

BUDGET AND FINANCE COMMITTEE

Council of the County of Maui

MINUTES

April 26, 2013

Council Chamber, 8th Floor

CONVENE: 9:22 a.m.

PRESENT: Councilmember Mike White, Chair
Councilmember G. Riki Hokama, Vice-Chair
Councilmember Elle Cochran, Member (Out 9:54 a.m.)
Councilmember Donald G. Couch, Jr., Member
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (In 2:27 p.m.)

EXCUSED: Councilmember Gladys C. Baisa, Member
Councilmember Robert Carroll, Member
Councilmember Michael P. Victorino, Member

STAFF: Scott Kaneshina, Legislative Analyst
Michele Yoshimura, Legislative Analyst
Josiah Nishita, Legislative Analyst
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)

ADMIN.: Sananda K. Baz, Budget Director, Office of the Mayor
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Brian McCafferty
Lyn McNeff
Two (2) additional unidentified attendees

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

CHAIR WHITE: . . .(*gavel*). . . This meeting of the Budget and Finance Committee will come to order. We apologize for the late start, but we have just managed to make quorum for this morning. And I'd like to welcome Committee Vice-Chair Riki Hokama.

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VICE-CHAIR HOKAMA: Chairman.

CHAIR WHITE: And Member Stacy Crivello.

COUNCILMEMBER CRIVELLO: Good morning.

CHAIR WHITE: Elle Cochran.

COUNCILMEMBER COCHRAN: Aloha and good morning, Chair.

CHAIR WHITE: And Don Couch.

COUNCILMEMBER COUCH: Aloha and good morning, Chair.

CHAIR WHITE: And excused this morning are Members Carroll, Baisa, Guzman, and Victorino. And will you all please turn off your cell phones? And Committee Staff this morning is Camille Sakamoto, Scott Kaneshina, Josiah Nishita, and Michele Yoshimura. And we, again, have our Budget Director Sandy Baz.

MR. BAZ: Aloha.

CHAIR WHITE: And Deputy Corp. Counsel Jeffrey Ueoka.

MR. UEOKA: Good morning.

CHAIR WHITE: Good morning. And, Members, without objection, we'll open public testimony...without objection we'll open public testimony.

COUNCIL MEMBERS: No objections.

ITEM BF-1: PROPOSED FISCAL YEAR 2014 BUDGET FOR THE COUNTY OF MAUI (CC 13-100 and CC 13-124)

CHAIR WHITE: I said no objection not no response. And we have one person who has signed up for testimony here in the Chamber and then we'll go to the Districts. And our testifier this morning is Brian McCafferty.

...BEGIN PUBLIC TESTIMONY...

MR. McCAFFERTY: Good morning, Budget Committee. Aloha, Brian McCafferty.

CHAIR WHITE: Good morning.

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MR. McCAFFERTY: Excuse me. Happy group here today. I just wanted to thank the County Council Budget Committee for your past support and present support for the Office of Economic Development, County of Maui. As you're aware this agency supports a wide range of activities in the County and we have a work skills training program up in Paia where we work with...we collaborate with Hui Malama Learning Center. And there's certain counselors at Maui High School, Baldwin High School, and King Kekaulike...excuse me...whereby we provide hands-on vocational training opportunities for young people. Been doing this for quite a few years. You may see us doing rubbish and all kinds of dirty jobs at the events and so forth. But we also have an agricultural program, an aquaponics program. We've set up 18 backyard aquaponics systems with the help, excuse me, the help and collaboration of the aquaculture extension agent for County of Maui who's paid through the Office of Economic Development. This man...he's the liaison for all...with all of the people who are engaging in aquaculture projects in Maui County. He's the liaison...the go to guy if you will for grants, supplies, latest leading edge innovations and so forth. So, he's helped the aquaponics industry in Maui County a lot over the last very few years. And like I say, we've set up 18 systems at schools, at Kamehameha Schools got two systems, and we're doing one at Maui High School right now, and a number of private individuals. So, that's Office of Economic Development. They support his salary. He's with the University of Hawaii Sea Grant Program. Additionally, this agency, as you may know, provides matching funds grants. We're very much interested in working with Hui Malama to set up a certified kitchen in Paia. We have a nice facility in Paia that's nicely located on Baldwin Avenue. And it would be an economic incubator, if you will, for a number of activities; other persons could use this kitchen besides ourselves. Hui Malama loves it when the kids grow things in their garden and then we have a kitchen we can prepare things in, value-added products. For instance, sweet potatoes --

