to the Budget Chairman, Mr. White, talk to our Chair, Ms. Baisa, especially with negotiations. You know help keep the Council informed of where we're going with contracts, particularly the funding



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component, you know, be prepared for this range, whatever it be. I don't want to give numbers 'cause then people might say oh, Hokama threw out this number and that's what they're going to get. But, you know, a range so that we can start preparing, the Chairman can see how he wants to approach cash flow versus borrowing, and then maybe ask for, you know, what is the Councilors' comment or concerns. Because, you know, I don't have a problem, you know, funding and supporting a fair contract, but as part of the employer's team, I think maybe somebody should ask us what as part of the employer's team we might want to see put on the table for discussion purposes to see if it makes sense, and especially those areas that impact the liabilities. Yeah. And that's why for me, my concern is how accurate can the actuary be with us when even we don't know certain numbers? And I bring up this point because I don't know where it's in but since we're not part of the negotiating team I think I can bring it up. You know for me as a funder, my concern is comp. time. How do we budget for comp. time, how do we project for comp. time? How does an actuary actually give us a figure of that liability? Because we don't know when it's going to be taken. The year it was earned? Twenty years later when they choose to retire? Thirty years when they retire? What number do I calculate to pay our debt off? And so I think there's areas that as part of the paying side of the bill, it would help us to be able to make sure that what we owe the employee or the retiree we can pay, but we need to know those numbers to prepare the County to provide those resources. And right now there's all these uncertainty of what is that number, and it bothers me as a funder 'cause, you know, I don't want it to be a quicksand and we just going be sinking in that hole continuously. You know and I think that would help you, Finance Director, I think that would help the Budget Director and Administration in keeping this County above water. So thank you.

CHAIR WHITE: Thank you, Mr. Hokama. Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. The question I...a couple questions is, you know, in looking at this law and proposed bill. You know we have the Implementation Plan from the General Plan still coming through, and that sounds like something very close to what this is. So how would that mesh with this? Or would they be the same thing or would it be a subset one, a subset of the other? Or do you have any anticipation on how you see that or the Finance Director might see that?

CHAIR WHITE: Well I think that brings up one of the very important items of why this is something we really need to consider, because when you look at unfunded liabilities, you look at the ongoing increases that have been or that are being worked on with respect to firefighters, UPW, and the Police Department, all these things, the campus studies, the, you know, the decision to proceed with major infrastructure here on the campus. The implementation of the Maui Island Plan is predominantly CIP driven, but at the same time we're not going to know until we get into that what the ramifications are on the operating budgets. You know we're very good at building stuff, we're not necessarily all that good at maintaining it or forecasting what the cost is going to be to operate it. So it...you bring up a very important point, and I think that because the implementation of the Maui Island Plan is primarily CIP driven, it still needs to be a part of this overall projection. Because for me the reason for the projection is to identify particular areas of concern, not just for us but for the Administration as well. Because I feel that this process is

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going to help us identify what the pressure points are on our budget process in the upcoming five to six years, and it's going to be a very big help for us to be able to provide the public with what some of these projections are, because it will give us the ability to sense their commitment to accepting the cost that's tied into the Maui Island Plan implementation, to funding our major capital projects, and to funding or finding ways of funding our unfunded liabilities.

COUNCILMEMBER COUCH: Well and that brings up another possibility or I mean if...I don't know if we can go along that route as well is, you know, when the Administration comes in with some sort of big Capital Improvement Project that they also come in with okay this is the estimated operating costs through the year. My only concern with the way this is worded at this point is that, you know, every year we have so many budget amendments that once we start going through all these budget amendments, what is the effect on the future forecasts? Do we have to update those? And are we just miring ourselves in a huge amount of extra make work stuff? I realize that the information is key, but the way it's worded now, it's almost like we gotta kinda stick to those budgets or change 'em.

CHAIR WHITE: No, the...well the intent...maybe it's not coming across in the bill itself, but the intent is simply to provide us with a forecast, not something that's going, that we're going to necessarily hold them to. But simply provide us a forecast at one point in time to help us understand the order of magnitude of the growth of various parts of the budget, so we can see if costs are growing at 40 percent, are we going to be able to go to the public and say we need 40 percent more out all of you in order to do this. It's, to me it's part of the education of our constituents to help share with them the costs of various pieces of our operations and our CIP budget to help get them to understand the cost of where we're, you know, where we're going and to see what the, what their participation is likely to be.

COUNCILMEMBER COUCH: And I understand that, but in this budget or this forecast, are we going to put in there...and I don't quite see it where, you know, this is we're going to add these new parks and these new roads and so it costs this much to maintain it through these years. But at the same time we're saying well, you know, Wailea 670 is going to be built so our revenues from there should be X, Y, Z if it's built or if it's not built or if it's built in stages or whatever project is going to be built that will add to our revenues as well or more importantly add to our costs, especially if a lot of those homes are going to be homeowners.

CHAIR WHITE: Correct.

COUNCILMEMBER COUCH: So every...for every new home that has a homeowners exemption it actually costs us more money, so we have to have other homes that don't have the homeowners exemption.

CHAIR WHITE: Correct.

COUNCILMEMBER COUCH: So is that information going to be...and I didn't see it here.

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CHAIR WHITE: Well it's requested in Revenues, so whether they're comfortable projecting how much, how many houses are going to come online each year, you know, I guess they can take a whack at that. We have a list of projects that are getting building permits and so forth, so there is a way to do that. But again, I want to emphasize this is a once-a-year thing, it's not something that is going to be updated continually because I don't think that's necessary. The purpose is to provide us with a tool that we can look at and say okay, well if we decrease this or increase this, this is the impact.

COUNCILMEMBER COUCH: Right.

CHAIR WHITE: So it's really just to provide all of us with somewhat of a tool as we're moving into budget to see where we're headed and see what the impact of some of our decisions today are likely to have down the road.

COUNCILMEMBER COUCH: And thank you for that. And my last comment would be, this is...while this is a very good idea for a tool to have, we gotta remember that can this be done with existing staff or do we need to add more bodies which then adds more costs, and at what cost is this tool worth it? 'Cause this...to me it sound, I mean looking at it here it sounds like wow, this is going to take a couple more people just to keep on top of this, so that's some other things that we need to consider as well.

CHAIR WHITE: Yeah, that's correct.

COUNCILMEMBER COUCH: Okay, thank you.

CHAIR WHITE: And the timing may determine whether, you know, the timing of that report being provided. You know it may be that we want to do something that's not during, you know, have them do it during a time when they're not preparing for the regular budget. Do it, you know, offseason, so to speak.

COUNCILMEMBER COUCH: Yeah. And you might consider that when they do the budget, each department come up and say look, this is what we forecast our expenditures to be. Maybe if we can get that already without having to make new laws, I don't know. Just maybe we can meet in some sort of common ground. All right, thank you, Chair.

COUNCILMEMBER VICTORINO: Chair?

CHAIR WHITE: Thank you. Mr. Victorino.

COUNCILMEMBER VICTORINO: Thank you. And my two colleagues make excellent points in many areas; however, again, I hear what you're saying, like in business we do forecasts and projections, and that's why in business you have an idea of what's coming down the pipe. Things change, we all know that, but this from what I've read, what you're asking...and I think the Administration would like to have something like that. Because it also gives them an idea of

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what they need to do in the upcoming years as far as revenue versus expenditures. All the other things that are part of it, like whether we build a new subdivision or not, whether we add more roads, parks, whatever, I mean these are all things we know exist. And I think it's you gotta plan, you've seen those maps of, what do you call that, futuristic growth areas and futuristic subdivisions and other amenities that go with that, so I think all of that is there. And I think what you've done, Chair, and I really do appreciate it is put this kind of in an area where now we're requiring them to come to us, bring this information to us so that we can let the public know in the future what kind of expenditures they can expect. And I agree with you, the public gets angry because they don't know what's coming down the pipe. In our homes we better know, if we don't, we're in trouble, and we don't tell the public a lot of times that this is the things that going to happen, Feds are going to cut this, State's going to cut this but we still have to do it. Okay, now you're going to have to pick up that cost. Do you want it or not? You know kind of that's what you're trying to do, and I appreciate that. And all the other concerns I think are all nebulous, in fact, just, you know, you gotta put those pieces there anyhow. As far as hiring a lot more people to do it one, two, three bodies, I don't see a reason why'd we have to because much of this information is available. It's online, you can pick up a lot of this stuff and the departments can . . .(inaudible) . . . They have it, they have to keep data abreast. Am I correct, Mr. Agsalog? Don't most of the departments have pretty much an idea from year to year what the expenditures are going to be and what their incomes depending on changes? They can anticipate a lot of that during...from year to year. So a five-year projection wouldn't be that difficult. Do you agree with me on that, Mr. Agsalog?

MR. AGSALOG: Mr. Chair, we have the record that we can look at, and I, we can inquire a report. And I can tell you also that our Administrators in the Department they have some sort of plan moving forward.

COUNCILMEMBER VICTORINO: Right.

MR. AGSALOG: And if that's what you're asking, yes, everybody and our Administrators, they see more than five years from now even. As far as the amount of money that we would need, maybe it's not as close as when you are getting closer to that particular point in time. You know we can estimate, you know, we can estimate. Again, this particular process that we will try to document, I'm just kind of...and this is not again from the Administration, this is just from a former Budget Director. There's going to be a public documents, would this be used now in the negotiation of our union and all that source. That's why I'm kind of not very open to all of this right now, as the former Budget Director in a way to present this. Because this particular arbitration that we had last for UPW I had Police, I have given them documentation from our bond floats and all that stuff, and they request every public document that we might think that will benefit them in the arbitration. I just do not...right now the, having the forecast that we might have some sort of rainy day funds if the same things happening in five years, I don't kind of like to give it to the arbitrator in a way. You know that's me, I think I'm a little bit more closed minded into that. Because you have to understand again that our operation is 70 percent salary.

COUNCILMEMBER VICTORINO: Salary, yeah.

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MR. AGSALOG: So that's by itself. For me it's kind of intimidating to keep this document in the people that makes the decision when it comes to the union negotiation. That's just my take, Mr. Chair.

COUNCILMEMBER VICTORINO: And, Chair...

MR. AGSALOG: It's not the position of the Administration, please.

COUNCILMEMBER VICTORINO: Okay, thank you. He went more than I asked for but that's okay. But, Chair, he did bring up a good point, sometimes you cannot have all your cards on the table, because if you do it makes negotiations a little bit more difficult from our perspective. So you do bring up some good points. But again, I think an overall document showing where, what, and how, I think people still would appreciate that more than anything else, and if it's used against us, I don't it...I don't like to say...I think it can work in conjunction to help all parties concerned. Thank you, Mr. Chair.

CHAIR WHITE: Thank you. Members, any further questions? Mr. Guzman.

COUNCILMEMBER GUZMAN: Thank you, Chair. I just had a few questions on...in regards...would it make a difference whether it's a five-year forecast or a three-year forecast? Is there a reason why you put it to five?

CHAIR WHITE: Well the reason we made it five in the bill was simply to match the CIP requirement.

COUNCILMEMBER GUZMAN: Oh, the capital project improvement.

CHAIR WHITE: And the CIP budget by Charter is supposed to include all of the operating expenses driven by each expenditure, and that information in past budgets have been relatively weak in my view.

COUNCILMEMBER GUZMAN: All right. So it would be...

CHAIR WHITE: So that's one of the reasons for the match.

COUNCILMEMBER GUZMAN: So in a sense it's already being done, a five year, somewhat forecast?

