

# **BUDGET AND FINANCE COMMITTEE**

**Council of the County of Maui**

## **MINUTES**

**April 28, 2014**

**Council Chamber**

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

**PRESENT:** Councilmember Mike White, Chair  
Councilmember G. Riki Hokama, Vice-Chair  
Councilmember Elle Cochran, Member (in 9:06 a.m.)  
Councilmember Donald G. Couch, Jr., Member  
Councilmember Stacy Crivello, Member  
Councilmember Don S. Guzman, Member  
Councilmember Michael P. Victorino, Member

**EXCUSED:** VOTING MEMBERS:  
Councilmember Gladys C. Baisa, Member  
Councilmember Robert Carroll, Member

**STAFF:** Michele Yoshimura, Legislative Analyst  
Chancy Hopper, Legislative Analyst  
Jordan Molina, Legislative Analyst  
Yvette Bouthillier, 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 Baz, Budget Director, Office of the Mayor  
Jeffrey T. Ueoka, Deputy Corporation Counsel, Department of the Corporation Counsel

**OTHERS:** Mayor Alan Arakawa  
Jenny Takemoto  
Kathy Louis, Director, Personal Care Program, Hale Mahaolu  
Rosemary Robbins  
Others (15)

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

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CHAIR WHITE: . . .*(gavel)*. . . Good morning. This Budget and Finance Committee meeting will please come to order. I'd like to start the morning by welcoming our Committee Vice-Chair, Riki Hokama.

VICE-CHAIR HOKAMA: Chairman.

CHAIR WHITE: Good morning. And Members Stacy Crivello --

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR WHITE: --good morning, Don Couch --

COUNCILMEMBER COUCH: Good morning, Chair.

CHAIR WHITE: --good morning, Don Guzman --

COUNCILMEMBER GUZMAN: Good morning, Chair.

CHAIR WHITE: --good morning, and Mike Victorino.

COUNCILMEMBER VICTORINO: Aloha and good morning, Chair.

CHAIR WHITE: Aloha. Excused for this morning, or excused for today, are Vice-Chair Bob Carroll and Chair Gladys Baisa. And joining us shortly will be Elle Cochran. And I want to thank our Committee Staff for hanging in there all weekend, Jordan Molina, Chancy Hopper, Michele Yoshimura, and Yvette Bouthillier. And I also want to thank Troy Hashimoto on my staff for sticking it out with us through the weekend and also to Carla Nakata, our Committee Attorney, who also came in yesterday and was driving us all nuts because she finds every little spelling error. If you have two spaces between two words, she's going to find it. But I especially want to thank the Staff because we put in some very long hours this weekend and so please give us all a little bit of a break if we don't quite put all of our words together in a sensible way this morning. But with that, oh, and then we have Jeffrey Ueoka and Sandy Baz with us as well.

MR. UEOKA: Good morning.

CHAIR WHITE: And Jeffrey was looking way too perky this morning and was making some not-so-kind remarks about the way some of us look. My wife was nice enough to bring us a bunch of daisies that are in the back and Michele pointed out this morning that there are about as many of the daisies starting to wilt a bit as there are members on our working team this weekend. So anyway, with that, Members, we do have one testifier signed up but I don't see him yet. Mr., you know what, we'll recess. The person who is, or signed up to testify this morning is Mayor Alan Arakawa. So we will give him a minute or so to get down here and so we'll just take a quick recess. . . .*(gavel)*. . .

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**RECESS:** 9:05 a.m.  
**RECONVENE:** 9:06 a.m.

CHAIR WHITE: . . .*(gavel)*. . . This meeting of the Budget and Finance Committee will come back to order and I'd like to recognize the presence of Elle Cochran.

COUNCILMEMBER COCHRAN: Good morning, Mr. Chair.

CHAIR WHITE: Good morning. And as I mentioned our first testifier will be Mayor Alan Arakawa. Welcome.

**.BEGIN PUBLIC TESTIMONY. . .**

MAYOR ARAKAWA: Good morning, Chair. Good morning, Council members. I apologize but I've got a little bit of a bug so my voice is going to be a little bit cracked. But I thought it was important to come down and to speak. We are going to be giving you copies of my presentation but let me proceed with it. As this Budget and Finance Committee begins decision making on the County's Annual Budget today, I'd like to first thank each and every one of you for your hard work and being courteous and professional to my staff throughout this session. As you know, earlier this year I promised residents that if our State Legislature would do the right thing by returning more of the hotel room tax revenue to Maui County, we would not have to raise property taxes for residents. As part of the Council of Mayors, we stood firmly, all four of us, and I wish to point out that also all four Council Chairs and all the HSAC all stood firmly that we were going to push for removal of the property tax, or excuse me, the cap, TAT cap. And we stood firmly that they should be removed completely. This is only fair due to the toll our visitors take on our County infrastructure every year. Last year, we had more than 2 million visitors to our islands compared to about 153,000 residents. In response to our pleas for help, our Maui Legislative Delegation, led by House Speaker Joe Souki did their very best to negotiate the return of a larger percentage of our Transient Accommodation Tax, also known as the TAT. A removal of the cap would have resulted in Maui County receiving more than \$17 million. Unfortunately, the bill that has moved out of Conference Committee is set to return a mere 2.2 million per year for the next two years. The amount is below even the minimum that we thought we would get. Another way to look at this is that the State is taking more than \$14 million in revenue that could and should have been returned to Maui County. In total, the State is taking approximately \$69 million in revenue that's generated by the counties' hard working residents and which rightfully should have been returned to the counties. That's our share. Personally, the news about the TAT was highly disappointing to me and my staff and I met dozens of times with State Legislators here and on O'ahu throughout the session. We also met with Speaker Souki, House Financial Chair Sylvia Luke, Senate President Donna Mercado Kim, Ways and Means Chair David Ige, prior to the start of the session to lobby our position. As all of you know, this is a direct, there is a direct nexus between the visitors-tourists impact on our County

