

POLICY AND INTERGOVERNMENTAL AFFAIRS COMMITTEE
Council of the County of Maui

MINUTES

December 14, 2015

Council Chamber, 8th Floor

CONVENE: 9:02 a.m.

PRESENT: Councilmember Michael P. Victorino, Chair
Councilmember Don Couch, Vice-Chair
Councilmember Robert Carroll, Member
Councilmember Elle Cochran, Member
Councilmember Stacy Crivello, Member
Councilmember Don S. Guzman, Member (In 10:24 a.m.)
Councilmember Riki Hokama, Member (In 9:14 a.m.)
Councilmember Mike White, Member (In 9:04 a.m.)

EXCUSED: Councilmember Gladys C. Baisa, Member

STAFF: Kimberley Willenbrink, Legislative Analyst
Sharon Brooks, Legislative Attorney
Tammy M. Frias, Committee Secretary
Kit Zulueta, Legislative Analyst (Communications Director) (In 9:17 a.m.)
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.: Danilo F. Aagsalog, Director, Department of Finance (Item PIA-36)
Lieutenant Arthur G. Dadez, Uniformed Services Bureau - Lahaina District, Department of Police (Item PIA-36)
David C. Goode, Director, Department of Public Works (Item PIA-55)
Jerrie L. Sheppard, Deputy Corporation Counsel, Department of the Corporation Counsel (Item PIA-36)
Edward S. Kushi, Jr., First Deputy Corporation Counsel, Department of the Corporation Counsel

OTHERS: Pingtung County Delegates:

Lin Shu-hui, Director of Research and Evaluation Department, Pingtung County Government

Lin Jui-chuan, Secretary of Environmental Protection Bureau, Pingtung County Government

Hsu Fu-kuei, Secretary to the Magistrate of Pingtung County

Tsao chi-hung, former Magistrate of Pingtung County

Huang li-hsia, Secretary to the former Magistrate of Pingtung County

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Chen Cheng-I, Associate Professor of National Central University
Liping Liu, translator for Pingtung County Delegates

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

CHAIR VICTORINO: . . .*(gavel)*. . . Aloha and Mele Kalikimaka to all. The Policy and Intergovernmental Affairs Committee will now convene. I'd like to introduce the Members that are here this morning. First of all, I am the Chair, Mike Victorino. I'd like to introduce the Vice-Chair of the Committee, Mr. Don Couch.

VICE-CHAIR COUCH: Good morning, Mr. Chair.

CHAIR VICTORINO: Good morning. And then our representative from East Maui, Member Bob Carroll, good morning.

COUNCILMEMBER CARROLL: Good morning, Chair.

CHAIR VICTORINO: Aloha. And from West Maui, Ms. Elle Cochran.

COUNCILMEMBER COCHRAN: Aloha. Good morning, Chair.

CHAIR VICTORINO: Aloha. And from Molokai, Ms. --

COUNCILMEMBER CRIVELLO: Good morning, Chair.

CHAIR VICTORINO: --Stacy Crivello. Thank you. Aloha to all of you and mahalo for being here. Today, Ms. Baisa, Gladys Baisa is excused and the other Members, Mr. Hokama, Mr. Guzman, and Mr. White will be attending a little bit later. So I wanted to get started because we have a pretty big agenda. Nothing earth-shattering but a lot of different items that I would like us to cover. Also from the Administration this morning we have the Director of Finance, Mr. Danny Agsalog.

MR. AGSALOG: Good morning, Chair.

CHAIR VICTORINO: Good morning. And Lieutenant Arthur Dadez, Dadez I should say, from the Lahaina Police Station.

MR. DADEZ: Good morning, Chair.

CHAIR VICTORINO: Good morning, sir. And Ed Kushi, our First Deputy Corporation Counsel.

MR. KUSHI: Good morning.

CHAIR VICTORINO: Good morning, sir. And Jerrie --

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VICE-CHAIR COUCH: Sheppard.

CHAIR VICTORINO: --Sheppard. Sorry Jerrie, I always forgot your last name and I should get that right by the time I retire. Ms. Jerrie Sheppard from Corporation Counsel, mahalo for being here. Our invaluable Staff, Ms. Kim Willenbrink our Legislative Analyst.