CHAIR WHITE: For the CIP plan.

COUNCILMEMBER GUZMAN: For the CIP projects.

CHAIR WHITE: And that's supposed to include the operating expenditures that will be incurred with that item being built.

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COUNCILMEMBER GUZMAN: Right.

CHAIR WHITE: But it's not always that clear.

COUNCILMEMBER GUZMAN: Okay. And I notice also in the proposed bill you have a good faith estimate language in there.

CHAIR WHITE: Correct.

COUNCILMEMBER GUZMAN: And I guess my question to Corporation Counsel would be how would we enforce this bill? I mean for compliance-wise. I mean I know that non-compliance of any proposed bill would be under Maui County Code 1.112.020 which would be like \$1,000 fine and something jail, right. But if this is a good faith estimate, how would we go about making compliance or monitoring it as being a good faith estimate? Does that make sense to you? Because it's kind of harsh, because if we're basically holding them to a different standard. I think Mr. Agsalog has a point in terms of the accountability. I mean how accountable or liable their department would be in terms of producing these estimates when the language itself in the proposed bill says "good faith", yeah. So we couldn't hold them to a stricter standard, could we? A stricter standard of, you know, basically a fine and...what was it, \$1,000 fine and up to 1 year in jail. That doesn't seem quite sensible. Is there another alternative that we can propose in the language to loosen it up since it is a good faith estimate?

CHAIR WHITE: Go ahead.

MR. UEOKA: Thank you, Chair. I guess typically the Administration and the Council have worked together to reach an understanding, and good faith is just a standard term where, you know, everyone will be making their reasonable best efforts to comply with the spirit and intent of the bill. As far as the enforcement, if it's...it sounds like it's a criminal-type citation, so I would assume the court system would be involved because only the judiciary can come down on matters including, you know, that include jail time. So I would assume the Police Department would issue a citation. I really don't know how it would work if you guys wanted to...when I say you guys I mean the Council really wanted to get into it on whether or not the Budget Director's five-year forecast was good faith or not. I would really hope that it would never come to court proceedings, so I guess good faith is, it's language just so everyone understands that it's a forecast. The Budget Office is making their reasonable best efforts to provide you with the best information they can, and just putting their best foot forward, I guess.

COUNCILMEMBER GUZMAN: Right. A reasonable forecast, so that, that would be the language that could probably be used, a reasonable forecast determined by good faith, something like that. So just, I'm just trying to alleviate any accountability concerns that the Finance Director may have in terms of making accurate numbers. You know it doesn't really need to be a set in stone type forecast. I think what the Council's looking for is more of a projected, you know, a good faith forecast where we can use, you know, as a goal or some kind of orientation for the next five years. I guess that's what my point is to my line of questioning.

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CHAIR WHITE: Go ahead.

MR. UEOKA: If I may, Chair. I believe Item C of the bill under Limitations, the forecast may include forward-looking statements which involve estimates, assumptions, and uncertainties, and is subject to other factors which may cause actual results to differ materially from what was originally presented. So it does kind of take into account the fact that none of us in this room have a crystal ball showing what's going to happen five years down the road, so I think the...you folks and the Administration can understand that's it's the best guess, you know, an educated --

COUNCILMEMBER GUZMAN: Right.

MR. UEOKA: --guess, granted.

COUNCILMEMBER GUZMAN: Yes.

MR. UEOKA: And I believe, you know, Mr. Aagsalok, please correct me if I'm wrong, but his apprehension is more...accountability-wise is I guess more...we are accountable...the Administration is accountable to the Council of course, but to the general public, and if they look at this report I don't think he wants anyone misunderstanding it to say this is how we are going to budget for the next five years. I believe that's what he meant more by accountability.

COUNCILMEMBER GUZMAN: So if we make it known to the public that it's a good faith estimate, something that's going to guide us through as a useful source or useful tool, I think that the public would be more reasonable to accept something like a proposed bill such as this, right?

MR. UEOKA: That would be my understanding. We are using the word "forecast" which --

COUNCILMEMBER GUZMAN: Right.

MR. UEOKA: --in and of itself does implicate that.

COUNCILMEMBER GUZMAN: Yeah, thank you.

MR. UEOKA: Thanks.

CHAIR WHITE: Yeah, I'd just like to add to that that, you know, the purpose of this measure is not to nail anybody to the cross, the purpose of this measure is to have the Administration provide us with guideposts to help us in decision when the County comes to...Administration comes to us and says we want to build this building over here or we want to spend \$40 million providing new baseyards at the parcel that we purchased in Waikapu. So it's to provide to us with a higher level of knowledge of what the future portends than we have now, and so it's nothing more than that. And we're certainly not going to...I mean it's like the budget itself, there are times when the Administration makes some errors in how they address certain budget issues. Well the budget

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itself says that they could go to jail and pay a \$1,000 fine. Well so far no one's gone, but it's an option. So I mean the Chair doesn't really care one way or the other whether that particular part stays in if it makes people uncomfortable. The main thing is that we need to provide ourselves information. The Administration are the ones that house all that information, so we're asking for their assistance to provide us a document that helps us in our decision making. And to Mr. Couch's point about additional staffing, I'm sure that I would be more than happy to have our Council Staff spend some time working with the Administration on this, because I think it's that important. So further questions? Mr. Hokama.

VICE-CHAIR HOKAMA: No, not a question, Chair. I would just say I'm supportive of your proposal, and I'll bring up one experience for us. You know I would say it was at least eight years ago already in budget we were talking about the subprime market, and we got a lot of information from national office. And people like us, we were already forecasting the implosion of the subprime and its impact. I think those kind of discussions in forecasting how it could potentially impact the real property revenues of the County and its next succeeding budgets, to me that is pertinent information. And the ability to adjust on forecasting because it did make an impact on real property revenues the succeeding years when the subprime imploded. That kind of forecasting to me is smart, and if you want to sit in one of these nine seats here then you better understand that is what we do even when we pass the next budget, we're forecasting.

CHAIR WHITE: Right.

VICE-CHAIR HOKAMA: This is the...except for certification of real property, we're forecasting on the grants, we're forecasting on fees, we're...you know, we forecast on many things. So what you are asking this Committee to support is things we already doing, but I think this makes it much clearer to the taxpayers out there on what we basing our decisions on and helping to have them understand. Because Mr. Victorino brings up a good point, any family that thinking of buying a new car, buying a new house is forecasting their own personal family budget on how they have the ability to pay. We're doing the same thing at a bigger scale, but I think if the taxpayer can understand what we're doing is what they do, different scales of course, I think they can appreciate and understand better what we as Councilors do in spending their tax money, and that we do the same discipline that they do is can we afford this.

CHAIR WHITE: Right.

VICE-CHAIR HOKAMA: And if not, what are our options to either attain it or replace it with something more affordable.

CHAIR WHITE: Well you bring up a good point because the...just prior to the subprime issue reducing all of our property values, our property values had grown significantly, and because property values grew, our revenues grew. Because our revenues grew, we expanded our expenditures to a very significant degree, and to a point where the growth of County government has far outpaced the growth of the private sector that supports it. So we owe it to our constituents whose pocketbooks are not growing at the rate that the County is growing, we owe it to them to have



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them understand what our challenges are, what our expenses are, and what our sources of revenues are so that they see that we're being responsible, just as you say. So thank you for that comment.

COUNCILMEMBER VICTORINO: Chair?

CHAIR WHITE: Member Victorino.

COUNCILMEMBER VICTORINO: Thank you. And one more quick comment. And I think you hit the nail on the head when you said letting the public understand that these expenditures are what they are asking for. That's very important. They want police, they want fire, they want parks, they want the pools open, they want roads paved, they want all of this. Well there's no free lunch out there, and I think they have to understand that if we get as efficient as possible and that's our charge to become efficient, and become, you know, like Mr. Agsalog said, a lean machine. I've heard him use that term. You know but all joking aside, really the serious point of this is they have to understand that it's not for us but it's for them to decide what they really want and need, and that's another part of our daily lives, right? Mr. Hokama just mentioned, if I can't afford this new car, do I stick with the one I have, fix it up, put new tires? Do I spend more money that way or do I wait another six months and hope that baby don't break down and we can still go from point A to point B. There's a lot of things we do every day as individual citizens and individual households, was the same thing we do again, like Mr. Hokama said, in a much bigger scale. But they have to understand if they want something, they want services, there's got to be somebody to pay for it, and it's them who pay for it. So do we change some of our methodology? And that's another thing we haven't discussed and we're starting to discuss more, fee for service. You know when we start doing things, they want something, instead of taking it out of the General Fund, put a fee on it and okay, you want it, it costs you this, and then you pay for what you get. We have many...and I'll close by saying look at this County, it's one of the only counties in this whole State that has community centers in every community, and we have to pay an enormous amount of money to upkeep 'em. And who benefits from those community centers? The communities that live there. Most of the people that use 'em are from that community or somewhere close by, you know, whether it's Haiku and then somebody from Pukalani, it doesn't make difference, it's the community. And we spend a lot of money just maintaining that. Something the other counties don't have that big expenditure. Now we're turning that maybe based on fee for use. If you want to have your birthday party there, if you want to have baby's party there, if you want to have a wedding, whatever it might be, you're going to have to pay a little bit more for the upkeep of that because you get to use it. Thank you, Mr. Chair.

CHAIR WHITE: Ms. Baisa.

COUNCILMEMBER BAISA: Yes, thank you very much, Chair. This has been a really interesting discussion, and when I saw the bill at first I was a little concerned because, you know, I really hate to put a whole lot of reporting responsibility on Administration. We all know that everybody's kind of going crazy trying to deal with paper. But the more you think about it,

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much of this information I think is available, it's a matter of collating it into one document. We have several department directors who I think are way ahead of us. I know in particular that Mr. Taylor looks at 20-year projections, and so I'm sure that he's not the only person that is looking ahead. And I think that is a good management tool that looking ahead into what your needs are for your business, in our case it's running the County is our business, looking ahead five years is not a unreasonable request. And I'm also kind of comforted by the disclaimer in here that says, you know, if it's...your estimate is off, it's okay, we're not going to take you to jail. But I think bringing this together, and again it's this process that we're engaging in of trying to have better communication between the Administration and the Legislative Branch. And if this information is available in Administration, I think it's good to have it come down to us, too, because we're the ones who deal with appropriating the money so we need to know. So I think that, you know, as long as there's a disclaimer and everybody understands that, you know, we are doing this for the purpose of planning so that we don't find ourselves falling short. And I know we're going to make projections that aren't real, it's happened in the short time I've been here. We're cruising along, everything's fine and all of a sudden the real estate market goes to hell in a basket and we have no money, and so, you know, we survived it. And the reason we survived it is because of good planning and because of prudent fiscal management, and we're still here. And so I know that, you know, it may seem like a burdensome requirement, but I think if we pull together what we already have and do a little bit more work, that we should be able to provide this document without undue stress on our departments. Thank you.

CHAIR WHITE: Thank you. Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. I'd sure like to find out if there's any other municipalities that do that, and maybe we could check. I don't know if you were planning on deferring today or taking action, I'm not sure, but maybe we can check when we head out to NACo to see how other places are doing it just to...or are we breaking new ground here. 'Cause I know the State only does two years in advance. And, you know, I don't know, it just...

CHAIR WHITE: Well to answer your question, I don't believe we're breaking new ground because Mr. Baz I know already has a program that can do this. And so I think there's...I think he has an interest, I think his...in doing it. And to your question about whether we're taking action today. In deference to his not being here, I think it's appropriate for us to defer it until the next meeting when he can come and join us for the discussion.