MR. KANESHINA: Three minutes.

MR. McCAFFERTY: --we grow these sweet potatoes and if you can steam 'em and slice 'em, instead of getting a dollar a pound you get \$4 a pound. You know, just basic little value-added products you can do in a certified kitchen too. So, that's all. I just wanted to thank you for your past support and if you can bump up their budget a little bit, that agency, then please feel free to do so 'cause it really...the downstream effect in the community is major. Thank you folks.

CHAIR WHITE: Thank you, Mr. McCafferty. Members, questions for the testifier? Seeing none, thank you very much. And thanks for all the work you do.

MR. McCAFFERTY: Thank you. Excuse me, you got my letter on the playground?

CHAIR WHITE: Yes, I did. Thank you. Okay, we will go to Hana and check to with Dawn to see if she has any testifiers.

MS. LONO: Good morning, Chair. This is Dawn Lono in the Hana Office and I have no one waiting to testify.

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CHAIR WHITE: Thank you, Dawn. We'll go to Lanai and check and see if Denise has any.

MS. FERNANDEZ: Good morning, Chair. This is Denise Fernandez at the Lanai Office and we have no one waiting to testify.

CHAIR WHITE: Thank you. And Ella on Molokai.

MS. ALCON: Good morning, Chair. This is Ella Alcon on Molokai and there is no one here waiting to testify.

CHAIR WHITE: Thank you, ladies. Is there anyone else here in the Chamber who would like to testify this morning? Seeing none, without objection, the Chair would like to close public testimony.

COUNCIL MEMBERS: No objections.

CHAIR WHITE: Okay, testimony is closed. Thank you, ladies.

...END OF PUBLIC TESTIMONY...

CHAIR WHITE: Members, we have this morning available if you would like to recall any departments for questions that are still in need of answers. We still haven't gotten all the responses that we are...have asked for, but we expect to get some more today. Do any of you have any need for departments to be recalled? Seeing none, the Chair would just like to briefly go over the two sheets that I've just passed out. And what I would like to go over, I've made mention a couple of times about Maui's private sector job growth, and Maui's growth in County jobs, and how it compares to other counties. So, the sheet with more numbers on it that says Four Counties Comparison of Wages, Jobs and Tax Growth. What I'd like to point out to you is in the City and County of Honolulu, the job growth over a ten-year period starting 2001 and going to 2011, which is the most recent year they have statistics on. By the way, these statistics are from the Hawaii Department Labor, Hawaii Workforce Informer website. And you'll see on the far right column, City and County of Honolulu, Total County Government, the job growth is 3 percent. Maui [*sic*] County job growth and county jobs only is 16 percent. Hawaii County is 17 percent and Maui County over the ten-year period is 26 percent. So, we have the highest number...highest increase in County jobs. With wages, the City and County of Honolulu increase was 46 percent. Again, this is the total wage growth over a ten-year period. So, the wage growth was 46 percent in the City and County of Honolulu, 73 percent in Kauai County, 67 percent in Hawaii County, and Maui County, again, was the highest with 93 percent job growth...on wage growth rather in County employees only. If you drop down to the next green and orange line, this reflects all the Private Company results. So, again, in the far right side the 6 percent number represents the job growth in the private sector. So, that's 6 percent for City and County of Honolulu, 7 percent for Kauai County, 9 percent for Hawaii County, and 3 percent for the County of Maui private sector. I need to point out that these job counts reflect...they count a job...this is not full-time equivalence. This is if you get a paycheck you're counted as a job, whether you work ten hours in a month or work a full 40-hour week. So, this