MS. WILLENBRINK: Good morning, Chair.

CHAIR VICTORINO: Good morning. And Tammy Frias, our Committee Secretary. Let us make our check of our District Offices and we will open public testimony thereafter. Let me check with our Hana Office. Dawn Lono, are you there?

MS. LONO: Good morning, Chair. This is Dawn Lono at the Hana Office.

CHAIR VICTORINO: Mahalo, Dawn. From our Lanai Office, Denise Fernandez. Denise, are you there?

MS. FERNANDEZ: Good morning, Chair. This is Denise Fernandez on Lanai.

CHAIR VICTORINO: Good morning. And Ella Alcon from the Molokai Office. Ella, are you there?

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

CHAIR VICTORINO: One quick announcement and I'd like to recognize, whew, recognize the presence of the Council Chair, Mr. Mike White. Good morning, sir.

COUNCILMEMBER WHITE: Good morning, Chair.

CHAIR VICTORINO: So, I would like to make an announcement. Around 10:00 a.m. this morning, our sister city, Pingtung, Taiwan, will be blessing us in the Chambers with their delegation and at that time I will probably call for a recess. We will firstly, first introduce them and do a presentation and then call for a recess and have quick picture taking and then move back on to the business at hand. So right around 10:00 a.m. they should be here and we'll go from there, okay? Today's agenda we have a number of items. First one is our Alarm System Fund, PIA-36. So before we start that, let me get public testimony. First of all, if there's anyone wishing to testify please sign out in the lobby on the 8th floor. You will be allowed three minutes. Two and a half minutes and the light will turn yellow. And on, when the light turns red, it will signify three minutes and I will ask you to conclude. Please state your name and if anyone you're representing, any organization or company that you may be representing. Established connection with the District Office has been set and we will rotate the District Offices. First of all, starting in the Chamber, with no objections, I will start public testimony?

COUNCILMEMBERS: No objections.

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CHAIR VICTORINO: In the Chamber, do we have anyone signed up for testimony?

MS. WILLENBRINK: No, Mr. Chair. There is no one signed up to testify.

CHAIR VICTORINO: Let's go to the Hana Office. Dawn, is there anyone wishing to testify?

MS. LONO: The Hana Office has no one waiting to testify, Chair.

CHAIR VICTORINO: Thank you. Lanai Office, Denise, is there anyone wishing to testify?

MS. FERNANDEZ: There is no one waiting to testify at the Lanai Office.

CHAIR VICTORINO: Thank you, Denise. And Molokai, Ella, is there anyone wishing to testify?

MS. ALCON: There is no one here on Molokai waiting to testify.

CHAIR VICTORINO: Since I see no one in the Chamber or at our District Offices wishing to testify, with no objections, I would like to close public testimony.

COUNCILMEMBERS: No objections.

CHAIR VICTORINO: Thank you. And I wish all of you ladies in the District Offices and our neighbor islands a Mele Kalikimaka and Hau`oli Makahiki Hou.

ITEM PIA-36: ALARM SYSTEM FUND (MISC)

CHAIR VICTORINO: Okay, let us get started with our first agenda item, which was brought forward last meeting but because the police were not here to, for representation and the Department of Finance, I put it off until this meeting. It is PIA-36, Alarm System Fund. Miscellaneous Communication dated May 28, 2015, from the County Clerk, reporting that on May 26, 2015, Council referred this matter relating to the Alarm System Revolving Fund. Another Correspondence dated October 13, 2015, from the Director of Finance, relating to the creation of the Alarm System Revolving Fund. Members, this item was referred from the Budget and Finance Committee to evaluate the implementation of the Alarm System Program. We met on August 17, 2015, to discuss this matter. By letter dated October 6, 2015, I requested that a date when the fund would be ready for implementation for the provisions of Chapter 8.34, Maui County Code, relating to alarm systems and false alarms. By letter dated October 13, 2015, the Director advised that the fund has been set up. So, Mr. Agsalog, I welcome you and if you would explain how this fund has been set up and its readiness for implementation, we would greatly appreciate it. Mr. Agsalog?