COUNCILMEMBER COUCH: Yeah. I'd like to hear from him, too.

CHAIR WHITE: But I think this has been a very healthy discussion, and I'm sure that Mr. Agsalog will pass on the information to Mr. Baz. So any further questions, Members? If there are none, Chair would recommend that we defer the item. Without objections, we'll defer this until our next meeting.

COUNCIL MEMBERS: No objections.

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**COUNCIL MEMBERS VOICED NO OBJECTIONS.**

**ACTION: DEFER pending further discussion.**

CHAIR WHITE: Thank you. Would you like to get into the next item or take a break? Ten-minute break?

COUNCILMEMBER BAISA: Five minutes.

CHAIR WHITE: Five-minute break, okay. We're in recess for five minutes. . . .(gavel). . .

**RECESS: 10:02 a.m.**

**RECONVENE: 10:12 a.m.**

CHAIR WHITE: . . .(gavel). . . This meeting of the Budget and Finance Committee will come back to order. Thank you for that short break.

**ITEM BF-74: AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO CIRCUIT BREAKER CREDIT (CC 13-56)**

CHAIR WHITE: The next item on our agenda is BF-74, Amending Chapter 3.48, Maui County Code, Relating to the Circuit Breaker Credit. And for this discussion we have Director of Finance Danny Agsalog, and I'm assuming Mr. Teruya and Marcy Martin will be joining us. And the proposed bill is entitled A Bill for an Ordinance Amending Chapter 3.48, Article XII of Maui County Code, by Repealing Section 3.48.780, Maui County Code, Pertaining to Circuit Breaker Credit, and Establishing a New Article XII, Maui County Code, Pertaining to the Circuit Breaker Credit. And the Staff...have you provided the Members the revised bill? Okay. Staff has distributed a revised bill which has the date of 2/12/13 on the bottom, and that is the bill that we'll be working off of today. And the reason for the revised bill is that the Staff has spent...since posting, the Staff has spent a lot of time making some significant...significant changes, making the bill easier to read, and clearing up some of the language. They've basically left the majority of the items or the substantive items in place, but one of the items that is a major change from the initial bill that was presented is to go back to using the AGI as the basis of the income calculation as opposed to total income. And the reason we've done that is that we couldn't come up with a way of making sure that this change wouldn't impact negatively some people that are already involved in the program. And so rather than taking a chance on total income being a good measure, we've decided to stick with the current definition. And I think you'll see as we go through what the Department is providing as supporting documents for the changes, you'll see that the majority of the problem that we'd like to fix will be taken care of by other means rather than messing with the AGI definition. So let's see, the purpose of the bill are basically to amend the criteria for which you qualify for the taxpayer Circuit Breaker Tax Credit and to facilitate the administration of the credit by the Department of Finance. As I just mentioned, we're leaving the definition of "adjusted income" as is, but the bill revises the

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“household income” definition to include all title holders. It also includes a cap of the Circuit Breaker Credit at \$5,000, and it caps household income at 100,000. And just for your information, City and County of Honolulu caps theirs at 50,000, so ours is a bit more generous. And the members of the household cannot own interest in any other real property at the time of the application for the Circuit Breaker Credit. And we’ve also left in the homeowners gross building assessed value cannot be greater than 400,000. So with that I’d like to turn it over to the Administration.

MR. AGSALOG: Good morning again, Mr. Chair and Members of the Committee. Before I give the microphone to our Administrator, I’d like to recognize our Deputy Director of Finance sitting in the gallery there, Mr. Mark Walker. He was sworn in last week, although he been doing some, a lot of work for us since the beginning of the year. So I really appreciate it, Mr. Chair. The bill as you have presented this morning, Mr. Chair, we have gone through our Administrator of Real Property Tax with his staff has gone through review of this, and we really appreciate the opportunity to make it tighter in a way that we implement so that we can close some loopholes. We are here to answer any questions that you might have. I will pass the mic to the expert in implementing the Circuit Breaker that we have, and then if you have any questions we will pass the mic back and forth, Mr. Chair.

CHAIR WHITE: Thank you. Mr. Teruya.

MR. TERUYA: Morning, Chair and Members of the Committee. In review of this proposed bill, I can date you back that this bill was crafted approximately three or four years ago with taking multiple scenarios and putting them all into one bill. So by no means was this meant to be...in fact, I think there was even other measures that we considered. A lot of these individual measures are very difficult for the Division to administer as well. So I will tell you that whatever comes out of the Committee, I would advise that if it’s technical in nature there may be some amendment to PDs within the Department of Finance or within Treasury if it’s little bit more technical than we existing administer the program. I realize the Council’s attorneys tinkered with it to amend some of the language which I appreciate, but at the same time I would just ask that in certain items...and I can...is it okay to refer right now, Chair?

CHAIR WHITE: Yes.

MR. TERUYA: In 3.48.810C, it’s good to identify that no member of the household, as defined...has an ownership, and it says as of the time of the application. My...I would like to give some consideration, maybe it’s not only at the time of the application but maybe from the application time to the end of the calendar year. And that goes for letter G as well where taxes on the property are not delinquent at any time of the application. It would be easier to administer if it’s from the time of the application up until the end of the applicable calendar year. So it’s not only from delinquent during the time of the application but the entire period that you’re receiving the credit. And that’s all I have initially. I think the bill is crafted pretty well, but at the same time there are some information that will be possibly difficult. And one being when you have many people on property, and potentially when I mean many, I mean like maybe 200 or 100 people on

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property. You can have Kuleana lands and you can have a lot of properties that may have not gone through probate, so getting household income from everybody in, that owns a property can be difficult. So that should be at least discussed, because I think that's going to be the difficulty of the Division in receiving people's adjust gross income for when you have that many people on property. Thank you, Chair.

CHAIR WHITE: So do you have a suggestion as to how we could reword that particular item?

MR. TERUYA: Reword or remove?

CHAIR WHITE: Well I think it's...

MR. TERUYA: I think, I mean, it's just going to be a matter of time, because...

CHAIR WHITE: Well for example, could we say that the largest three title holders or largest four or largest five?

MR. TERUYA: I would defer to the body. I think the hardest part is when you have a family that people do not all live on Maui or not very close in relationship, I think that's where the difficulty will be in obtaining other people's adjusted gross income.

CHAIR WHITE: Yeah, okay. And would you please walk us through what was presented by your Department on the 8<sup>th</sup> of February?

MR. TERUYA: Okay. I'm assuming everybody's received this response that we had dated February 8, 2013.

CHAIR WHITE: Do all the Members have that?

UNIDENTIFIED SPEAKER: Yes.

CHAIR WHITE: Okay.

MS. MARTIN: In regards to 3.48.802, have had homeowner exemption for at least five years...oh, excuse me. I'm Marcy Martin, Property Technical Officer.

CHAIR WHITE: Thank you.

MS. MARTIN: One hundred and thirty-one properties would lose the credit. That means we have 131 properties getting a Circuit Breaker Credit who have not been a homeowner for at least five years, and that would reduce the subsidy by about \$150,000. And Kauai has a similar section in their ordinance which requires ownership as of 2001. In regards to 3.48.802(2), the combined income of all title holders does not exceed \$100,000. Currently there are 22 people getting the Circuit Breaker Credit who have an AGI exceeding \$100,000, and their credits total about

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\$125,000. And the average credit is \$5,600. And there are 248 credit recipients with more than 2 owners on title, so this was what Scott was referring to. Those 248 applicants would have to supply multiple tax returns from all the owners on title. Honolulu does have this in their ordinance, and as Scott had said, their income cap is \$50,000.

CHAIR WHITE: And did you take a look at...excuse me for interrupting, but did you take a look at what would happen let's say if we took out the requirement that we gather the income from all title holders? Did you look at what would take place if we lowered the amount? Instead of asking for all title holders if we just simply lowered the amount to the same as Honolulu.

MS. MARTIN: No.

CHAIR WHITE: Okay.

MS. MARTIN: To \$50,000 you mean?

CHAIR WHITE: Right.

MS. MARTIN: No.

CHAIR WHITE: Okay, so we don't. And I looked up the median home values for Honolulu and it's 560,000. This is not from RPT but this is from the Census Bureau so I don't know how accurate it is, so it can probably just use this for comparing the sizes. But Maui County median home value is 594,000, Honolulu is 560,000, so it's pretty close to the same.

MS. MARTIN: If you do turn to Exhibit 2 though, we see that a majority of our applicants have incomes below \$25,000. That's not including the --

CHAIR WHITE: Right.

MS. MARTIN: --title holders, just the applicants.

CHAIR WHITE: Okay.

MS. MARTIN: Moving to 3.48.802, Item 3, no title holder owns any other property anywhere. This was also in Honolulu's ordinance. And 148 of our Circuit Breaker Credit recipients own at least 2 properties on Maui, and their credits total almost \$200,000. 3.48.802, No. 5, the Circuit Breaker Credit shall not exceed \$5,000. We're giving 28 credits over \$5,000 totaling almost \$250,000.

CHAIR WHITE: When you...excuse me, when you give us the 249,000 number, it, that is the amount inclusive of the base of 5,000, correct? Or is that the amount over the 5,000?

MS. MARTIN: No, that's the...includes the...

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CHAIR WHITE: That's the total amount?

MS. MARTIN: Yeah.

CHAIR WHITE: Okay, thank you.

MS. MARTIN: Yes. 3.48.802, Item 7, no Circuit Breaker Credit shall be granted if the building value exceeds 400,000. We have 219 credits totaling over \$400,000 where the building value is greater than 400,000. I will say here that all of these figures overlap, so for example, it is possible to have a building value over 400,000, a credit over 5,000, and having more than one property and an income over \$100,000. Generally, if you pick any one of these, people from the other categories are going to fall out as well.

MR. TERUYA: Okay. As you can see, what Marcy had just gone over is just the, just indicating the different items that's before you. I mean it doesn't mean that all of 'em have to go or all of 'em can go, it's just a matter of when you look at each individual item, that's how much people fall into that category. So if we continue with the handout that's presented, next would be Exhibit A. Okay. This is just aerial photography, a picture of one example of a building with its building value only at \$2.9 million. This is like a property that's receiving Circuit Breaker Credit.

UNIDENTIFIED SPEAKER: It is receiving?

MR. TERUYA: Yes, these are pictures of properties that are receiving Circuit Breaker. This is just to give you an illustration of the type of properties that are able to receive Circuit Breaker. So as you can see, that home was under construction at the time of the photo. If you go to Exhibit B, this is another illustration of a property with a building value just of \$2.5 million. Exhibit C, oceanfront property, building value \$1.8 million. Exhibit D, this is a new home constructed, building value \$2.7 million. And Exhibit E we just kind of mixed it up, give you a photo of one of the units in a condominium with a building value of \$2.4 million. And these are not total values, these are just the structure improvement values, yeah, that are receiving the credit.

CHAIR WHITE: Yeah, and if I could just interject there. The reason we are focusing in the bill on just the building values is because one of the initial purposes of the Circuit Breaker was to protect families that own oceanfront property from being forced off of their land because of their land values are going up and they're being forced to pay outrageous levels of tax. So that's why we have instead of focusing on land value which is the purpose of this protection, we're focusing just on building value. So that if you have an expensive house, we're not going to, you know, you're not going to get kicked out because of the land value, but if you have enough money to have a \$400,000 structure then we feel that the credit is not necessarily meant for people in your category. Mr. Victorino.