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infrastructure and the use of visitor-generated TAT revenue by the counties to cover the ever-increasing infrastructure costs for public infrastructure and public safety costs as pointed out by myself, Chair Baisa, Councilmembers White and Victorino. The County's position on the TAT is used to cover the demands of our visitors on the County service, including providing, maintaining, and upgrading Police/Fire protection, parks, beaches, water, roads, and sewage systems. I also reminded the Legislature that, of something that Councilmember Hokama often states, that the County of Maui is already spending and thereby saves the State well over \$15 million per year handling a long list of State responsibilities. For instance, the County currently pays for the following State obligations: Invasive Species Program to prevent and control axis deer, fire ants, coqui frog, Miconia, tumbleweed, et cetera, building County parks and playground equipment, gymnasiums and swimming pools adjacent to almost every school as the schools were built without them, social service programs for drug prevention, housing, health, aging, and homeless, approximating significant funds to the State University of Hawaii Maui College, workforce development training programs, such as nursing and dental programs, providing about 3.5 million to the Maui Visitors Bureau, supplying lifeguards to the ocean safety in State jurisdiction. We also reminded them that the cap was intended as a temporary measure to help the State through difficult times. To turn what the Legislature in 2011 called a temporary measure into a permanent one is unfair to our residents who are working hard each day to make our visitor industry productive and attractive to tourists. For me, this is not only a matter of fairness but of principle. My proposed Budget was drafted in anticipation of and trusting that the Legislature would do the right thing and return all or at least a significant portion of the TAT revenue back to where they were generated, here in the County of Maui. So yesterday's new about the TAT was very disappointing. However, I believe that the extra TAT monies that the County did receive, \$2.2 million approximately, along with delaying some projects and creative cuts by this Committee, we should be able to eliminate any need for property tax increase for Fiscal Year 2015. Our residents should not carry the burden of increased property taxes to cover the wear and tear of our County infrastructure by our visitors. Today, I would also like to state that...

CHAIR WHITE: Mayor? If you could, you're at five minutes so far.

MAYOR ARAKAWA: Okay.

CHAIR WHITE: So if you could --

MAYOR ARAKAWA: Well...

CHAIR WHITE: --provide some concluding. Just that, because we've been very...

MAYOR ARAKAWA: I'll conclude it.

CHAIR WHITE: Okay.

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MAYOR ARAKAWA: Yeah, just in conclusion, I just, again, I'd like to point out. When we started this session, we all agreed that we would be taking on a strategy to demonstrate to the State Legislature that we needed to have the entire cap lifted. Our Budget was predicated on that strategy. We do not believe that we should be raising property taxes for our citizens so I'm going to ask all of you to look at our Budget and try to create a Budget that would not raise property taxes. The fact that our Legislators did not return most of the TAT to us, and that's taking away about \$14 million just this year, means that, does not mean that we should be pushing this on to our citizens. So I'm going to ask you please, don't raise property taxes. Thank you.

CHAIR WHITE: Okay, thank you, Mayor. Members, any questions for the testifier? Seeing none, thank you for being here this morning.

MAYOR ARAKAWA: Okay, thank you very much.

CHAIR WHITE: And I think all of us would concur with your disappointment in the TAT cap not being removed to a much greater degree.

MAYOR ARAKAWA: Yeah and I'm going to be sending out copies of my testimony to all of you so --

CHAIR WHITE: Great.

MAYOR ARAKAWA: --you can have that.

CHAIR WHITE: Thank you very much.

MAYOR ARAKAWA: Thank you very much.

CHAIR WHITE: Our next testifier is Jenny Chan Takemoto.

MS. TAKEMOTO: Good morning, everyone. Thank you for the opportunity for me to speak. I'm here about planning. Ten years ago I served as a Maui Preparatory Academy as a nonprofit controller, not getting paid but anticipating what would be the future like on the West Maui if we have a school up there. And that was ten years ago. I'm thanking Jo Anne Johnson at that time, who was a representative of the West Maui, and also Maui Land and Pine donated the land. The reason why I talk about that because a group of us have a vision. A vision of how is it like to work in the West Side and have a school there for our keiki have an option. Instead of going all the way down to Seabury or St. Anthony, they're wonderful schools, however, I work and reside on the West Side. The reason why I use that as an example is because now this is the time we are planning for the future of the County of Maui. What is it like ten years later? So the decisions we make today, the decisions that you and the Council, County of Maui make today will have a big impact to our keiki, to our citizens here in the County of Maui. So I'm encouraging all of you to make the wise decisions, which you folks

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have been doing and I appreciate it. I lived in O'ahu for 20 years. Now I've been in Maui for 12 and this is my home. Serving on the board of the Maui Preparatory Academy at that time was a challenge because I needed to find out what do we need in the County of Maui, as a parent with two kids, one at Sacred Heart, one at Kam III and I'm so thankful that they both attend good schools. My son is 21 now. He's in, he's on his own. And my daughter is 13. All the planning that was done ten years ago have a big impact on not just my life, but my community on the West side and now I'm moving to the South side. So please, the decisions you make for this County of Maui not only just for our keiki but for our economy for the future, for the culture, and for the nature, the open space, the big boys, Big Brothers and Big Sisters, the STEM, the BEDCB [*sic*], I don't even know the acronym, MEO. My boy went to Boys & Girls Club. My daughter attending conferences on the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> of May for the STEM. So the decisions you make today have an impact for the future of the County of Maui. That's why I stood before you even though I work all the way down the other side of the island but my passion is here. I'm testifying because I'm a live witness when there's good decisions made, not only just the keiki but the economy of the County of Maui will make a big difference.