MR. AGSALOG: Good morning, Mr. Chair and Members of the Committee. As you have stated, Mr. Chair, a letter from me October 13, 2015, indicated that we have created

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the Alarm System Fund and with an Index Code 101060. Any money that will be received from the implementing agency, which is the Department of Police, will be deposited to this account. A check on the budget, 2016 Budget Ordinance, I have verified that there was already an appropriation there for a zero amount awaiting for the implementation of this particular system. So as far as the County is concerned, Mr. Chair, the Department of Finance and the Office of the Budget, we are ready for this implementation as soon as the implementing agency are able to do. Thank you, Mr. Chair.

CHAIR VICTORINO: Thank you, Mr. Agsalog. Mr. Dadez, Lieutenant Dadez, I know we talked about this in August about this fund. Would you kindly refresh all of the Councilmembers as well as the public's reason for the need for this fund and how it will be, he it would work as far as implementation as far as your part with the police.

MR. DADEZ: Presently right now...

CHAIR VICTORINO: Go a little closer to the mic. Yeah.

MR. DADEZ: Excuse me.

CHAIR VICTORINO: Yeah, please.

MR. DADEZ: Presently right now, when an alarm is activated, our protocol dictates that two officers respond. Sometimes that is half or one-third of the police force in a district and our manpower deployment is not addressed at that time because many times, the average time is between 10 and 15 minutes. It doesn't seem to be very much but you add that up throughout the year, it comes out to a substantial amount. And a lot of times, these alarms are mechanical issues, electronic issues, there's no break-in whatsoever. So that's why we have addressed the need to hold the alarm users accountable for utilizing their alarms and that's the crux of what's happening right now.

CHAIR VICTORINO: Okay, thank you, Lieutenant. So if I understand you correctly, a lot of these alarms are false alarms, many times due to the lack of maintenance of the systems, their alarm systems or sometimes their lack of doing the right steps when setting or disarming their alarm systems? Am I correct in saying that?

MR. DADEZ: That's correct. And then we take into consideration some of the weather conditions when we have storms, hurricanes, the alarms all go off.

CHAIR VICTORINO: Right, okay. So that would be a special consideration but if this is like the normal everyday false alarms and then the police must respond no matter what and that's two men responding or two officers responding to that particular incident.

MR. DADEZ: That is correct, Mr. Chair.

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CHAIR VICTORINO: Okay, thank you. Further questions for either the Department and/or the Director of Finance? Oh, okay. Seeing none, actually I was going to defer this matter because I just wanted an update to make sure they were ready because I think we have been waiting and the last time when we brought this matter forward, unfortunately, we didn't invite the Police Department, which was an oversight on my part and I apologize for that. So with no further discussion, I will ask to defer this matter.

COUNCILMEMBERS: No objections.

COUNCILMEMBERS VOICED NO OBJECTIONS (excused: GCB, DSG, RH).

CHAIR VICTORINO: No objections, thank you.

ACTION: DEFER pending further discussion.

CHAIR VICTORINO: So, we will look forward to the implementation and I'll report maybe in a year or so we'd like to see how this is all working. Thank you, Mr. Agsalog and Lieutenant Dadez, for being here today.

MR. DADEZ: Thank you.

CHAIR VICTORINO: And Merry Christmas to all of you. And you too, Ms. Sheppard. So while we're doing that, I will call Mr. David Goode, Director of Public Works, to come forward.

ITEM PIA-55: ROADS IN LIMBO IN MAUI COUNTY AND STATEWIDE (CC 12-181)

CHAIR VICTORINO: The next item is Roads in Limbo in Maui County and Statewide, PIA-55. The County is, County Communication 12-181, from the Director of Public Works, transmitting a copy of the following: 1. Senate Resolution 17, S.D.1, entitled Requesting the Department of Transportation to Form a Working Group to Expedite [sic] Results [sic] in [sic] the Issuance [sic] of Roads in Limbo in Maui County; 2. Senate Concurrent Resolution 49, S.D.1, H.D.1, entitled Requesting the Department of Transportation to Work...to Form a Working Group to Expedite [sic] Results [sic] on [sic] the Issue of Roads in Limbo Statewide; 2...3. the correspondence dated July 30, 2014, from the Director of Public Works, transmitting a list of 220 roads from the Department believes to be old government roads for which ownership by the State or County is still in question. On your desk is a report generated by the task force. Director Goode is a member of the task force. Also a copy of the two bills and testimony from Council Chair Baisa and myself testifying, submitted testimony in support of, during the 2014 State Legislative Session. Mr. Goode is here this morning and he will explain the recommendation of the task force and where the County and State stand on this issue currently. Good morning, Mr. Goode.