COUNCILMEMBER VICTORINO: Chair, I have a question of clarification before --

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CHAIR WHITE: Sure.

COUNCILMEMBER VICTORINO: --you move on. In Exhibit E you just said that this value of 2.442.8 million...I mean 2 million 400 thousand was one unit, not building?

MR. TERUYA: Just the unit.

COUNCILMEMBER VICTORINO: 'Cause you have building value written here.

MR. TERUYA: Right, that's just the building value associated with the unit.

CHAIR WHITE: With one unit in this --

MR. TERUYA: One unit, yeah.

CHAIR WHITE: --complex.

COUNCILMEMBER VICTORINO: Well 'cause I know this complex, I know exactly where this is and I know who this isn't, and so when you say the building is worth 2.4?

MR. TERUYA: Just the unit.

COUNCILMEMBER VICTORINO: Just one unit? Okay, so you have building, it actually should be unit value --

CHAIR WHITE: Right.

COUNCILMEMBER VICTORINO: --within that building.

MR. TERUYA: Yeah.

COUNCILMEMBER VICTORINO: I mean no, no, no.

MR. TERUYA: Oh yeah, you're right.

COUNCILMEMBER VICTORINO: If somebody's reading --

MR. TERUYA: You're right.

COUNCILMEMBER VICTORINO: --and I'm reading --

MR. TERUYA: Yeah, right.



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COUNCILMEMBER VICTORINO: --I'm looking at this building, when I saw that I says well I know that is not true already.

MR. TERUYA: Yeah, good point.

COUNCILMEMBER VICTORINO: You know so that's all I was kind of getting clarification. Thank you, Mr. Teruya. Just clarification, sorry.

MR. TERUYA: Chair, is it okay to proceed?

CHAIR WHITE: Sure.

MR. TERUYA: Okay. The next page we change from exhibit letters to numbers, so next would be Exhibit 1. We just wanted...this is...I'm not going to go through it in detail, but just to let you know what this chart represents. It's just talking about credit amounts. This is a credit that people are receiving from the...recipient of the Circuit Breaker program, and it's giving you just some ranges of the credits. So you can see predominantly the credit average is somewhere between the five hundred and one thousand dollar range, and on the bottom it kind of tells you the average, median, max, and the minimum. So as you can see on the far end to the right there's 6 people with the credit in the range of ten to twenty thousand dollars. In Exhibit 2, this is an illustration to point out the adjusted gross income level of individuals that receiving the credit with the predominant in the range of 0 to \$25,000 of adjusted gross income, and I think it's pretty self-explanatory as you take that graph out.

CHAIR WHITE: Yeah and just to point out the amount, the number over 50,000, there are 80 properties in that category if we were to adjust the one hundred thousand down to fifty.

MR. TERUYA: Okay. In Exhibit 3 this is just illustration of the gross value of properties. As I mentioned before, we did the building value, this is the gross value of the properties. So it's pretty obvious that the average, the group falls in the three hundred to six hundred thousand dollar range, and as you take it out, there are 8 recipients of the value over \$5 million. Exhibit 4 breaks that down into gross building value with the predominant range less than 400,000 and with the most in the 0 to \$200,000 range. Exhibit 5 I think is relatively insignificant because we're not using age as one of the criteria, but it does give you demographics as to what age group is benefiting from the Circuit Breaker Credit. And although we feel a lot of the elderlies are the people taking advantage, it clearly shows that 9 people under the age of 40 is taking advantage of it for the reasons of potentially income requirements. So there are...it's not something that, you know, before everybody thinks only the elderly are using it, there's a lot of people in the range that are receiving the credit. In Exhibit 6, this is just the Circuit Breaker Tax Relief program history over the last 10 years. I think you can all read and understand how the, in 2004 the number started at 600, it moved up and it's very obvious where the real estate boom was, and then it's starting to go back down. So you can see how much people received the credit, what the average credits were, and basically the overall subsidy in the tax credit total

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column. And that, Mr. Chair, is the end of what I had to present. And if...can entertain any questions at this time.

CHAIR WHITE: Okay, thank you very much. Very good information. Members, questions? Mr. Victorino.

COUNCILMEMBER VICTORINO: Thank you. And thank you, Mr. Teruya, for this graphs and these charts, because, again, Mr. Chair, at least in my mind right now, I feel like the abuse isn't as extensive as I thought it might be. And I feel good in that sense. Still there are those who are taking advantage and we see 'em clear right here, but the numbers do not speak that it's a massive group of people. You know and if the public was to see the numbers we see, there's less than 200, in fact in many areas less than 100 that I would consider even falling into that abusive category if that's the word we want to use. But, again, this is good. Mr. Teruya, quickly and I think you've probably...'cause I think we've talked about this before. If we were to follow Mr. White's 100,000 income in using that as a threshold and everything else is all lined up, approximately how much real property tax would this County realize overall? And I mean you going...again, as we just talked earlier, I not going put your feet to the fire, this is your best estimate, so don't worry, we won't prosecute you if you give us the wrong information. Oh, not accurate. Poor thing, you know, he got all nervous 'cause he heard that earlier.

MR. TERUYA: You just said about the \$100,000 issue?

COUNCILMEMBER VICTORINO: Yeah, using that threshold.

MR. TERUYA: Yeah. That's approximately \$124,000 in revenue for that.

COUNCILMEMBER VICTORINO: In revenue that we would realize if we were to make that change along with the others that...

MR. TERUYA: No, just that change alone.

COUNCILMEMBER VICTORINO: Just that change?

MR. TERUYA: Yeah, yeah.

COUNCILMEMBER VICTORINO: Okay, just that change.

MR. TERUYA: That's we...on...what Marcy covered was basically itemizing what would be the dollar figure with that change alone.

COUNCILMEMBER VICTORINO: Okay.

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MR. TERUYA: Yeah. And then you can, if you wanted to, you ultimately add 'em all up, but it's really for this body to decide what do they want as restrictions or how they want to govern this program.

COUNCILMEMBER VICTORINO: Let's say we add 'em all up, what would we look at then? 'Cause Marcy has all that information.

MR. TERUYA: Yeah, although there's overlaps we're looking at about a half a million dollars.

COUNCILMEMBER VICTORINO: Half a million dollars.

MR. TERUYA: Yeah.

COUNCILMEMBER VICTORINO: Okay. Thank you. I think the public needed to hear that. Thank you very much. Thank you, Chair.

CHAIR WHITE: Well I think, you know, you bring up an important point and I'd like to just add that this measure is not about how much money we're going to generate --

COUNCILMEMBER VICTORINO: No.

CHAIR WHITE: --it's really about the principle.

COUNCILMEMBER VICTORINO: Right.

CHAIR WHITE: Because we've established a law like we've done in many other cases for all the right reasons, but then we have people who have applied it in a way that...a lot...and it's not really...I mean they're, yeah, they're taking advantage of it but it's there for the taking. So the focus of this measure is to simply say it's being used by people who it was not necessarily intended for, and so this is just about reestablishing a level of fairness. So I think what I hope we've provided in this draft is a menu that you guys can select from. This needs to be here, this item needs to be there, and if we come up with something that's relatively fair, we'll generate some additional revenues. But the additional revenues is just the byproduct, the main thing is to focus on making it fair.

COUNCILMEMBER VICTORINO: And thank you, Chair White. Because that's one of our biggest problems, we create laws, we put 'em out there, and then we let it go for so many years without ever taking a good look at it. And this is what you've done and I thank you for that. And I think it's, again, as you see when you look at the numbers here, there isn't a lot of abuse, there isn't a lot of taking advantage of. It's there and they're using it. Not illegal, I didn't say there was anything illegal --

CHAIR WHITE: Right.

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COUNCILMEMBER VICTORINO: --but now we're going to clean it up so those people that have been on the other side of the coin, they're going to realize now they cannot. And as the real estate market turns again and we all know it's going to turn the other way and it's starting if you read this morning and you saw the news. You know we're seeing increases in homeowner sales and 25 percent in homeowners valuation and sale prices, so this is all coming back. Do we in the next two or three years do we have to sit down and go over this again? Maybe, maybe, but I think this is a good time. And I like what you've brought forward, Chair, I read it very thoroughly. And, you know, I'll let the other Members say but I can support, because, again, this is a good first step. And let's come back in a couple of years, two or three years. And that's another thing, maybe we gotta like we've said in other bills put time reviews on 'em that in three years we gotta come back and sit down and go over this. Because in three years the economy changes. Who knows, hopefully for the better, but who knows? Thank you, Chair.

CHAIR WHITE: Members, other questions? Mr. Hokama.

VICE-CHAIR HOKAMA: I was wondering if the Department maybe can give us comment about any current issues with collections from this category? Since one of the recommendations was on the adjustment of the language from application to line of credit that the taxes should not be delinquent. So is there some...

MR. TERUYA: Chair, in regards to Member Hokama's question, most all of these guys are currently current because this body actually amended the Home Exemption Bill to be current, if not, you lose your home exemption. If you lose your home exemption obviously you can't get the Circuit Breaker Credit. But --

VICE-CHAIR HOKAMA: Right.

MR. TERUYA: --I think one of the languages that I had mentioned earlier to put in there is in the event somebody becomes delinquent right after, you know, applying for the credit, how do we want to handle that? Is it only being delinquent prior to receiving the application? Well once the effective date starts the credit starts in the fiscal year. If they become...say they don't pay their second half bill in February, the coming February, would...what would we do? And by not having language in here always hinders the Division as to how to apply --

VICE-CHAIR HOKAMA: Right.

MR. TERUYA: --the ordinance. So if you said throughout the calendar year it would be very clear, if second half you didn't make your payment you would lose your Circuit Breaker Credit. But by being silent it creates one of these things where what do we do when somebody defaults on the second half.

VICE-CHAIR HOKAMA: Okay. So it's not a...at this point in time not a collection issue regarding this component of real property taxation. Okay. You know, Chairman, you know, I mean we always hope our, whatever legislation we do is the perfect legislation, but, you know, I'm at a

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point where I believe this is an improvement. You know the Council responded in the '70s, early '80s and I believe during my dad's tenure they used the term "max tax" was the phrase. So for many of the old timers if they hear the word, phrase "max tax" they understand what we're talking about. And again, when you look at when this was originally enacted by Council and placed in the Code, what was the County like? Agriculture was still a big component of revenue generation of those days. The plantations while not as many today were still in existence. So the economy of the County, ownership of the County was at a different component and was facing the big influx of Japanese investment in acquiring tons of our real property. And during the Japan bubble, so if we can recall back and how the Council tried to approach real property taxation for residents and the impact on the residents just as we've gone through the last couple of cycles of the ups and down. So I can appreciate and I thank you for making these adjustments. I have no problems with the adjustments to income. But I will say, you know, my position will be if you want to have the Circuit Breaker, I don't personally support any other use of the property but homeowners. You want to do business, that's your choice, but you're telling me you want something else on a residential property, to me, you cannot qualify then for Circuit Breaker. I'm happy to support the homeowner, but I won't support the business on a homeowner's property with this kind of taxation policy. So...

CHAIR WHITE: Yeah, when you say you're not supporting the home...or not supporting any other activities, are you including renting out an ohana unit or is it more of a business use?

VICE-CHAIR HOKAMA: More of a business use, Chair. You know you want to do...well already the B&Bs is, you know, squared away by ordinance, yeah, they cannot qualify for certain things. But, you know, as we bring up things like the home occupation considerations and whatnot, yeah, for me I'm not going to be supportive of granting those property owners Circuit Breaker benefits. That's their choice, they have a choice, and for me, I still feel to support the integrity of our zoning categories as best as I can. So that would be my position, Chair. Thank you.