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3 percent number could actually be lower than that it...it's...it can't be higher. And then the wage increases for the private sector in Honolulu was 42 percent, Kauai County 50 percent, and Hawaii County 43 percent. And, again, Maui's the lowest of the four the Counties at 36 percent. So, basically what these figures show is that in the County jobs and County wages, we have the highest level of growth of any county. But in the private sector, we have the lowest growth of any county. And, I think, as we go through this budget process, we need to keep in mind the impacts of tax increases over time of the County on the private sector. If you look at the bottom green and orange line, it reflects that tax increases for Honolulu City and County is 115 percent over that ten-year period, 117 percent on Kauai, 125 percent in Hawaii County, and 150 percent in Maui County. So, we have the highest tax growth of all four Counties and yet the lowest economic results. The second page that I gave you is one I took the year...tax year 2004 as the base year and what this first column reflects is the amount over that base year of 2004 that we asked our various categories for increased taxes. So, to put it in perspective, the first line is Businesses that includes Industrial, Commercial, Hotel and Time Share. If they had stayed at the same tax level as they were in 2004, they would've paid \$537 million less in taxes. So, what we've actually asked them for is \$537 million more in taxes over a ten-year period than they would've paid had the rates and values stayed the same. The next line is Agriculture and Conservation. We've asked our agricultural taxpayers and conservation landowners for \$88.7 million more than if we had left their taxes and valuations had stayed the same as in 2004. In Residential and Apartment categories, we've asked for \$228 million more and in comparison to all of those, the total is almost \$871 million of added taxes that we've collected since 2004. And you'll see that under the Homeowner category we have only asked them for 15 million seven hundred and twenty-five.. So, it's basically an average of about \$1.5 million a year. If you go over to the right hand column, the Increases with the Proposed 2014 Rates, we're asking the Business community even though they have provided \$537 million more over the last ten years, we're asking them again to pick up more of the tab at 14.4 million or about 55 percent of the increase. The Agriculture and Conservation combination is being asked for about \$3.5 million more or 13 percent of the increase. And the Residential and Apartment categories are asked for approximately \$8.2 million more or 31 percent of the increase. And the Homeowners are being asked for \$216,000 more or an increase of less than 1 percent of the total or I should say less than 1 percent of the total increase. So, I offered this to you just because, I know, that, you know, we tend to put more of the burden on categories other than Homeowners every year. I put this together because, I think, it's important for us to see, you know, when we're looking at it just one year at a time, the impacts really don't seem all that dramatic. But when you look at the consequences over a ten-year period it's very difficult to say that we've been fair to the other categories. And so, we need to at least be taking a serious look at whether or not the Homeowners should pick up a little more of the tab. I know we've gotten testimony from many Homeowners who feel that they are more than willing to do so, but at the same time the challenge is always that there are people that feel they can't afford it, and I certainly understand that. So, this is one of the tougher decisions that we need to make over the next couple of weeks. So, unless you have questions on that, Members, we will recess until you're ready to turn your budgets this afternoon and I'm open to whatever timeframe would work for you all. Mr. Hokama.

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VICE-CHAIR HOKAMA: I...first of all thank you very much for your friendly hint of what I consider your direction you'd like for us to consider and I'm very open to it. Mr. Chairman, I just was able to see our last national numbers private sector and I can appreciate your comments this morning to us. I would agree with the report that the private sector's ability to show profit and certain margins for their shareholders has been through maximizing efforts of cost reduction and efficiencies I believe that's a very commendable thing and it pretty much they've exhausted that venue. My concern is still if you look at the revenue generation portion of any business plan nationally, and if you look at our County's reporting, we are not doing well in the revenue increase or growth areas. And that's why it's also in backing the job numbers of new job growth, I believe, we are not where we would like to be in the private sector yet. So, I am very much open to continue to do what we can through property taxations to keep it to the level that is what I consider is still fair enough to allow the County to move certain things forward, but I have no problem waiting for other considerations that if it's not part of a strategic and well thought-out comprehensive approach to a project or an operation or a transfer of responsibilities from one department to another. I can wait to implement 'cause I not ready to go and make major changes in my view of the current tax situation with real property, Chairman. So, I'll leave it at that, thank you.