MS. YOSHIMURA: Three minutes.

MS. TAKEMOTO: Mahalo.

CHAIR WHITE: Thank you. Members, any questions for the testifier. Seeing none, thank you for coming this morning and sharing your thoughts. Our next testifier is Kathy Louis and Ms. Louis is the last person to sign up to testify so if there's anyone, if there's anyone else that would like to do so, and I see one more here, and so we'll take, if there's anyone else that would like to sign up, please do so and following the fourth testifier, we will go to the District Offices. Good morning, Ms. Louis.

MS. LOUIS: Good morning.

CHAIR WHITE: Please proceed.

MS. LOUIS: Good morning, Council Members and Budget Chair White. I'm Kathy Louis. I'm the Personal Care Program Director at Hale Mahaolu. I'm here to thank you for your support and consideration of funding for our Adult Personal Care Program. As we have done in the past few years, we've also applied to the State for funds for this program and I'm happy to report to you that we just learned that we have been approved by the State for 210,000 for Fiscal Year '15. Therefore, we're withdrawing our request for 103,000 for the County. But on behalf of Hale Mahaolu and the clients that we serve, we sincerely appreciate the Mayor and the County Council for their support and their willingness to provide funds for this program. And just assure our clients that services will continue. That's all.

CHAIR WHITE: Thank you, Ms. Louis.

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MS. LOUIS: Thank you.

CHAIR WHITE: Any questions for the testifier? Seeing none, thank you very much. And our next testifier is Rosemary Robbins.

MS. ROBBINS: Good morning, everybody. I heard on the way down today that Kauai's bond rating was lowered over the weekend and the statement was that it was due in big part because of higher salaries for the upper level County employees. So when you're doing what you're doing about reducing the larger Budget that you received, just to be able to keep that in mind. We've been, the last couple of years, doing a lot of reliance on bond, floating bonds. So there's not such a long history of that in this County as there has been a stronger history of that particularly in Maui County. So, you know, that I thank you all for doing all that you're doing but just to know that there, we need to recognize that there are other entities involved, including the people who make decisions on what our bond rating is so happy negotiating. Thank you.

CHAIR WHITE: Thank you, Ms. Robbins. Any questions to the testifier? Seeing none, thank you very much.

MS. ROBBINS: You're welcome.

CHAIR WHITE: And we'll go to our District Offices, starting in Hana. Dawn, do you have any testifiers this morning?

MS. LONO: Good morning, Chair. This is Dawn Lono at the Hana Office and there's no one waiting to testify.

CHAIR WHITE: Thank you very much. And we'll go to our Lanai District Office. Denise, do you have any testifiers?

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

CHAIR WHITE: Thank you. Next, we'll go to our Molokai District Office. Ella, do you have any testifiers?

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

CHAIR WHITE: Thank you very much. Is there anyone in the Chambers who would like to provide testimony that hasn't already done so? Seeing none, Members, the Chair would like to close public testimony without objections?

COUNCIL MEMBERS: No objections.

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

CHAIR WHITE: Thank you. Members, we have, before we pass out the Budget, the Chair has a PowerPoint presentation to provide so we'll take a two minute recess to reset the room.  
Recess. ...*(gavel)*...

**RECESS:** 9:21 a.m.  
**RECONVENE:** 9:25 a.m.

**ITEM BF-1: PROPOSED FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI (CC 14-31 AND CC 14-82)**

CHAIR WHITE: ...*(gavel)*... What a nice sound that is. Well Members, and those in the Chambers, I'm very pleased to provide a Proposal that combines my concerns and your concerns as we've gone through the review of the Budget with the departments. And as we go through this, I hope you'll understand that while some of the items that will be shown in the Budget may seem significant, we will be able to provide the rationale behind the various items. So with that, we'll get started. My biggest concern is that the state of our economy on the neighbor islands is simply not on solid economic footing. Key indicators show our economy is still lagging significantly behind O'ahu. With visitor arrivals, O'ahu is up 4.6, Maui is still down 4.6. This is all compared 2013 levels to 2007. Civilian employment on O'ahu is up 1 percent, Maui still remains 3 percent down. Private construction permits are up on O'ahu by 11 percent and still down 55 percent and unfortunately the neighbor island results are quite close to those that are shown here for Maui. Booking trends are showing that tourism is lagging at a time when it should be reaching its peak. To put that in perspective, we have not seen airfare credits since 2009 and 2010. But we've just learned that Pleasant Hawaiian, one of the largest movers of people to Maui and all of Hawaii, is offering a \$500 airfare credit for travel through this summer. So if your trip is booked between April 28<sup>th</sup> and May 31<sup>st</sup>, you will be able to get a \$500 airfare credit. I'm sure there's certain limits on that, so it's not going to apply to everybody but the fact that we have a \$500 airfare credit during a time that is usually our peak is very concerning and should be concerning to all of us. Neighbor island counties have also been lagging behind O'ahu in hotel revenues and tax collections. For Fiscal Year '13, revenues for the State...and this slide is really one of the reasons why we felt the State would be far more responsive in returning more of the TAT to Maui County. You can see there the State's revenues since 2009 have increased by 32 percent, while our counties are still far behind. City and County of Honolulu is up a percent, Maui's down 4 percent, Hawaii's down 13 percent, and Kauai is down 20 percent compared to 2009...I'm sorry, 2007. In revenues per available room, O'ahu is ahead by about 35 percent, Maui is still slightly down, Hawaii is down 4.8 percent, and Kauai is slightly down as well. We asked for kokua, as the Mayor stated, you know, understanding that neighbor island counties were lagging economically. We requested a