CHAIR WHITE: Okay, thank you. Ms. Crivello.

COUNCILMEMBER CRIVELLO: Thank you, Chair. I appreciate the fact that we're not looking at the total household income, realizing, especially on Maui. how affordable housing is not...you have multi families occupying the household. So I can appreciate that. I also can appreciate the income basis, but I have a question regarding your exhibits. Are you saying then that the building itself and...or just the...what assessment is based on these exhibits to qualify for Circuit Breaker?

MR. TERUYA: If we're talking about exhibits like A through...

COUNCILMEMBER CRIVELLO: Yes.

MR. TERUYA: What we, we're showing you is just the cost replacement new of the structure, yeah. The total value...like in Exhibit A, the \$2.9 million basically represents the cost of that, replacing that structure.

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COUNCILMEMBER CRIVELLO: Okay. Thank you. Thank you, Chair.

CHAIR WHITE: Yeah. So the total value is like probably over 5 million.

MR. TERUYA: Yeah. The total value for like Exhibit A is about \$6.5 million.

CHAIR WHITE: Okay. Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. I did like one of the things our testifier talked about and that is not more than \$50,000 in interest and dividend income. Is that something that we...I mean I know it's hard to...because you don't track it right now it's hard to say what we would be saving on there, but at times with all the other criteria in here that still might slip through the cracks, I'm not sure. Any thoughts on that?

MR. TERUYA: Currently, when you're looking at adjusted gross income, the staff is just going to look at the bottom line of adjusted gross income. When you...we're talking about integrating some of the Honolulu's programs which I believe are good but they're a little different in the sense that...I would...I believe Honolulu's people who administer this program are accountants. We are not accountants in what we have in administering this program. That's why I said if we want to get detailed into talking about different things to pull out of a return, you're going to have to have somebody who's astute enough to understand what is in a return. Currently, our...we're not staffed to decipher in an income tax return what is what, so if we want to, that's where I saying it's...

COUNCILMEMBER COUCH: Well just for your information, that's one line on a...

MR. TERUYA: Yeah. I understand, and it's just making it sure that it is just what we're, all we're looking at are lines.

COUNCILMEMBER COUCH: Right.

MR. TERUYA: Because in City and County of Honolulu they have five Accountant IIIs to do this program, and that's all they do, they just do the Circuit Breaker program.

COUNCILMEMBER COUCH: Okay. The other issue is...and he made up another good point as far as how can we do this kind of with compassion in that there, a lot of the people that I've run into have said I didn't know about it and it, you know, it's one of those things, I certainly could have used it whenever and definitely they could have used it. And I realize you have all the strict deadlines and whatnot, but is there ways that this could be done, I mean even if we need to change some other ordinances? I know we don't want to go back a whole bunch of years, but if somebody fell on hard times and whatnot, didn't know about it and then struggled through for a couple years and said oh gosh, I could have used this tax credits. Is there a way we can do that or do we have to change a whole bunch of other ordinances in that?

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MR. TERUYA: Well the current practice is there's a reason for deadlines and one of it is for certification purposes, because it is outlined in order for you...for tax rate purposes. So in that sense I would probably have to defer to Corporation Counsel unless you guys are going to be putting money aside for a deferral program. So, you know, there is reason for deadlines and it is for certification purposes.

COUNCILMEMBER COUCH: Okay. Thank you, Chair.

CHAIR WHITE: Yeah. And the application period lasts from August 1<sup>st</sup> to December 31<sup>st</sup>, right? So it is fairly generous. Okay. Any further questions, Members? Ms. Baisa.

COUNCILMEMBER BAISA: Thank you very much, Chair. Not exactly a question, but, you know, the Circuit Breaker thing of course I've always been concerned about people that might be taking advantage of it that are not the intended folks that the Council was thinking about when they set it up. So I'm real happy to see the proposed changes, I think it'll tighten things up, and, you know, we're here to help the people that need to be helped.

CHAIR WHITE: Right.

COUNCILMEMBER BAISA: And however, I have to say I have tried since I've been here to try to understand why we call this thing a Circuit Breaker. It still sounds to me like something electric, you know, from Maui Electric Company or something. And I think that's one of the problems that Mr. Couch was talking about where people don't know about it and don't access it because they don't know what it means. And yes, other people call this Circuit Breaker but I sure would be so happy if we could change its name to what it really is which is a real property tax credit program or whatever we want to call it. But I don't like this Circuit Breaker, I never did and I never will, but I know that's probably not...we can't probably do that today. But I sure wish we could change it.

CHAIR WHITE: Members, any other...any thoughts on the name of the bill? Mr. Hokama.

VICE-CHAIR HOKAMA: Chair, I can appreciate Ms. Baisa's comment because I've had calls where there was some confusion about it and it has nothing to do with electricity, but that is the term used nationally through all the 3,068 counties that are part of us. Somehow it...that's the term and all the counties use Circuit Breaker as part of their real property programs. And so, you know, we might be breaking new ground by renaming it.

COUNCILMEMBER BAISA: ...*(inaudible)*... we're Maui.

VICE-CHAIR HOKAMA: You know.

CHAIR WHITE: Well how about if we were to say the real property tax credit program, in parentheses Circuit Breaker?

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VICE-CHAIR HOKAMA: I think that's an improvement.

CHAIR WHITE: Because I think the fact that it's being used all over the country simply means that anyone who's leaving somewhere on the mainland and moving here is going to know about it, but maybe our own residents don't --

COUNCILMEMBER VICTORINO: Chair?

CHAIR WHITE: --and may not. Ms. Baisa had her hand up first but I'll...then Mr. Victorino.

COUNCILMEMBER BAISA: I certainly understand what Member Hokama is saying and I had already found that out because I've been complaining about this, like I said, for six years. But, you know, this is Maui and we are unique, and I think we need to meet the needs of our residents. And I want a program if we're going to have one to be available to the average, everyday person who doesn't know what we're talking about when we talk about Circuit Breakers. Thank you.

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: I guess the only question I have is to Corp. Counsel, if we were to change the heading, do we have to...is that a substantial enough change or could we just do that here as a friendly amendment or? Because, again, our Charter reads, our Maui County Code relating to the Circuit Breaker Credit. Okay, that's how it reads now, and now we're talking about a change. And I agree with Ms. Baisa and everybody that yeah, make it more understandable, I agree. Sometimes that's the...that's why I try to break every down to the simplest methodology or the simplest terms. I use family and all because people understand that, Chair. I mean sometimes we speak in terms that...in religion we call it tongues, you know, only the chosen ones know what you're talking about. The rest of us do not know. I'm sorry, I just had to think of something real quick and that's what came to my mind. But anyhow, you know, I ask Corporation Counsel that question, please.

CHAIR WHITE: Corp. Counsel.

MR. UEOKA: I don't see a problem with amending it before you guys go to the Council as a whole, but typically Council Services advises on postings and whether it's adequate and stuff.

COUNCILMEMBER VICTORINO: Okay. You know 'cause if we do something I want to do it right, and, you know, I think what you've done here, Chair and we've all discussed this so long so we're really, I believe, most of us ready to move on something of this nature. I think we are ready for it. And if the only stumbling block is the changing of the title then, you know, so long as we can do it here today, 'cause I'd like to see something started. 'Cause we all know if we don't get this rolling very soon, August comes up real quick, well we're going to go in budget in the next month or so and then, you know, boom we're right into the summer months. And if we don't get this done, come August how can the Department and the Administration put all the



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forms together, applications, procedures, you know, the various things necessary, again, for the public to move ahead on this? So, Chair, I leave it to you, but I'd be more than happy to support any amendment made so long as it doesn't stop the process.

CHAIR WHITE: Yeah, you bring up a good point because basically the reason that this is being brought forward at this point is because the application process starts in August --

COUNCILMEMBER VICTORINO: That's right.

CHAIR WHITE: --and for us to properly handle the applications they need to change their forms and do other things. So it is important that we move on this relatively soon. Mr. Couch followed by Mr. Hokama.

COUNCILMEMBER COUCH: Since we're talking about the name, quite...why don't we just call it what it is? It's a hardship tax credit. It's exactly what it is, that's why we wanted to have it. Is that not right?

COUNCILMEMBER VICTORINO: I don't think I agree with that word.

COUNCILMEMBER COUCH: I mean if we want to have people who really need to take a look at it, the people who have a hardship, that's where they would look for, is there a hardship tax credit. Just, you know, instead of being...beating around the bush, let's say what it is.

CHAIR WHITE: Mr. Hokama followed by Ms. Baisa.

VICE-CHAIR HOKAMA: Chair, you know, while the original legislation was about the hardship to the local families that were facing high assessments during the Japan bubble that I mentioned earlier, I think if anything more accurately and you want to change it, maybe it should just be called a home exemption tax credit. Because don't you have to qualify for the home exemption to get this tax credit? So it's a home exemption tax credit. So but I don't know, you know, maybe people like Mr. Teruya who has to deal with administration, if that makes sense, a home exemption tax credit? 'Cause isn't that the key thing to qualify, you gotta qualify for the exemption first?

CHAIR WHITE: Mr. Teruya.

MR. TERUYA: I mean I don't really have any suggestion, I mean it's really what the body wants to call it, but it's basically a County tax credit.

VICE-CHAIR HOKAMA: Yeah. That's what it is, right.

MR. TERUYA: You know property tax in there just directly relates you back to it's a property tax credit, so, you know, it's a tax credit of some nature. I probably prefer to defer on the originator of the name of the program.

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CHAIR WHITE: Ms. Baisa.

COUNCILMEMBER BAISA: Mr. Chair, I don't want to bog us down in a name contest here. I would like to see the measure move forward, and I would also suggest that this matter of renaming it be put on another agenda at some time as a separate issue. We can always do it later.

CHAIR WHITE: Yeah.

COUNCILMEMBER BAISA: But I would like it not to disappear, and if it takes my having to submit something, I'll be happy to do that. But I don't want us, like I said, to get bogged down here, because we'll all have an idea of what we want to call it. But I don't like it being called Circuit Breaker, I'm sorry. Thank you.

CHAIR WHITE: Well the Chair would be happy to make a friendly amendment at the first reading. The name...or is that a problem, Corp. Counsel?

COUNCILMEMBER COUCH: That's the worst place. Yeah, you should do it here.

MR. TERUYA: Chair, just real quick. If you want to defer to Honolulu, Honolulu calls it a county tax credit.

COUNCILMEMBER BAISA: Wonderful.

MR. TERUYA: At least you will be consistent in the State.

COUNCILMEMBER VICTORINO: Chair?

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: And though I agree with Mr. Hokama it's a homeowners and that's part of it, but again I don't want to get too many homeowners exemption and people get more confused.

COUNCILMEMBER BAISA: . . .(*inaudible*). . . get confused.

COUNCILMEMBER VICTORINO: Yeah. So no offense to Mr. Hokama, I would like something that says it is real property or County property tax. I don't know, you know, whatever, but I agree with Ms. Baisa, let us move this forward today. And I think you have the essence and I think all of us want to move forward, and we can work on this as far as the name. We can come up with some ideas, and even by first reading, I don't even think it's that necessary. Let's bring it forward and just get it done. And I think...

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CHAIR WHITE: Okay. Well if the sense of the Committee is to move this forward, I would be happy to refer the matter of renaming it to the Committee.

COUNCILMEMBER VICTORINO: Yeah. That would be...