CHAIR WHITE: Okay, thank you. And I agree with you that the private sector is not back to where...they're at a level of help that I think we should be comfortable with putting added burdens on them. I know that a lot of companies still are not back to where they're making a profit. So it's for me, it's conceptually difficult to say well we need the money to pay for County expenses more than you need it to pay for yours when healthcare is going up. Many have not provided wage increases for their people for many years. So, they've got challenges that I don't believe we can ignore, and yet I give the Mayor a lot of credit for coming up with a bold budget and moving in a positive direction in many ways. But at the same time it's just, I think, a little too soon. Mr. Hokama.

VICE-CHAIR HOKAMA: Chairman, and again, I'm sure every Member has their thoughts on where we are currently on the economy...with our economy. My follow-up is more now that negotiations have pretty much been completed, contracts have gone to the various Collective Bargaining representatives for their unit considerations. Are we going to get to see those cost items 'cause I feel to make a decision whether I want to support it or not. I don't feel this is an automatic decision by the employer's funding components. So, that would be my consideration or request to you because, I think, the people who pay the taxes should know what this contract proposal means to them in their pocketbook, Chairman. Thank you.

CHAIR WHITE: Yeah, Mr. Baz has provided that information. And I don't know if it remains somewhat confidential or not, but we will be putting something in to, you know, to account for that. You know, it gets back to that same question of just how much can we afford to tax the businesses that are supporting, I believe, about 90 percent of the jobs, 90 percent of the healthcare, 90 percent of the vendor purchases and so forth. And the County, when we are taking this significant tax load or putting this significant tax load on them with a good portion of that going...having to go to our unfunded liabilities and wage increases that the private sector is

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not going to see. So, I'm concerned that there's an imbalance in the way we do things, but unfortunately, we have very little access to the wheels that get involved in the negotiating of contracts. So, to me, it's frustrating that we can't get some benefits back when you get an increase. That's what happens at my hotel and, you know, when we're in difficult times we can't just make people pay us more. We have to convince them to pay us more. So, as we sit here and decide on tax rates, we can demand it, but we need to be in a position where we're convincing people that we're doing the best job we can to control County expenses and be responsible with taxpayers' money. And, I know, everybody feels that. It's just...it's not an easy job, so.

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

CHAIR WHITE: Mr. Couch. I'm sorry.

VICE-CHAIR HOKAMA: Again, our role in the negotiations is somewhat limited. Unfortunately we need to...we're gonna need to basically live or die with the State's negotiating. Well I wouldn't call it skills myself...with the State's results, because I would flunk us as an employer for how we approach contracts this cycle.

CHAIR WHITE: Well, I would...the Chair's interested in having discussions after budget with respect to each unit's increases and what, you know, what the changes and benefits and so forth are, because, I think, it's important not just for us to understand, but it's important for those who are negotiating on our behalf to understand our concerns. And, I think, it's very important for the public to understand that if they want to see things dealt with differently, they need to get involved at the State level and here at the Council as well.

VICE-CHAIR HOKAMA: Thank you, Chairman.