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MR. GOODE: Good morning, Chair.

CHAIR VICTORINO: And if you would like to begin, please?

MR. GOODE: Okay, thank you. Good morning, Members. Dave Goode here for the Department of Public Works. Thanks for scheduling this item today and having the opportunity to update the Committee on Statewide efforts and then our efforts here in Maui County. I think we're all aware of the issue regarding roads commonly known as roads in limbo or old government roads. I'll be using the term old government roads today or OGRs for short, which are, in a nutshell, roads that were, you know, formally part of the Territory of Hawaii that were not formally accepted by a County Legislative body, like the Board of Supervisors or the Council. You know, our ordinances require Council adoption to accept property, yet the State as heir to the Territory preferred to pass laws at the State level simply declaring that all roads that they accept, like State highways, are ours. And so with their unilateral action are in certain instances no resolutions being adopted, we have a dispute and it's been going on for 45-plus years. We last met on this item in December of 2012 in preparation for this working group that was put together as called for in the Senate Concurring Resolution 49, which came out of the Legislative Session in 2012. Essentially, the concurring resolution outlined the problem and as the DOT convened the counties to, you know, come up with some ideas on moving forward. As those meetings were being set up, I wanted to come to this body to get some general thoughts from you folks so that, you know, when we participated in the meeting we were prepared with the Council's general feelings on the matter. In that meeting in 2012, here in the Policy Committee, we talked about the issue of cataloging the OGRs, the liability of accepting ownership, and the costs to bring up some of the OGRs up to County standards. I think it was the liability was probably the major issue that I sensed out of that meeting. We met with DOT as part of this working group. We met only a couple of times. The DOT report, I think you have with you, it's a very simple report. They have two items that came out of that. One was if the OGR is acquired by the County and subsequently sold, because perhaps it only services one property say, that those funds would stay with the County. This is something in State law that allows the City and County of Honolulu to do it but not the other counties. So clearly we don't necessarily have an issue with that. The second had to do with the liability. That if any government agency worked on a road, that we didn't want to be exposed to liability, especially if the road's in terrible shape to start with. And that's, you know, consistent with the guidance I got here at the Policy Committee. So with that report, DOT had some bills they sent to the Leg primarily dealing with these two items and the bills got, I think it was 2013 actually got to Conference Committee and died and in 2014 it resuscitated I don't think made a crossover. When they got as far as Conference Committee, I think it was 2013, the language in the bill, the idea was, is to give the County some immunity from liability for a period of time, say ten years. And in that ten years, the County could then plan and program, you know, how we want to accept it and how we could decide to fund any improvements. And essentially, my understanding, is that the tort attorneys, tort liability attorneys, lobbyists killed the bill with all due respect to my colleague to my left. So each County, you know, looks at this a little bit