CHAIR WHITE: Where we can take it up at a --

COUNCILMEMBER VICTORINO: That would be better, yeah. Thank you.

CHAIR WHITE: --future meeting. Mr. Couch.

COUNCILMEMBER COUCH: Prior to any action, are you...or is the Committee supportive of Mr. Teruya's comments about changing No. 3.48.810C and G saying changing that at the time of the application to from the time of the application to the end of the year?

CHAIR WHITE: Yes. My intent is to take a 15-minute recess or maybe 10-minute recess to allow Mr. Teruya and Staff to work on rewording those two items.

COUNCILMEMBER COUCH: Then we can do a consensus to...

CHAIR WHITE: Yeah.

COUNCILMEMBER COUCH: Okay, thanks.

CHAIR WHITE: Okay, with that, are there any more burning questions before we take a quick recess? Okay, we'll take a ten-minute recess. . . .(gavel). . .

**RECESS: 10:58 a.m.**

**RECONVENE: 11:09 a.m.**

CHAIR WHITE: . . .(gavel). . Thank you, Members. We're back in order for Budget and Finance Committee, and we're still working on Item BF-74 regarding the Circuit Breaker Tax Credit. And, Members, we have worked during the recess on a couple of the revisions that the group was interested in, so if there are no further questions, the Chair would like to make his recommendation.

COUNCILMEMBER VICTORINO: Recommendation.

COUNCILMEMBER BAISA: Recommendation.

CHAIR WHITE: Okay. The Chair's recommendation is to pass on first reading the proposed bill relating to the Circuit Breaker Tax Credit and filing of the County communication, and I would add to that, that we would like to be able to make nonsubstantive amendments for clarity. And

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as discussed, there may be other...well, I'll stop it there. Sorry about that, that was a little more than a motion. Maybe I should restate my motion.

COUNCILMEMBER BAISA: Yes.

CHAIR WHITE: Yeah. The Chair recommends passage on first reading of the proposed bill relating to the Circuit Breaker Tax Credit, the filing of the County communication, the referral of the matter of renaming the tax credit to the Budget and Finance Committee, and the filing of this...and nonsubstantive amendments for clarity.

VICE-CHAIR HOKAMA: So moved.

COUNCILMEMBER VICTORINO: Second, Mr. Chair.

CHAIR WHITE: Been moved by Mr. Hokama and seconded by Mr. Victorino. Any discussion, Members? Mr. Couch.

COUNCILMEMBER COUCH: Just would like to know what that language is of the amendment.

CHAIR WHITE: We'll get to that.

COUNCILMEMBER COUCH: This would be the time, yeah?

CHAIR WHITE: Yes.

COUNCILMEMBER COUCH: Okay.

CHAIR WHITE: Okay. Without objection, I will have Ms. Nakata read the three amendments that are being proposed, and actually from a procedural standpoint does that...should I be asking...well, go ahead and read the...

COUNCILMEMBER VICTORINO: Chair? Chair?

CHAIR WHITE: Read them one by one?

COUNCILMEMBER VICTORINO: Yeah, and I think we should take 'em one by one, because if there's something that...you make all three and somebody...

CHAIR WHITE: Right.

COUNCILMEMBER VICTORINO: So let's do one by one, I think we'd be safer --

CHAIR WHITE: Yeah.

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COUNCILMEMBER VICTORINO: --procedures-wise.

CHAIR WHITE: Okay, Ms. Nakata.

MS. NAKATA: Thank you, Mr. Chair. The first amendment to address Mr. Teruya's concern would be an amendment to proposed Subsection 3.48.810C to read, no member of the household as defined in Section 3.48.805 has an ownership interest in any other real property from the date the application for Circuit Breaker Tax Credit is filed and throughout the tax year for which the credit applies.

COUNCILMEMBER VICTORINO: So moved, Chair.

COUNCILMEMBER COUCH: Second.

CHAIR WHITE: It's been moved by Mr. Victorino, seconded by Mr. Couch that we pass the measure as stated. Any further discussion?

COUNCILMEMBER COUCH: Amend the measure.

CHAIR WHITE: To amend the main motion. Thank you. Any further discussion, Members? Seeing none, all those in favor, please signify by saying "aye".

COUNCIL MEMBERS: Aye.

CHAIR WHITE: Those opposed, say "no"? Measure passes nine to zero.

**VOTE:       AYES:     Chair White, Vice-Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.**

**NOES:     None.**

**ABSTAIN:   None.**

**ABSENT:   None.**

**EXC.:     None.**

**MOTION CARRIED.**

**ACTION:    APPROVE amendment to the main motion.**

CHAIR WHITE: Ms. Nakata, the second item.

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MS. NAKATA: Yes. The second proposed amendment would be to amend proposed Subsection 3.48.810G to read, taxes on the property are not delinquent from the date the application is filed and throughout the tax year for which the credit applies.

COUNCILMEMBER VICTORINO: So moved, Chair.

COUNCILMEMBER COUCH: Second.

CHAIR WHITE: Been moved by Mr. Victorino and seconded by Mr. Couch to pass the measure as stated. Any discussion, Members? Seeing none, all those in favor, please signify by saying "aye".

COUNCIL MEMBERS: Aye.

CHAIR WHITE: All those opposed, say "no"? Measures passes with nine ayes and zero noes.

**VOTE: AYES: Chair White, Vice-Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.**

**NOES: None.**

**ABSTAIN: None.**

**ABSENT: None.**

**EXC.: None.**

**MOTION CARRIED.**

**ACTION: APPROVE amendment to main motion.**

CHAIR WHITE: Thank you. And the third item, please.

MS. NAKATA: Yes, Mr. Chair. In light of Deputy Corporation Counsel Ueoka's concern regarding a couple of the definitions, the Chair is recommending an amendment to proposed Subsection 3.48.805 to amend the definition of "household income" to read, household income means the adjusted gross income as defined by the Internal Revenue Service of a household for the year preceding the tax year in which an application for Circuit Breaker Tax Credit is filed and by deleting the definition of income.

COUNCILMEMBER VICTORINO: So move, Mr. Chair.

CHAIR WHITE: Is there a second?

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VICE-CHAIR HOKAMA: Second.

CHAIR WHITE: Okay. Been seconded...or I'm sorry, moved by Mr. Victorino and seconded by Mr. Hokama to change Section 3.48.805 as stated. Any discussion, Members? Mr. Couch.

COUNCILMEMBER COUCH: Yeah. You're just combining those two, essentially? Is that what we're talking about?

CHAIR WHITE: Yeah, just...correct.

COUNCILMEMBER COUCH: Staff?

MS. NAKATA: Yes. In response to Deputy Corporation Counsel's concern over redundancy. It would combine the definitions of "household income" as well as "income", and render a separate definition for "income" unnecessary.

COUNCILMEMBER COUCH: Okay, thank you, Chair.

CHAIR WHITE: Okay. Any further discussion? All those in favor, please signify by saying "aye".

COUNCIL MEMBERS: Aye.

CHAIR WHITE: All those opposed, say "no"? Measure passes nine, zero.

**VOTE:       AYES:     Chair White, Vice-Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.**

**NOES:       None.**

**ABSTAIN:   None.**

**ABSENT:     None.**

**EXC.:       None.**

**MOTION CARRIED.**

**ACTION:     APPROVE amendment to main motion.**

CHAIR WHITE: Thank you, Members. We're back to the main motion. Any further discussion? Seeing none, all those in favor of the main motion, please signify by saying "aye".

COUNCIL MEMBERS: Aye.

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CHAIR WHITE: Those opposed, say “no”? Measure passes nine, zero.

**VOTE: AYES: Chair White, Vice-Chair Hokama, and Councilmembers Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino.**

**NOES: None.**

**ABSTAIN: None.**

**ABSENT: None.**

**EXC.: None.**

**MOTION CARRIED.**

**ACTION: Recommending FIRST READING of revised bill, REFERRAL of the matter relating to the renaming of the Circuit Breaker Tax Credit to the Budget and Finance Committee, and FILING of communication.**

CHAIR WHITE: Thank you very much, Members and Staff. We’re on to the last item. Does anybody need a...no, we don’t need any further break, we just had a recess, right.

COUNCILMEMBER VICTORINO: Yes.

**ITEM BF-85: PROPOSED CREATION OF A TREASURY PROGRAM AND PROPOSED TRANSFER OF REAL PROPERTY TAX COLLECTIONS FROM REAL PROPERTY TAX DIVISION TO TREASURY PROGRAM (MISC.)**

CHAIR WHITE: Okay, moving on to the Item BF-85 which is the Proposed Creation of a Treasury Program and Proposed Transfer of Real Property Tax Collections from Real Property Tax Division to the Treasury Program. And as all of you will recall, this has come before us initially during our budget deliberations last year and then it’s come back to the Committee since then. It was referred to the Committee and it has been taken up. So the Committee is in receipt of Miscellaneous Communication from the County Clerk, from the Director of Finance, and so on. And there’s no bill on which we are scheduled to take any action on this matter, so this is for discussion purposes only at this point. So with that I will turn it over to the Finance Director to explain the need and how this is going to help us moving forward.

MR. AGSALOG: Thank you, Mr. Chair and Members of the Committee. I really appreciate you having this item for discussion again today. This proposal for the new Members, the Fiscal Year ’13 Budget proposed the creation of the Division of Treasury. It was referred for discussion by the prior Budget Committee, and it was status quo as far as it is concerned. And our Treasurer is still in my administration’s budget. The creation of, the proposed creation at that time, it’s...there was supposed to have been their own count, E/P count, their own allocation



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of the budget, but it was not increased in any budgetary items or E/P counts. We just want to separate it as I think the time has come that the County of Maui has grown, and we will have to define the work of every single division. The Real Property Tax Division, Mr. Chair, as you know, is a very, very important part of our Department. They do assessment, collection, and all that. Doing all the tax sales. It's a very, very big undertaking. And when I came in I realized that there are some things that we can do now as time change, because this setup was way, way before and has not changed for a long time. And I think separating the collection of the real property tax from the assessment in order for the real property tax assessment to be able to concentrate more on the assessment side, and also it gives us another structure for internal control. Internal control, when I mean internal control, it's a structure that when you have such a large vertical integration of a particular process, Mr. Chair, the internal control suffers, okay. So it took me a while to evaluate the current situation, and I think it's time now to make a proposal so that we can have the discussion as far as what is the best practice that we can implement in our County of Maui. I think this is a new ground for all of us, but in my mind, it's been experience, I see that when you have too large of the vertical integration then something is amiss. And I have said it last time when I presented, we have been lucky, very, because we have good people in our Department. But, you know, times change and all that so there's nothing that happens, but why would we wait for something that happens so that we'll react. We have to be proactive. We have to be very proactive when we see something that is a good enhancement or improvement in our operation. I have a letter to the past Council, Budget and Finance Committee dated, I think it's October 15, to really give you a comprehensive analysis or a justification and reason of the internal control that I was proposing at that time. The internal control sometimes is it's just segregating the activities in that particular area, and you can put one extra layer so that you don't have to worry about it no matter who the personnel is there. And I think that would give us a better structure in a way. Again, I can tell you I am not going to say everything will be fixed perfect. No, it's a learning process, and when you separate a certain organization that's been working for so long, there will be some learning process in between. And I have discussed this with my Administrator, Mr. Scott Teruya to work with the collection in the separation of the duties, and he's so good and we have discussed a lot of this last month. And in presenting it to you today that he is willing to train our people in the...segregation of this particular request. I know there's no actionable bills or requests to you, Mr. Chair, but this is a good discussion. I will answer any questions you might have, why we originally proposed this, and it is more of the focus of the real property assessment that they are growing. We have now over 70,000 parcels that they have to do. I don't want them to be thinking of other things, collection here and there. I know they kind of overlap in a way, but I think if we look at it, we have some jurisdictions way in the mainland that they are totally separate. The collection part I was, I'm thinking that moving forward we should have more accountant, and the Real Property Tax Administrator have given me this particular proposal that we should have more professionals in the collection. And in Honolulu, Mr. Chair, it has been separate, yeah, it has...but again, I'm not the one that oh, we should go do what Honolulu is doing because it's Honolulu. No, I think we should look at it as a County of Maui, is it time for us to do it, so that's why this item, Mr. Chair, I have been asking you guys to kind of look at it. And I'm here to answer any questions you might have with regards to this proposal.