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removal of the Transient Accommodation Tax cap. The State has only offered an additional 2.3 million to Maui County. Visitor industry is critical to Maui County. This just shows a comparison between the Real Property Taxes collected by island. In the first column, showing Maui County at...this is for last year...\$222,300,000. Of that, the visitor industry, timeshare, hotel, condos, and all visitor units, they're taxed at the Hotel and Resort and Time Share rate provided \$91,722,000. You can see in the right hand column that Hawaii County gets only 5.8 percent of its tax, property tax revenues from the visitor industry. City and County of Honolulu gets 11. Kauai County generates 18.7 percent and Maui County generates 41.3 percent of its tax revenues from that sector. So it provides, it provides Maui with the ability to do many of the things that we do that other counties are simply not able to. We're able to utilize funds generated by our visitor industry to strengthen our community, which helps Maui County to be a great place to live and great place to visit. These efforts contribute to what makes Maui no ka oi and the best island in the world year after year. Part of the challenge with our neighbor island economies are mandated obligations. And from Fiscal Year 2014 to 2017, the County must find an estimated \$100 million in additional revenue to pay for mandated collective bargaining increases. It's a fairly daunting sum when you look at our total Budget. We have no option but to comply with this obligation. And if we hire more employees, this obligation will increase by whatever percent we're adding to that cost. Are we sustainable? Over the last ten years, revenues and expenditures have grown significantly. Our population has grown by 16 percent. On the bottom you can see median household income has grown by 28 percent, and yet our Real Property Tax revenues have grown by 82 percent and County expenditures have grown by 71 percent. So Members in this Chamber have stated on several occasions that that's simply not sustainable. Comparing the size of other counties' operations, Maui County's management is much larger than other counties. On Kauai, this, as you can see the management function includes the Office of the Mayor, the Managing Director's Office, and the Economic Development Offices and it excludes the Budget Office and in our case it excludes the ITS services. So you can see that Maui County has 52½ staff, which is 84 percent larger than the staffing on O'ahu and 59 percent larger than Hawaii County. Excuse me. And Hawaii County is probably the most comparable county to us because it's, as you saw on one of the earlier slides, they collect approximately the same level of property tax and while we have three islands, they have three and a half times the land mass we have. And you could say that if we're three islands, they might be four or five islands. And our MIS Program is much larger than other neighbor island programs and it's grown significantly over the past several years. This is a comparison between us and Kauai and the Big Island. You can see our wages are more than double either one of the other islands. Our operations are similarly positioned and our equipment. And then I have to point out, this is, the equipment number is large because we've, we have a request for this year for \$2.5 million to replace our KIVA system, which we all concur that it's an important thing. So that skews that number a little bit but it's still a dramatic difference. So we must be cautious in County spending. We need to identify creative ways to balance our Budget. We need to right size government, focus on economic stimulation, and find ways to responsibly reduce the taxpayers' burden. For the past few Budgets, we've used a revenue neutrality approach. What that means is the County has asked for higher tax rates when property values have dropped to keep from losing significant

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revenues. To put that in perspective, when we had the largest, by the time our property values had dropped and started to recover, we were down about 25 percent in value. That was the largest drop of any of the counties. And as valuations rise, we must provide relief to taxpayers. Just to put it in perspective, a survey of 30 Maui hotels shows that revenues dropped in 2009 by 22 percent. At the same time, taxes on visitor units increased by 25 percent. This is also at the same time that the State implemented the 2 percent increase in the TAT which simply put an added burden, not just on the visitor industry, but also on the many people and businesses that depend on the visitors' expenditures. What it boils down to is that the increase of 2 percent in TAT basically took approximately \$23 million out of Maui's economy and put it into the coffers at the State level. So to the Mayor's point, when that happens and then they don't, and then they cap the amount coming back to the County, it's really quite unfair and hard to understand. Overall, tax rates from Fiscal Year 2010 to 2014 have increased by 23.2 percent. This is just Maui's number. So again, as values continue to drop, we've increased the rates by 23 percent so that the County doesn't lose a significant amount of revenue. This is done, however, at a time when businesses and individuals in the County continued to struggle to make ends meet. Most, we've sent out, as you know, a flyer. We've received over 400 Budget Surveys that were submitted online and by mail. Most respondents, or 88 percent, did not want higher taxes, 51 percent wanted more services, I'm sorry 51 wanted more services and higher taxes, and that was 12 percent. But the other two, the 155 and 205 did not want us to increase taxes. The other priorities were Highways, Water, and this was a bit surprising, number three was Audits. And I think we all need to be concerned about that because that points to a level of trust in government that I think we all need to respond to. Chair's Proposal incorporates expanding our economy by reducing the Mayor's proposed tax rates and County expenditures to leave more money in the pockets of residents and businesses and focuses on services that help to provide Maui County's aloha to our youth, kupuna, and those in need, and provides an emphasis on helping to make our Maui County an even better place to live and to visit. On average, Real Property Tax rates have been reduced in this proposal by 9 percent across the board from the Mayor's Proposed Budget. This will provide relief to all taxpayers. So this is the result of that 9 percent reduction and I won't read all those numbers. I'll give you a minute to jot down the one that is of most interest to you and move on.