CHAIR WHITE: Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair, and thank you for the information you provided, and the discussion that you and Mr. Hokama had. And one of the things we also have to remember is that we keep getting asked, you know, where's our...how come this road isn't fixed? How come that road isn't fixed? Where's our park? Where's our gym? Where's our new fire station? All of that stuff adds to the cost of doing business for the County. You know, a new fire station while it may only cost, you know, 12...20 million dollars, whatever the price is, that's just to build it. Then we have to operate it for a long time. That means hiring more people, hiring, you know, paying more benefits and whatnot. So, you know, that's what our tricky balance is. I agree, we've been putting a lot of this on the business owners, and the business owners hire our people...our workers who pay our taxes as well. So, it's kind of a vicious cycle and hopefully we can slow it down a little bit. Yeah, the proposal that came down from the Mayor had some pretty ambitious things to request from everybody out there who wanted to have this or that. And we gotta realize we gotta pay for 'em. A new park has new people that have to maintain it for the rest of the time that, that park exist. So, I don't...I'm not saying it's easy. As a matter fact, it's very difficult. I don't like increasing, you know,

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government at all, but there are times people are saying give us this, give us this. And every time they ask, I say are you willing to pay? Well, as Mr. Hokama and you have been doing to the testifiers, are you willing to pay? And most of the time I get the well yeah, I guess so. So, that's where we're trying to balance and this information is very useful in that. So, I just wanted to remind people when you ask for stuff, sometimes it cost.

CHAIR WHITE: And the reason I said that Mayor provided a bold budget was that he has addressed a lot of the concerns. And, I think, he's done it in a very responsible way. It's just that the cost increases all going back on to the same people who've picked up the tab in the past, I don't believe is terribly fair. Just to put it in perspective, if we were to increase the amount that the Homeowners paid...if we were to...if you look back at 2004, the percentage of taxes provided by the Homeowner category was about 15.2 percent. To get us back to that percentage of the proposed budget provided by the Mayor would require, I believe, an increase to about \$5.15 with the current \$200,000 differential, I'm sorry, exemption. So, that's a significant move from 2.75 to 5.15. Now, if we cut the budget it doesn't have to have that same 15 percent. It's going to be a lower number, but it's not going to be a whole lot lower than that 5.15. The other thing to realize is that if you look at the...at this year's increases, we're generating without any tax changes, without any rate changes, we're generating about a little over \$6 million in new revenues. And so, all the other categories are ponying up \$6 million more with no changes in rate. But the Homeowners are only being asked for 200,000 spread across 26,400 or so taxpayers, which is...well it's a really small number. Ten bucks maybe? Well, I'm just gonna...216,000. Yeah, it's \$9.28. So, to use your comment about everybody wants their roads paved and everybody really appreciate. I mean, everyone is seeing all the new paving that's happening and they're, you know, and they're all excited about it. But, I think, we can ask them for a little more than \$9.28.

UNIDENTIFIED SPEAKER: A year.

CHAIR WHITE: A year, right. So, I bring these up because these are...this is the hard decisions that we are faced to do, and I feel we have a responsibility to be as fair as we possibly can to everyone, all of our taxpayers, because everyone has their own load to carry. And we have over the last ten years, we have put significantly heavier burdens on everybody other than Homeowner. So, we really need to take a look at whether this might be the time, if you all feel that all the increased expenses are critical, then you're gonna have to think about the degree to which you're willing to increase the Homeowners, because, I think, it's really unfair to place all the burden on the other categories because we've done that already in the past, so. Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair. And yeah, I appreciate your handouts and the diligence you've done and I hear my fellow Members' comments also and yours. And will, you know, keep that in mind while working through the budget today. And as a small business owner also, and my husband pretty much manages that while I'm here managing the County, but I hear it. And I feel it in during tax time and all that and it is a...it can get burdensome, you know, if you're not making the numbers and stuff. But so, I hear you and fair is good. So, looking forward to seeing how to balance that out and, you know, spread the load.

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CHAIR WHITE: And just to give another perspective, like this budget, the increases in these rates for the Hotel, Kaanapali Beach Hotel, the new rate would be approximately \$52,000 more, and we didn't make a profit last year, and I don't know that we'll make one this year. So, is it right for the County to have access to that \$50,000? I would rather spend, if I can talk my boss into it, giving my employees more to work with or spending it on new equipment like, you know, we're spending a lot of money on new equipment for the County. I don't have a problem with that. It's just that we gotta provide a balance and as I've shared with you before, our property taxes are significantly lower, our rates for Homeowner are significantly lower than the other counties. And the burdens that we put on businesses are significantly higher than the other counties. So, I know this is not an easy process, but it's something that we need to at least give some consideration to if we want to increase, you know, significantly increase the County's expenses.