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CHAIR WHITE: Okay, thank you very much, Mr. Director. For the two new Members, I think it would be helpful if you would explain the previous structure, you had collections in RPT, you had the Treasurer, Investment Manager, and my recollection is that the Treasurer was under...direct report to you as part of the administration budget or the administrative budget within Budget and Finance. But I think it would be helpful for the new Members if you could explain what the previous structure was and what the proposed structure will be.

MR. AGSALOG: Thank you, Mr. Chair. And I'd be more than happy to do that. Even today, budgetary-wise, the Treasurer's salary is still under my Administration's Budget Program. The Investment Officer is there, the Treasurer and the Investment Officer and the Clerk, the three of them. So it makes it that in my administration I have a very big E/P count in my administration, not like any other divisions. That's why the proposed creation of Treasury Division because the collection, they have about ten people and they were, are...they were or they are budgetary-wise, they still in the Real Property Tax, Financial Services Program. Okay. Today...and I have to tell you this because I made the, just the reporting now, just the reporting so that it takes away some supervisory responsibility from the Administrator of the real property tax, they're reporting to the Treasurer, the ten collection personnel. But there's no other...I'm not spending any money from Financial Services outside of the collection, they still only spending that money there, okay, and they are separate. And my three Treasurer Division still being paid by my administration. So creating the division and make it as one program, at least I will look at what is the allocation of the budget from Financial Services and what's the allocation from my Administrator and put 'em together, same amount of money, then they will have the same program. So currently in the budget as we speak, Mr. Chair, the money that's being paid for the Treasurer and the two personnel under and the...is coming from my administration, and then the collection, the ten people there are being paid by, from the Financial Services Program, Mr. Chair.

CHAIR WHITE: Okay, thank you. Members, questions? Ms. Crivello.

COUNCILMEMBER CRIVELLO: Thank you, Chair. Thank you, Director Agsalog. My question for you is for me to have a better understanding on what's going on. So if I'm to understand what you're saying, the ten employees or the headcount under the Real Property Tax is to be transferred to your Treasury Division? Is that how it goes? And at the moment now you're utilizing, do I understand that you're utilizing the ten people to do collection as something temporary or was that, was there some kind of approval to do that?

MR. AGSALOG: Mr. Chair?

CHAIR WHITE: Go ahead.

MR. AGSALOG: That's what their job has been, that's always had been their job is to do collections, delinquents collection. They are the one that do the tax sales and all that. That's always been. I haven't been asking them to do other work but what they were doing. All we are trying to create with the creation of the establishing of the Treasury Division is to create a program called

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Treasury Division. And my Treasurer and the Investment Officer still functioning the same way, she just have given additional supervisory responsibility to work with the man...Supervisors of the collection. The collection Supervisor directly reports to the Treasurer now.

COUNCILMEMBER CRIVELLO: So are they all housed in the same area, in the same offices, same buildings with their lines of reporting to their Supervisor which is Treasury?

MR. AGSALOG: Mr. Chair, they are not. They are...the collection where we have given them a very nice office is still at the Service Center. The Treasurer are in our sixth floor here. She travels and back and forth for the supervision of the collection.

COUNCILMEMBER CRIVELLO: Mr. Chair?

CHAIR WHITE: Yes.

COUNCILMEMBER CRIVELLO: Also I've heard you mention the reason why you want this proposal is for control. And in reading your, the material we have, there is emphasis on having better control, if...do I understand that correctly? Was there an audit recommendation for this or is this coming from your way of more efficiency?

MR. AGSALOG: It's more of the structure as a manager, my experience in management. I believe that the segregation of duties, when you have a large vertical integration of processes you have to put something in between just to make sure that there's check and balances within. The way it was before I have the collection Supervisor reporting to the Treasury. The RPT itself, they assessed the property, they collect the payment for the bills, they also work on the waiver and waiver of penalties and interest as approved by the Director of Finance, but all these things are being done. So my structure that I would like to see is different division is collecting, a different is assessing, so that's all I was trying to put in there as a check and balances.

COUNCILMEMBER CRIVELLO: Thank you.

MR. AGSALOG: And as I mentioned, Mr. Chair, you know, I'm very proactive in creating structure, because if we have different structures I think, different layer, I know it's sometimes it's becomes, it provides some inefficiencies. But which one is more important to you? Is it, you know, a peace of mind to be able to sleep at night versus a total efficient but there are some things that we don't, I don't desire. You know I mean I've been very, very lucky because since I've been here I have good people there and nothing have happens, but the way I look at it, I would really like to see an internal control in place.

CHAIR WHITE: Ms. Crivello, done? Okay. Before we move to Mr. Hokama, I just have a question for you. When you use the word "program", in the budget definition a "program" is a separate part of the budget. So if I'm understanding it correctly, the Treasurer is now in the Administration Program of the Finance Department, is that correct?

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MR. AGSALOG: Yes, sir.

CHAIR WHITE: So is your plan to make it a new program or is it...or can this be done without establishing a new program?

MR. AGSALOG: It would be a one line item in our appropriation budget where we, they have their own number of E/P personnel which is the same number. We're just going to minus that from the Financial Services and then minus it from the Administration, and then we put it together and then that will be one program item just like my Purchasing Division.

CHAIR WHITE: Would that require an increase in salary because the Treasurer is now in charge of a program or a division, or would the salary remain the same?

MR. AGSALOG: The salary will remain the same, Mr. Chair.

CHAIR WHITE: Okay, thank you. Mr. Hokama.

VICE-CHAIR HOKAMA: So we understand accurately, Director, budgetarily everything is as we've been operating in the past, but day-to-day operationally you've already made the changes where the Treasurer is already doing the collections?

MR. AGSALOG: Mr. Chair, yes, she's supervising the Supervisor of collection at the moment, and the, that's including also the evaluation of the Supervisor. But the Supervisor of the collection, it's same supervision. Yeah, nothing has changed there. It's just the Supervisor now reports to the Treasurer.

VICE-CHAIR HOKAMA: Okay.

MR. AGSALOG: That's the big change, Mr. Chair.

VICE-CHAIR HOKAMA: Okay, okay. So we kind of halfway there, right? 'Cause they're complying with our need to take it out of the programs that we traditionally budget, but operationally they've already made the change. So that's how...interesting legal scenario for Corporation Counsel to give us comment later. And so this investment of, you know, 'cause when our understanding of what the Treasurer does by job description, the Treasurer is also required to take care of the investment policy and prepare the, a plan on our short-term investment portfolio. But are you telling us the Treasurer is not doing that now and that another employee as under the term Investment Officer is doing those responsibilities?

MR. AGSALOG: Mr. Chair, it's the same way. It was the Treasurer that was doing. It's the responsibility of the Treasurer, and the Treasurer has two staff, one Accountant III and one Accountant II that helps her in the investment of our investment. They staff our investment committee, they do provides the report that I sent to you every three months, quarterly reports for the investment that we have. They still do the same thing. It's a little bit more work for the

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Investment Officer because we still have all this investment to do, but it has been working, Mr. Chair.

VICE-CHAIR HOKAMA: So in the past when Council agreed to the Division's request, I think we gave them five positions, we bought into their mission and vision of holding X amount of tax sales a year, those things are going to be adjusted because that's not Real Property Division anymore?

MR. AGSALOG: Mr. Chair, that is the discussion that I have with the Administrator and I think he had great suggestions as far as doing maybe twice a year of tax sales and all that. Right now with the way that we are working because we haven't have the clear mandate, if I can, if we can create the Division, after...if we create that, I've been discussing with the Administrator that he would help us out in that transition. And I really appreciate that, him showing us that. But again, to implement those, I think the number of E/Ps that were created, I mean given by the Council more on the assessment side for more better assessment, and it had showed some of the appeals process that we have, their winning of the appeals. There have more that's we won than it was sustained on the appeals. So the reports really shows that the number of people that you have given them works in that side, but in the tax sales we have not done the, at least two that Big Island would do, that's doing now. And we would really like to do that.

VICE-CHAIR HOKAMA: So the Treasury's going to do that?

MR. AGSALOG: Last year the Treasurer in May, last May the Treasurer has done one tax sale. So it was already under the Treasurer that did the tax sales last year, but just one, not two.

VICE-CHAIR HOKAMA: Okay. So, Director, so have you seen any improvement? Where are we with collections? Do we have less collectables? Are we online? Have we done the appropriate liens of property for those that have been chronic delinquent? What has been the result of this operational shift?

MR. AGSALOG: There's...if you're asking if it's a big improvement from last time, I cannot say that there is, we've still been running the same operation as far as efficiency is concerned, Mr. Chair. And putting liens, the most that we have right now that I have been asking to put liens probably will be that Hawaiian Homes. We are very proactive in trying to do the delinquents collection very similar to when the Supervisor still reporting to the Administrator. But yes, I have just been...

VICE-CHAIR HOKAMA: Yeah, you bring up a sore point, Hawaiian Homes, you know, 'cause I'm ready to consider re-implementing the penalties and interest. I mean I'm tired of waiting. Five, what, we get what five years we've been waiting?

MR. AGSALOG: Yeah. The Administrator, Mr. Chair, has done a lot of work on that, and we're carrying it forward. Unfortunately, the chairman of the department that left us, we were very close at that time and all of a sudden we had a new administration in the Department of Hawaiian

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Home Lands. So the discussion, whatever gain we have, it's gone again, so we are working on it, Mr. Chair.

VICE-CHAIR HOKAMA: Okay. Well thank you for that comment, Director. You know, Chairman, I think Ms. Crivello brought up a good point, and I can tell, you know, in all my years of reviewing the independent auditor's report, I have never seen in the management letter or in the report itself concerns about collections at RPT Division. We've had concerns about the ledger, timing of deposits and other things, and we have talked with the independent auditor and I wished they had put in a lot more detail in that management letters that, that's what we should be telling them to do is stated. Don't say it to us but not document it and put it in the report to the Council. But it's interesting, you know, I would hope we would work on the things that the management letter brought up. And so I'm going to say, did we...did you address those concerns that were brought up in the management letter from the auditor, Mr. Director?

MR. AGSALOG: Mr. Chair, the single audit and the Comprehensive Financial Annual report, it's already delivered to you guys. We are working on the findings that we have. I have been working with my team in addressing this, and whenever you have it in the agenda, Mr. Chair, I'll bring the corrective actions that we're working on to you. And if there is anything that you will be able to suggest at that time when the corrective actions that we have done, I would be more than happy to incorporate them also, but we are working on it. Most of them requires training, and it's something that I have been very generous in providing training to our staff. So I think...