COUNCILMEMBER COUCH: That was a short minute.

CHAIR WHITE: Mr. Couch, if you didn't have time to jot them all down...would anyone like me to go back to that slide?

COUNCILMEMBER COUCH: Yes.

CHAIR WHITE: So ten, nine, eight...can we move on?

COUNCILMEMBER COCHRAN: Yeah.

COUNCILMEMBER VICTORINO: You're going to give us copies of this anyhow, right?

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COUNCILMEMBER COCHRAN: Of course.

CHAIR WHITE: Yes.

COUNCILMEMBER VICTORINO: That's fine.

CHAIR WHITE: Yeah, it'll be, it's in both, we will be distributing a copy of the PowerPoint and these numbers are all in the Budget document as well.

COUNCILMEMBER VICTORINO: Okay.

CHAIR WHITE: Council approved Budget for 2014 was 559 million. The Mayor's Proposed Budget for Fiscal 2015 was 622.6 million and the Chair's Proposal is 594.2 million. We've eliminated expansion employee positions. At current levels, this will save the County at least \$29 million in employment costs over just the next five years. So this is just, this just emphasizes that when we add employees, we add significant costs. And when we look at the Budget as proposed, the Members all know that the amount that is shown is only 80 percent of the annual salary. So it looks like a reasonably inexpensive number but when you add enough to make it an annual number and then add the fringe benefit cost of 66 percent on top of that, it becomes a very significant impact. So \$29 million is saved over the next five years just by keeping the number of employees in the County at the existing level. And we've also significantly trimmed premium pay. And we have done our best to right-size operational costs. And just a reminder, the Administration retains the ability to re-describe or reallocate existing positions to meet changing operational needs without hiring additional personnel. Several things that we've done, we're flattening tipping fees and residential refuse collection fees. So they're proposed, well, you can see the numbers there. We're supporting local agriculture by flattening the first two tiers of the Agricultural water rates and reducing the highest tier. We've taken the high tier of the water rates for Agricultural users to \$1 to match the Big Island's rate and we've reduced the Kula Ag Park water rate to 75 cents. That compares to 50 cents in State Ag Parks but we didn't feel we could quite drop it to that extent but again this is to show our strong support for food sustainability and for agriculture on Maui and Maui County. We also are focusing on stimulating the economy by expediting infrastructure improvements by facilitating water meter distribution. We are appropriating \$10 million to improve the County water transmission lines for those needing water meters, and this is not just in the Upcountry area because as we were going around to our district meetings, we were hearing that one of the major impediments to building a house on your own land is the infrastructure. So the details for how this is going to get done will need to be worked out by Mr. Victorino in the Water Committee and by Mr. Hokama in the PIA Committee. We're giving a fair 3 percent increase to most nonprofit organizations receiving grants. We're appropriating an additional \$200,000 to Maui Economic Development Board specifically to focus on new business generation and new job creation. We're assisting the Boy Scouts of America by providing \$250,000 to complete the Camp Maluhia renovations, providing \$500,000 to the Lanai Community Health Center to complete the construction of a

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new center, and as many of you may recall, this was an organization that had been, had applied for the CDBG grant and they lost the grant simply due to one piece of paper missing in the application. So this is to keep that project on track so that we're not going to lose any other sources of funding that have already been committed and would be lost without this money. We're increasing the funding to the PALS Program to alleviate waiting lists for our keiki. We're giving the Fire Department more time to settle personnel matters before transferring Ocean Safety. We're increasing the design monies for the Kihei Gym to develop a multipurpose facility so that it will become an economic resource, not just a gym. This Proposal presents an effective and reasonable strategy for providing government services. The relief is provided to taxpayers while still aggressively investing in Maui County's future. The focus is on addressing our County's concerns in a responsible manner. While the focus will tend to be on the adjustments in this Proposal, the Operating Budget still remains 10 percent higher than three years ago. Budget growth must be done in a more controlled fashion. We have confidence in the directors and their staff to make this Budget work and the focus must remain on growing our economy because without that we're simply not going to be able to sustain the types of increases that we're mandated to provide. With that, let's get it done. Thank you all very much and we will be in recess for five minutes. . . .(gavel) . . .

**RECESS:** 9:46 a.m.  
**RECONVENE:** 9:55 a.m.

CHAIR WHITE: . . .(gavel) . . . This Budget and Finance Committee will come back to order. Members, we are passing out copies of the presentation followed by a copy of the tax, the sheet that reflects the tax rates being proposed and the resulting changes in revenue. Then the next document is Exhibit "1", which as you know is the Budget document that we work from as we go through the process of finalizing the Budget this week. Then the last item is a list of the Budget Survey results including comments. So we provide that for your reading at your leisure. Members, if you have any questions Staff will be available over the next several hours. I do believe it's important for us to give you time to review it and get comfortable with what, well, review it and be comfortable with your understanding of it. So please, please, I told you I wouldn't be putting my words together all that well this morning but please feel free to contact the Staff to help you understand the document and answer any questions you might have. So with that, Staff, do we have any other items that we need to cover before we recess? Members, are you all...I'm seeing 2 o'clock. I was going to go to, I was going to recess 'til 1:00. Is that enough time or do you want 'til 2:00?

COUNCILMEMBER VICTORINO: Chair?

CHAIR WHITE: Mr. Victorino.