COUNCILMEMBER COCHRAN: Thank you. Thank you, Chair.

CHAIR WHITE: Any other comments? Staff, what is...2:30? What is everybody's comfort level as to when you want to come back with your budgets? Two-thirty? Staff, any problems with that?

MR. KANESHINA: No, no problems with Staff. Thank you.

CHAIR WHITE: Okay, we will be in recess until 2:30. Thank you, Members. . . .(gavel). . .

RECESS: 9:54 a.m.

RECONVENE: 2:38 p.m.

CHAIR WHITE: . . .(gavel). . . The meeting of the Budget and Finance Committee is back in session and the purpose for us to reconvene at this time is to receive the Members' proposed budgets. And as I mentioned yesterday and again this morning, I would be happy to give any Member who wishes the time to do so to make comments on how they've approached their budget preparation. So, there are four Members who are excused and it is my understanding that their Staff has prepared their budgets. So, Staff, if you wouldn't mind coming down to the podium and, or did you already get it? Oh, so, you don't do, you don't get to do the walk of fame? Okay. So, Mr. Kaneshina, we received all the budgets?

MR. KANESHINA: Yes.

CHAIR WHITE: Okay. So, we are in receipt of all our budget preparations. So, Members that are here with us, if you would like to say a few words, please let me know. Ms. Crivello, would like to say anything?

COUNCILMEMBER CRIVELLO: . . .(inaudible). . .

CHAIR WHITE: Okay, we'll let the most senior Member go first. Mr. Hokama.

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VICE-CHAIR HOKAMA: Chairman, thank you. I think it would be...I think I've been very consistent over my tenure. I see another Council looking at budgets. I continue to be conservative in my forecasting of what, I believe, is the right financial philosophy to maintain for this County. I am currently looking at the normal increase of property valuations as a form of additional General Fund increases. And in my estimations, I will be open to a, up to a 3 percent increase in General Fund increases through property tax adjustments of rates. I don't have a problem of having the Residential or Homeowner category to pay a more fair, equitable share of the tax burden. I'm still concerned for the business community. As I stated earlier, I am not as optimistic in the forecast for the private sector. I still believe there will be a general market shrinkage of up to 10 percent on the stock market due to none of practice that we are able to control. So, I'm anticipating some adjustments on the open market regarding bonds. If the Federal government and the White House still believes to tax municipal County bonds then we need to be prepared. I want to be conservative. I have great confidence that the State Legislature next year will make continued attempts to reduce the County shares in the transient accommodation tax as well as to make attempts to what has already been decided by a Court on the franchise fee provisions of revenue generation of this County. And I would ask the Members to...for us to consider some preemptive efforts that there be a special counsel to prepare the County should we need to go back to Court and take on the State regarding who has the exclusive authority under real property tax considerations. It is my belief by Constitution that it is under the full and complete purview of only the County jurisdiction. So, that's how I approached it, Chairman. I'd rather be a little bit more on the safe side at this time knowing that the battlefield is not only in D.C. and the State Capitol. The battle is also in the Pacific and the European theatre as it regards to foreign impacts on our economy. Thank you.

CHAIR WHITE: Mr. Couch.