VICE-CHAIR HOKAMA: Well we support you in those efforts, yeah, Director, you know, we believe, you know, continuance training and education helps the workforce provide better service to the community. So, you know, I can, I'm pretty, you know, sure that all the Members support your efforts in training.

MR. AGSALOG: Yeah, Mr. Chair, I really appreciate the support of the, this body in my training effort. Also, some of those, the findings that they have, it's more of the personnel that's supposed to function there. They weren't there because they have left us, but again, we put new people, we trained them. We can say that we will put more effort in training the people so that those particular findings will not occur again.

VICE-CHAIR HOKAMA: One last one, Director. Do you think for certain positions whether it be a Treasurer or not that we should consider, you know, 'cause, you know, the Chair and I with Mr. Couch working on the Committee's TIG for the Auditor, and some of the things that we look for is of course qualifications and certain requirements. And so, you know, I'm just curious whether or not we should ask you to consider for the Treasurer or whatnot that they be either a CPA with five years of experience or a CIA with five years of accounting and maybe government experience, because as you stated, you know, I believe the Treasurer is one of the more critical positions in the County with its impact not only on how, what we do with budget but how it impacts the day-to-day operations, the ability of the County to pay not only its obligations but the payroll itself, its short-term cash flow. So is that something you folks have,

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are considering with this transfer about updating the qualifications and skill levels of those important positions?

MR. AGSALOG: Mr. Chair, I think the Councilman from Lanai hit it right on the head in a way that if the program is established, you have to understand that the current setup right now, the Treasurer is staff to me. He's a staff, he's not in charge to any program. It's still under my responsibility. Well everybody's under my responsibility --

VICE-CHAIR HOKAMA: That's right.

MR. AGSALOG: --but if we establish it, that's not a staff to me, because everyone that works for me under my program, Administration Program, they're just staff. Their supervisory is not as defined as an Administrator, so when we establish a Treasurer Division now they're the Administrator of that particular program. So that, I think you're ahead of me in that way, but again, the way it's situated right now which is I don't really kind of like because the Treasurer should have more responsibility but they're staff to me because I'm the collector, I'm the assessor because I'm the Department of Finance Director. But when we give them a particular program that this is a program as we define in the budget, I think they should have a little bit more responsibility.

VICE-CHAIR HOKAMA: Yeah, yeah. And I just bring that up, Director. And if you're considering it, I'm happy, because that means, you know, you're showing to us you're reviewing your programs on a regular basis to look for improvements. But I just go by what DPS gives us as the job description of the Treasurer, yeah, and the role and importance the County Treasurer plays. And so as we have started to come up with our parameters of qualifications for an Auditor, you know, I was just trying to see if that was something you were also thinking about as you look at the Treasurer's position in all of this. 'Cause there's things that...like we updating the Circuit Breaker today, do you need to update the qualifications of those in key County positions that impacts the day-to-day ability of the County to perform short term as well as long term? And what I've heard even if you didn't just say yes or not, I believe what you responded was that you are working in making sure that these positions are described properly, meets the current needs of the County, and can perform to what the Council and the Administration requires. That's what I believe you told me, and I'm paraphrasing you, Director. So if that's not what you said, correct me, please.

MR. AGSALOG: I agree with you, with the Councilman, Mr. Chair, that we should have some...minimum qualification for anyone that we hire as far as government experience. I know the Legislative Auditor even...the qualification is set on the Charter. In our particular function as far as the staff is concerned, the Administrator is concerned, I know that the DPS, they really look at that every time we do a position description. They are working with us, and I can tell you that I'm trying to propose certain re-description of a particular program and they reviewing it, and they said no, you can...this is not enough. So, yes, the qualification that they require is very intensive according to what they think the function of that particular position. So we will look at that, Mr. Chair.

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CHAIR WHITE: Okay.

VICE-CHAIR HOKAMA: Thank you, Director.

CHAIR WHITE: Further questions? One of the things that I think came out of all of this was the discussion about when these things are a temporary transfer and when they're brought to the Council for a structural change to be approved. And I think the, what created some unease with the Council was that when this was brought to the Council during budget time, we learned that it had already taken place in I believe it was February when the Treasurer sent out the notice. And if my memory is correct, when we asked Corp. Counsel, well what happens if we say no during budget, then it reverts back to whatever the structure was previously, but then what? Then it's kind of a circular pattern because then you can just go ahead and do a temporary transfer again and you don't need our approval for that, you just need to advise us within 30 days. So I, the reason I wanted to bring this to the floor again is that...and I think this has been a very helpful discussion, is that we don't like running around in circles. I mean we have plenty of other issues that force us to run around in circles. So we appreciate your coming now ahead of budget time, and we hope that if there are other departments that are looking at changes that they will note that we would like some forewarning and some prior discussion. So I want to thank you for your openness and willingness to discuss this again. Members, any further questions? Ms. Crivello.

COUNCILMEMBER CRIVELLO: A clarification, Chair. So if the monies are appropriated for Real Property then Treasury can pay with the Real Property budget or...because it's temporary? How long can they run that way?

MR. AGSALOG: Mr. Chair, and I...and let me just say this. It was not done out of any malice at all. The reason that it was started in February before that is the collection time. We wanted to see how efficient it would be if we do it, and that if I didn't ask the Supervisor of the collection to report to Treasury, I would not know what needs to be done. So in fact I discuss it with the Administrator and he gave me his assistance to help the Treasurer at that time for the collection, and it went very well, okay. So to answer the question now, the way that we have it is none of your appropriation that's adopted to the Council is spent outside of collection, okay. So there's none, it's just a matter of the Treasurer has taken more work to supervise them, that's all. It's not, we're not taking any money from here and put it there, that is not our intent. It's just to see if it will work, how it will work in the separation or segregation of duties, and that was the, I think I should have come earlier to you guys and asked that. But in, given the time is February 20 is coming up and all the taxes being paid, I want this Treasurer to look and supervise the collection at that time. I, it was not done and any other reason, that was the...and I have asked the Mayor see if he could do a temporary transfer at that time and he said okay, let's try it. So that's how that happens. And since that it have worked...it doesn't work as efficient that I would want to, but I think it has worked, you know, that's why I still have it that way.

COUNCILMEMBER CRIVELLO: Thank you.



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CHAIR WHITE: Well, you know, I'll just make one other comment before we close. And I think that is that with transferring the collections to Treasury, to me the one benefit is not so much on the collections end but we've got a very, very creative staff in real property assessment, and I would much rather they be focusing their time on improving the information they get from other departments like Planning on a, you know, getting this information on a timely basis. And spending their time on going out and working with the pictometry and all of the other things that we've discussed here. So, you know, while I was a little uncomfortable with the change in the beginning, if we can focus their attention solely on going and looking for folks that are not...well I know they've done a lot of things already to go and find people that aren't even on our tax rolls that should be. There are structures that we weren't even aware of that they've found through pictometry. So, you know, I'm, while I was a little uncomfortable with it in the beginning, I'm comfortable because we've got a very strong staff on the assessment side. And to me, we have to make sure that everyone's paying their fair share, and this Chair will continue to bring items like we had today where I'm going to ask the Committee for their thoughts on improving the fairness. And I know that the staff has got some very good ideas, and quite frankly most of the Circuit Breaker if not each piece of the Circuit Breaker came from your staff in the assessment side. So if there are no further questions or comments...

COUNCILMEMBER COCHRAN: Chair?

CHAIR WHITE: Are there? Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you. Thank you, Mr. Agsalog, for being here, and I recall our discussion previously last year. And so basically you have assessors and then you have collectors, and you would like the assessments to go...the collectors to become into the Treasury position at this point. And I'm looking at the, I guess your response to inquiry from mister...no, actually it was Pontanilla I guess when he was Budget Chair, and you brought up this committee of sponsoring organizations and their take on, you know, the importance of internal controls. So you're highlighting the reasons for this movement. And then it also says it's...improve internal controls environment, reduce likelihood of fraud and corruption. So it's like one of the last paragraphs in your responses. Is there an issue with that?

MR. AGSALOG: Mr. Chair, like I have mentioned earlier we have been having good people there, but if we do not enhance our internal control, if we wait for things to happen then, you know, we are behind. That's why I've said I am very proactive with my experience, my management experience to put internal control in place in a structure. There's a lot of ways to put internal controls, and I was highlighting it in my I think three-pager or four-pager response, the importance of internal control. But I will echo also the statement of the Budget Chair that one of the reason is to focus on assessment, and which my staff has done, my Administrator in the real property assessment, they have done so well right now. Although they're still helping me in the transition, they can...they have done so much in the fairness of doing a great assessment, uniformity. As you have seen here today with the working on the Circuit Breaker, the whole week last week they were working on that to work with you as far as to give you the information you need to make the good decision. But to say did I see corruption, I didn't see corruption, I

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did not, but I am a proactive manager in looking at what could be enhanced. And I think this is an enhancement. And also as I have mentioned earlier, the structure that we have, it has been...it was created long time ago. I'm not sure if any of us were here at that time when it was created in that structure, and this is the time, I think it's the time for us to put something in place so that there is a safety net there. There's check and balances, but no, there's no corruption.

COUNCILMEMBER COCHRAN: Very good. Yeah, and I'm not taking away any credit to RPT assessors, they're doing an excellent job and recouped quite a bit of millions actually that were outstanding. And the other secondary importance for this move is also improve operational efficiencies, and you mentioned that you not as...it's, you know, you wanted more efficiency. So can you kind of elaborate? You said that it wasn't, hasn't been as efficient as you projected, I guess, at this point?

MR. AGSALOG: Yes, Mr. Chair, let me address that. Again, this is the time now that we put expertise where it belongs. I think collections should be, have the expertise in collection, and we have a lot of collectables in the whole County. So my vision of that is if we slowly put all this thing together, there's collection in Water, there's collection in Solid Waste, all over, so this are all under my purview, the collection in RPT and some collection for private sewer, all that stuff that they pay us. So I want them to put together. I start in my own backyard. So maybe a little bit later on I will come to you and say can we look at this particular collection to be again within the Treasury. But Treasury should be...the collection it's very similar to structure of the State's, all revenue are brought by the Department of Taxation, Internal Revenue Service, that type of things. I'm not inventing anything new, it's just emphasizing it right now that if we have the expertise in collection it should resides there. And where else the best place? Let's create a Treasury Division which in charge of our money. That's all I'm doing, Mr. Chair.

COUNCILMEMBER COCHRAN: Thank you, Mr. Agsalog. Thank you, Chair.

CHAIR WHITE: Thank you. Members, we've hit the 12 o'clock hour, so without any objections, we'll adjourn.

COUNCILMEMBER COCHRAN: No object...

VICE-CHAIR HOKAMA: You're going to defer this, Chair?

CHAIR WHITE: Oh, yes. Thank you. The Chair recommends that we defer this item. Without objection, we will do so.

COUNCIL MEMBERS: No objections.

**COUNCIL MEMBERS VOICED NO OBJECTIONS.** (excused: GCB, SC, and MPV)

**ACTION: DEFER pending further discussion.**

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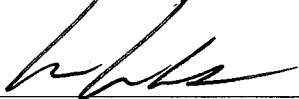
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CHAIR WHITE: Okay. With that we have no further business for today, so we are adjourned.  
...*(gavel)*...

**ADJOURN:** 12:01 p.m.

APPROVED:



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MIKE WHITE, Chair  
Budget and Finance Committee

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Transcribed by: Daniel Schoenbeck

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CERTIFICATE

I, Daniel Schoenbeck, 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 the 4<sup>th</sup> day of March, 2013, in Kula, Hawaii

  
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Daniel Schoenbeck