COUNCILMEMBER VICTORINO: I have a doctor's appointment at 2:00 so I won't be able to be back 'til about 3:00. So, but I mean, I don't want to hold up everything else but I, yeah.

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CHAIR WHITE: Okay.

COUNCILMEMBER VICTORINO: I just wanted to let...remember I mentioned that to you.

CHAIR WHITE: Right.

COUNCILMEMBER VICTORINO: So I just wanted to make sure.

CHAIR WHITE: Right.

COUNCILMEMBER VICTORINO: Okay.

CHAIR WHITE: Members, other Members thoughts?

COUNCILMEMBER GUZMAN: Chair.

CHAIR WHITE: Mr. Guzman.

COUNCILMEMBER GUZMAN: I just wanted to thank you for the very informative PowerPoint. I thought it was very rational and reasonable as well as very good in terms of explaining. Your Staff did a wonderful job in terms of the presentation. Thank you.

CHAIR WHITE: Well, the Staff deserves a lot of credit because they, we were here until a little after, right around 1 o'clock every morning and back at about 9 or 10 o'clock. So we've been burning two candles at both ends and I truly appreciate...I have to say I had my concerns because we have, we lost two people that went through the Budget process with us last year. One is now in the Department of the Auditor and the other one is Deputy County Clerk. So I have to tell you, I've got a really great crew. They work very well together. They're very willing to question. They don't have any problem telling me what they think and responding...and there are some smiles back there, aren't there? Anyway, they're very honest and open and I really appreciate all the hard work and the sharp analysis that they've been providing over the last couple of weeks. So with that, Members...

COUNCILMEMBER VICTORINO: Chair? Chair?

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: Just real quickly. And thank you also, you know. I appreciate the work that the Staff has done and you and I think this reflects, I think, what most of us have discussed over the last three or four weeks as far as fiscal prudence and looking at everything and crossing the "t's" and dotting "i's" and trimming the fat. And I think that's come across real well. The only thing I would like to ask and request in the future, Mr. Chair, is that maybe just a summation page. Maybe something very simple. But what each Member had recommended themselves so that the public understands that many of us

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followed yours, not to the same degree but very close so that the public knows where our sentiment is, you know. I think that's something that I'd like to recommend in the future. You know, a quick overview of what you...

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: The cuts, adds, and the bottom line. And, you know, that might have been something that, that would be good for the public.

CHAIR WHITE: That's a good point. The challenge is that it takes a lot of time to put that together.

COUNCILMEMBER VICTORINO: Well, I just talking the overview. You don't have to put everything you've got. Like say, whatever I want to have increased, whatever I want to decrease, and the bottom.

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: You know, this, this. Real simple.

CHAIR WHITE: Well, yeah. But the, we are making all of those copies available so that the public has the ability to review each proposal. And they're fairly quick and easy to go through. We've, you know, we went through them all and I think that you'll find that we've incorporated a significant amount of what the Members had requested, what the Members had made in the way of adjustments. As you know, I'm always a little more aggressive than the rest of you are but that's my job and please understand that where we've made significant adjustments, there is a rationale behind it that we're more than happy to express. Any further comments or questions? Mr. Couch.

COUNCILMEMBER COUCH: Yeah, thank you, Mr. Chair. Thank you for the presentation. You know, I thought I was channeling you and cutting pretty drastically, I thought, but I see I can't hold the candle to the guy with the sharp knives. I'm very interested to see where you cut even further from my pretty deep cuts so it'll be fun to look at.

CHAIR WHITE: Well, you know, the Chair's main concern as I outlined in the presentation is that we've not grown back fully from the recession and yet we've, the fact that we have increased property taxes and increased rates so that we don't lose money has made us feel, I think, a little bit flush with cash and I think that may be the result, the result of that may be that, you know, we've ended up with some negotiated awards and arbitration awards that are going to cost us a significant amount of money when the private sector is simply not back yet. So we need to take a very hard look and I'm open to whatever other items that you all may feel are important. As we go through this process, we have the ability to still make additional adjustments as you see fit to address the fact that we need to keep our economy moving

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along and the County doesn't have a whole lot of ways to make that happen but I'm more than happy if you all want to get creative and look at for ways to do that. Mr. Hokama.

VICE-CHAIR HOKAMA: Chairman, thank you. I would just add that I appreciate the Staff's tremendous work over the weekend but I don't view your adjustments. I think we may be placing for the public a wrong sense of adjustments by using the word cuts. If you look from the previous Budget, we've grown the Budget. Okay? We've adjusted the Mayor's Proposal from what he knew and what he could best estimate at the point of time that he had to craft a Budget. We made adjustments.

CHAIR WHITE: Right.

VICE-CHAIR HOKAMA: But from what we have from actual to moving forward, it's not a cut, Chairman. This Budget has grown. By requirements of collective bargaining, from other requirements of community needs and from departmental needs but I would say the term "cuts" is not an accurate reflection of the Chair's Proposal. So I would just say that as a comment for us to remember that if you look from the previous years, this is still a growing Budget for a growing community and a growing County.

CHAIR WHITE: Yeah. No, you're absolutely right. The cuts are only to the increases. So the Budget still grows. We're just not growing it as much. And as we all know, we have not only the increase in employment costs to deal with but we also have a variety of other challenges that we can't openly discuss that all of you are aware of that we need to set monies aside just to protect the County's interests. So any other questions, Members? Seeing none, we will be...oh, I didn't really get a full answer to what time you'd like to come back. I want to give you enough time to have a good review. I'm comfortable coming back at 1:00. I'm comfortable coming back at 2:00. Any preference?