COUNCILMEMBER COUCH: Thank you, Mr. Chair. I echo the sentiments of...some of the sentiments of Mr. Hokama, our senior Member aboard today. And I do want to remind the Members, especially those that weren't here this morning, what you had said that, you know, we'd talked about that the citizens have been asking for more services. You know, more road repair, more parks, more park repair and upkeep, water infrastructure. We've been hearing all the last four months about what are we going to do about the water? And, you know, a lot of other things that we've been talking about through the last two years that we, you and I, have been here and Mr. Hokama, plus the last four months of where, you know, we want this, we want this. And every time we say we're fine, but it's going to cost. So, as you said that the Mayor's proposal was a bold proposal. He listened to the citizens and said okay, this is what we're going to do but this is what it is going to cost you. I think, I propose something that's a little bit less bold. You get more of the roads and parks than we are doing now...roads, parks, and water infrastructure, et cetera, but not a huge, huge increase in property taxes that the Mayor proposed. And I agree with your sentiments that the Homeowners need to pony up a little bit more. So, I made slight adjustments there. You know, we heard from the ERS person, Wes and Kalbert, about, you know, we have...we could pay every cent of our unfunded balance and it wouldn't make a difference, both of them said that. And that just struck me as, you know, we have been

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paying more than our annual required contribution and we've been diligent at that. But that's tax money that taxpayers have paid that isn't going to make a difference at this time that it's just sitting in an account. You know, we're gaining a little bit of interest, you know, couple percents. One day I hope it gets over double digits again when things get going, but as Mr. Hokama says, he's not quite sure that that's going to happen yet. So, that threw me off a little bit. And we also heard from the nonprofit entities who perform very important services that maybe the County should be, certainly some of them that the County definitely should be performing. No doubt that the County should be performing those service. But these guys can do it at a much more efficient rate. You know, if we did it we would have to have all the wages and the OPEB and all that. They've got their nonprofits status and so they're taxed differently and sometimes not at all. And they can do it more efficiently than we can. But we heard from a lot of folks that use those services up here and out in the community. So, we gotta keep that in mind that those are services that everybody uses. I'd sure like to see, you know, the duplication looked at and some auditing of some of these or all of them actually but a really good look at the nonprofits and hopefully that item will come up in this term. That being said, I think, instead of, you know, I tried to balance as much as we can. I still came a little short. So, instead of throwing some money into a pot that isn't going to do any good, the words right out of their mouths isn't...wouldn't make a difference. Instead of throwing a small amount of that money in there, I said let's put that money where it would make a difference--in our roads, in our parks, in our water infrastructure. So, while we had a little wiggle room in OPEB, I took a little bit more because we had wiggle room the last two times that I did a budget. We had a lot of wiggle room. So, I feel we're still beyond...we're at our annual required contribution level. Granted it's not at a 7 percent, but I understand that, and in 30 years that's all going to wrinkle out. So, I think, at this time I'm willing to pull a little bit out of that, just a little, and put it to where the services are needed. So, that's the philosophy behind my submission to you, sir. And I'm looking forward to your proposal and to the next ten days to see how we can somewhere come out in the middle and get this passed. Thank you.

CHAIR WHITE: I'm sure we'll have very spirited discussions starting on Monday. Mr. Guzman, your thoughts.

COUNCILMEMBER GUZMAN: Thank you, Chair. First of all, I'd like to extend my gratefulness and thankfulness to the Staff here in the Council Services as well as my own Staff for helping me and assisting me through this budget proposal...sincerely grateful for that. It's my first experience and it's been a learning experience for me as well as a trying experience having to budget an entire County. First of all, I examined the various departments and their projects, their needs for the next fiscal year, and looked at whether they could survive on what they had last year, and what they need for the extended year to provide effective services, and for the betterment of our public. I also considered our nonprofits, our community organizations, and I heard what they had to say. I also analyzed the various testimonies and submissions. And I looked for things that what they could provide for the needs of our community and how effective they could provide those needs at the amount that we could give them. I also took into consideration that our economy, although it looks that it's coming up and getting better, has not fully recovered, as well as knowing the fact that this budget has to sustain three different islands. I also looked at the

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fairness of our tax rates and wanted to equalize those or at least distribute them in a more fair manner. There are a few interesting projects that the Administration proposed. However, I believe, that some of those were...are premature and need to be more planned out. Therefore, Mr. Chair, I'd like to submit my proposal based on a revenue from our tax rates that are lower than our Mayor's proposal and I'm also decreasing the actual spending expenditures. Thank you, Chair.