UNIDENTIFIED SPEAKER: How about 1:30?

COUNCILMEMBER VICTORINO: One o'clock would be fine, Mr. Chair. I think that's a good time to come back. Give us enough time to digest this and at least get the opening shovel before I run off. Thank you, Chair.

CHAIR WHITE: One o'clock? Okay. We'll be in recess until 1 o'clock. ...*(gavel)*...

**RECESS:** 10:05 a.m.  
**RECONVENE:** 1:00 p.m.

CHAIR WHITE: ...*(gavel)*... The Budget and Finance Committee will come back to order. Members, the Chair will be happy to go through the Exhibit "1". We won't be making any decision making today. We won't be asking for consensus on any of this. I think it's important for us all to go through and, you know, if you want to stop me and make comments that's fine. But I think based on the fact that we're down by one with Mr. Carroll out, down

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another with Ms. Baisa out, hopefully just for today, and also Mr. Victorino has a doctor's appointment that he couldn't move, the Chair's thought is to make a pass through this without a lot of discussion and then save the discussion for when Ms. Baisa, who will hopefully be back in the morning. Mr. Victorino will be here. So the majority of us are here to hear all the same comments, concerns, and thoughts. So with that, we are passing out the adjustments that were noted in the presentation regarding the Water fees and the fees in Environmental Management as well. So those are for your review and as we go through this process, please be mindful that I've presented you with a balanced Budget. The Chair is feeling very strongly that the tax rates that are reflected in the Budget are fair and appropriate because we have been asking for tax rate increases over the last four Budgets and now that values have increased dramatically over the last year, the Chair feels very strongly that we need to give something back in recognition of the sacrifices that the public has made over the last three to four budget cycles. The total amount of the taxes requested and paid by the community, both the business community and our residents amounts to approximately \$165 million over the last four years. All we are giving back this time is 7½ million. So it's a small amount but I think it's a significant statement that in the face of significant increases in employment costs, we are willing to step up to the plate and give something back to the community that has stood up for the County through the last four years. So as we go through this process, please understand that if you would like to make adjustments, whether it's an addition or a deletion, that you must provide me with a balanced proposal. So if you're going to add something back, you need to find a place to reduce in an equal or pretty close to an equal amount. So any questions? Mr. Couch.

COUNCILMEMBER COUCH: Just a little bit of wordings because it confused some people who called me and says why is he doing this. Which is increase Homeowner rate from 287 to 278. That's actually a decrease from one number to another number but I think I understand what you're doing is I think the Mayor had it down below 278. So you brought it up.

CHAIR WHITE: What are you referring to?

COUNCILMEMBER COUCH: On the Page 1 of 72.

COUNCILMEMBER VICTORINO: Page 1 of 72?

COUNCILMEMBER COUCH: The Real Property Taxes.

CHAIR WHITE: Oh, yeah. Supposed to be decreases.

COUNCILMEMBER COUCH: Okay.

CHAIR WHITE: All they have to look at is the numbers.

COUNCILMEMBER COUCH: Well, I think the Mayor proposed something like two, below 278 and you're actually increasing it from the Mayor's Proposal, no?



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COUNCILMEMBER VICTORINO: No. No, the Mayor had increased to 301.

COUNCILMEMBER COUCH: Well, that's right. He did.

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: Yeah. So no, no, no, no. He decreasing it.

CHAIR WHITE: No, everything's a reduction.

COUNCILMEMBER COUCH: Right. So it should say decrease then?

CHAIR WHITE: Yeah. All they, all the taxpayers need to know is that we're taking last year's, or the current rates down 3.1 percent --

COUNCILMEMBER COUCH: Got you.

CHAIR WHITE: --across the board.

COUNCILMEMBER COUCH: Yeah. That's why it looks funky in there.

COUNCILMEMBER VICTORINO: Redo?

CHAIR WHITE: Well, at this point, after this weekend...

COUNCILMEMBER COUCH: After so many hours it's no big deal.

COUNCILMEMBER VICTORINO: And even the increase on Commercial rates.

COUNCILMEMBER COUCH: Yeah, same with Commercial Rates.

CHAIR WHITE: We can usually hear you much more clearly, Mr. Victorino.

COUNCILMEMBER VICTORINO: Oh, I'm sorry. You thought even the next one down is the Commercial Rates was actually decreased not increased. They both were decreased. You decreased everybody across, you reduced. And instead of, you should have just kept saying reduce, reduce the last two but you put increase.

CHAIR WHITE: Yeah.

COUNCILMEMBER COUCH: And Industrial rate as well.

COUNCILMEMBER VICTORINO: Everything is reduced.

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CHAIR WHITE: Yeah. It's everything is reduced.

COUNCILMEMBER VICTORINO: Yeah.

CHAIR WHITE: Thank you.

COUNCILMEMBER VICTORINO: So the wording change would just say reduced?

CHAIR WHITE: So hopefully those are the only places where we've got the wrong words. Okay. So Members, any other questions or comments? This may be a rather \_\_\_\_\_ process and if you guys would prefer, the Chair would be more than happy to adjourn today and get a fresh start in the morning because...

COUNCILMEMBER VICTORINO: You know, Mr. Chair.

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: You know, now that you brought that up and, you know, I know you and the Staff worked many late hours. This is a fact. And some of them haven't gone home or go home at 1, 2 o'clock in the morning, turn around and back here at 7, 8 o'clock. And they're not complaining. I know they're not.

CHAIR WHITE: No.