CHAIR WHITE: Thank you. Ms. Crivello.

COUNCILMEMBER CRIVELLO: Aloha and thank you. I too would like to echo Councilman Guzman's appreciation to Staff and my Staff who has made the process much easier for me as a first timer. It's been an interesting process. I wish we had more time but then I would walk around more dazed than I walk with now, you know. So, I personally feel that our economy we're still in the process of recovery. You know, we've given to birth some new things but, you know, the birth pains are still there. And I believe that all of the items and the departments had to be dissected and keeping and foremost how much we're willing to pay. And I come from a district that things are not always affordable for us. So, I support nonprofits because on all islands and districts, they meet the social needs that makes it easier for our police officers, our courts, and everyone else that's trying to provide for a healthier community. I believe the nonprofits work hard for that aspects and, you know, as we age and as the young ones comes up, you want to know that our community is very healthy. Also, I feel that the retirement and whatever else and benefits the employees, the existing employees and the bargaining units, that support their employment, I prefer not to touch that and to be assured that no matter what the situation with the State, we can take care of our employees. I think our user fees and rate fees are quite a bit. I especially looked at the water rate increase and try not to touch all the capital improvements and hopefully all the other work that has been ensued and encumbered from previous years would be accomplished by the Department. Water is the number one source of our life...that's sustaining our lifestyle and I'm sure it's in capable hands. And although I'm having a hard time to see about the 5 percent rate increase, I feel our Departments with all the infrastructures that they have to maintain and, you know, to meet the growth of our island, I think, they should remain intact like Councilman Couch says. Though I did do what we call the cuts and the slices, and hopefully it doesn't affect everyone but most of all that we can sustain our provisions. I appreciate the Mayor and his Staff and what they need to go through as they prepare to...prepare our budget. I'm just amazed at Mr. Baz' institutional brain cells. It's just so impressive. But all in all this has been a most satisfying experience and I look forward to Monday and the rest of the week to fulfill our fiduciary responsibility to our population of Molokai, Lanai, and Maui.

CHAIR WHITE: Thank you. And I...Staff and I will be working through the weekend to blend your wishes into the Council's work piece that we're responsible for providing on Monday. And I will let you know that the focus is...the focus as far as the nonprofits are concerned is similar to what many of you have alluded to, and we're trying to make sure that we protect the work that they do because it is critical for the functioning of a community with aloha. And everything else is on the table as far as I'm concerned. We have significant pay increases coming down. We

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don't have all the details of those yet. And so, we will have to work something in for that. So, we've got a challenge before us because my goal is to keep tax increases at a minimum and, I think, we can do it. This is going to be our budget and it's going to be our product at the end of next week that we move forward with. So, I look forward to your input. I look forward to everybody going to bat for the things they feel are important. And it's going to be an interesting and fun process I'm sure. We've got a few things that we're evaluating by district and haven't got that all figured out and we're going to wait and see what your proposals are. But it's going to be a fun week next week and just be ready for some long hours and we'll put it together. And, I think, everyone will be happy in the end...well not everyone. Most people will be happy. There will be some that are not so pleased with it but that's the way it is every time we do a budget.

COUNCIL MEMBERS VOICED NO OBJECTIONS. (excused: GB, RC, and MV)

ACTION: DEFER pending further discussion.

CHAIR WHITE: So, Members, I want to thank you for your work today and I want you to have a restful weekend so you're ready to go on Monday. So, with that, we'll...unless Staff has anything else that we need to do. Okay, we are adjourned. . . .(gavel). . .

ADJOURN: 2:58 p.m.

APPROVED:



MIKE WHITE, Chair
Budget and Finance Committee

bf:min:130426:df

Transcribed by: Delfey Fernandez

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CERTIFICATE

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

DATED this 20th day of May 2013, in Wailuku, Hawaii.


Delfey Fernandez