COUNCILMEMBER VICTORINO: And I think the public should understand that they do a lot of extra without a lot of extra compensation. And so I would have no problem, unless somebody really needs to go through each one. Because I went through real quick, you know, quick.

CHAIR WHITE: Uh-huh.

COUNCILMEMBER VICTORINO: And there's a number of things I need, I think we need to sit and discuss as a body and I think Ms. Baisa would be, will want to be here. I think she will be here tomorrow, we hope.

CHAIR WHITE: Well, you know that she's watching.

COUNCILMEMBER VICTORINO: Yeah. Oh, no. She already...yeah. She's...

CHAIR WHITE: And I...

COUNCILMEMBER VICTORINO: You could feel her --

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CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: --this morning.

CHAIR WHITE: No, and I, you all know that she would much rather be right here right now and, you know, and this is a process that we only do once a year and this is the, for lack of a better term, this is game time for the Budget. And I would rather we have our first baseman here.

COUNCILMEMBER VICTORINO: Yeah.

CHAIR WHITE: I guess it's third base over here but.

COUNCILMEMBER VICTORINO: Yeah. Well it doesn't make a difference.

CHAIR WHITE: You're the first baseman.

COUNCILMEMBER VICTORINO: It doesn't make a difference whichever side of the field we're on.

CHAIR WHITE: Right.

COUNCILMEMBER VICTORINO: You know, we're here. And so, you know, and I think even for us trying to absorb and really have a real clear understanding on some of this stuff or what we perceive.

CHAIR WHITE: Right.

COUNCILMEMBER VICTORINO: You know, I would, I think some, just a little more time and I would say tomorrow morning maybe getting, you know, a 9 o'clock start. We're ready to go. Hopefully Ms. Baisa's back and, you know, but I don't know what the rest of the Members feel. That's just my feeling and I think, I thank you for what you've brought forward. You know, you make a lot of logical sense. I've had some calls already. Some people are very happy and some people are saying well, wait a minute. Take a better look at this or that.

CHAIR WHITE: Yeah.

COUNCILMEMBER VICTORINO: So, you know.

CHAIR WHITE: Oh, yeah. No, and this, you know, every department is going to require, you know, very thorough discussion and quite frankly part of the Chair's desire to have a fresh start in the morning is that I'm kind of pooped. And, you know, I want to be able to first be able to recall the justification for each of these and then to express it in a way that's intelligible. So anyway and I also would like to give the Staff a chance to sharpen up as well. So.

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COUNCILMEMBER VICTORINO: I have no objections.

CHAIR WHITE: And you'll, and I'm, I will be turning to the Staff to help my memory as we go through this because I'm not going to remember each of the items. Mr. Hokama?

VICE-CHAIR HOKAMA: Chairman, I support your request. I would like both you and the Staff to be at 100 percent levels. And but also to be fair, Chairman, I think it's, it also needs to be fair for the departments to have a chance to review the adjustments and to be able to have some time to analyze what they think is best for their, regarding their requests and have some time to report to Mr. Baz with some recommendations or comments for possible consideration. So it's also about fairness for the departments to have some time to deal with their structure and for Mr. Baz to participate with us --

CHAIR WHITE: Yeah.

VICE-CHAIR HOKAMA: --as best as possible.

CHAIR WHITE: Yeah, very true. Any other comments or thoughts before I go take a nap? Okay, with...

COUNCILMEMBER COUCH: Just as long you promise you're going to go home and go to sleep and not do another spreadsheet until tomorrow morning.

CHAIR WHITE: Actually, you know, I have to tell you that I feel somewhat liberated because over the last couple of weeks, Jordan and Chancy have shown that they can do it faster than I can. And I know Troy and Michele, I already knew Troy and Michele can do it fast. So I'm feeling quite liberated because I've got a very qualified, sharp, and quick Staff.

COUNCILMEMBER COUCH: Well, you also have to let them go home too.

CHAIR WHITE: No, I know. That's, I wasn't...I'm not the only one who's burned out.

COUNCILMEMBER VICTORINO: In fact, I think they're more burned out than you, Mr. Chair. But no offense.

CHAIR WHITE: No, I take that as a compliment. The old guy isn't as burned out as the young ones.

COUNCILMEMBER VICTORINO: That wasn't supposed to be it but that's okay. I'll leave it alone now.

COUNCILMEMBER COUCH: That wasn't supposed to be a compliment but you screwed it up.

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CHAIR WHITE: Okay, with that, Members, I want to thank you. Thank you for your patience and we will adjourn and be back here with Ms. Baisa and Mr. Victorino and the rest of us in the morning.

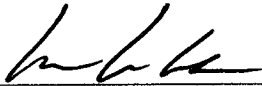
COUNCILMEMBER VICTORINO: Fresh and ready to go.

CHAIR WHITE: We're adjourned. . . .(gavel). . .

**ACTION: DEFER pending further discussion.**

ADJOURN: 1:15 p.m.

APPROVED:



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MIKE WHITE, Chair  
Budget and Finance Committee

bf:min: 140428:krr

Transcribed by: Kekai R. Robinson

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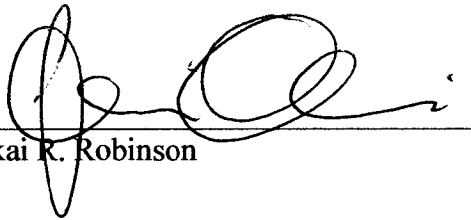
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**CERTIFICATE**

I, Kekai R. Robinson, 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 19<sup>th</sup> day of May, 2014, Wailuku, Maui, Hawaii.

  
Kekai R. Robinson