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differently because we have different quantities of roads, different quality of these OGRs and since the bill died in the Legislature after a couple of attempts, one of the items that came up were the cataloging. So we started to put together a list and that list was transmitted to you, this Committee, in July of last year. And that list keeps, as we discover new roads, we modify or if something for some reason is taken off the list. But from all intents and purposes, the list is pretty darn good and there's about 220 roads on that list that we've identified that as more than likely are OGRs and they exist in just about every district in Maui County. Since transmitting that list, you know, and thinking about what the Legislature did, it got pretty far. Where it really had the stumbling block is related to having, giving too much liability-free roads to the County, at least I guess in their opinion. We started looking at that list in more detail and looked at well which ones do we kind of already work on? And if, you know, you go through your list you'll see a lot of very familiar roads. And the idea was well if we're already working on and deal with some of the roads, why don't we just move forward with those roads and get our list down to a list of really old, really our old government roads not up to standards that maybe, you know, take another crack at with the Legislature on a much smaller list and also show the progress that we've made to date. So if you look through that list, again, you'll be surprised about some of the roads you'll see on there but our records, at least to date, our searches have not indicated that we've seen a resolution from again, the Board of Supervisors or the Council. And going through some of the districts, you see like Keanae Road in Hana, roads in the first increments of Kahului, which were built pre-statehood, like Lono, Kane, Hawaii Street. Upcountry you see Baldwin, Makawao Avenue, Copp Road; Piliwale in the Makawao-Pukalani-Kula District, Makaena Road on Molokai; East and West Kuiaha and Awalau in Paia-Haiku; Halama Street, Kanani, Kananui in South Maui; Waihee Valley, Church, Central, Wells, Mission in Wailuku; Lahainaluna, Kenui, Luakini, Prison, Shaw in West Maui. So all roads that we're very familiar with. They're generally collector-type roads, roads that were around territorial days and roads that we currently at least haven't found resolutions that we accept. But we do maintain those roads for the most part. We do CIP. You guys give us funds, we improve them. So we, so I started calling these class one roads and those are the ones I think would make sense that we formalize a transaction with the State. Probably you have to go to the Board of Land and Natural Resources, doing something like a quit claim perhaps if the State doesn't want to claim ownership but I believe there's been other instances where they've quit claimed their interests. And then coming back to the Council and then adopting or accepting roads by, say by map because trying to get metes and bounds on all these things would be very difficult and time consuming and costly and I think we have about 190 or so of these 220 roads are class one roads. Some of them actually, they're long enough that they're class one, could be class two and three as well. And class two are the ones that we don't maintain but they serve residents. And so we have hands full of these in just about every district. Class three roads I would call like paper roads that if you were standing on it you probably wouldn't know you're on a road, at least not, it shows a road on a map. Class three roads would also typically service maybe one property or no properties and those are the ones that down the line we might say, okay, we're willing to dispose of that and through our disposal of property statute or ordinance and collect whatever minor amount of funds we would get. So some class two roads

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include like Waikoloa in Hana, part of Calasa Road Upcountry, Olea in Molokai, which may actually be a class three road, Ulalena Loop in Paia-Haiku, which is one that has, I think, that our office gets the most calls about because there's quite a few residents on that road. Waikapu Road in Wailuku District is another example. That one can be class two and class three. So that's, Chair, kind of where we're at. So we're, you know, honing in on a process or an idea that can make great strides, you know, in having a more complete and proper inventory of Council or County-accepted roads. It'll significantly reduce the amount of OGRs that need further Legislative action and have a path that, forward that one day, perhaps in the not-so-distant future we could actually put the whole 45-year saga of OGRs behind us. That concludes my thoughts.

CHAIR VICTORINO: Thank you very much, Mr. Goode. Before I open the floor for questions from the Members, I have a couple real quick ones I want to cover and then I'll let the Members start. How many of these roads would you go under the class A that you feel that we could, again like you say quit claim or whatever necessary steps, how many roads of this 220 would you put in that class A category? Because I know you gave me a number at one time.

MR. GOODE: Somewhere around 190.

CHAIR VICTORINO: So, about two-thirds of this list, or more, almost three-fourths?

MR. GOODE: Yeah.

CHAIR VICTORINO: Okay.

MR. GOODE: Yeah, three...80 percent, 85 percent.

CHAIR VICTORINO: Yeah, yeah about 80 percent. Okay, very good. And secondly, since we have control of these roads and we have maintained most of them through the years, do you see any real challenge from the State as far as taking over these roads?

MR. GOODE: No. I think they'd be happy --

CHAIR VICTORINO: Very happy to give them up.

MR. GOODE: --happy to do it.

CHAIR VICTORINO: Okay.

MR. GOODE: I guess the question would be how they would do it.

CHAIR VICTORINO: Yeah. And I remember, I will remind the Members that last year when we, they were discussing the half percent GET, the connection they had proposed was roads in limbo. And if you remember we went down and fought that very diligently and they took that out. I think it came from, I think it was Jill Tokuda's idea if I'm not, well, I forget whose idea it was but it wasn't a great idea that they'd give us the

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half percent but it would be dedicated to roads in limbo but they did remove that. So that is not part of the equation at this time. If I'm correct, right, Mr. Goode?

MR. GOODE: You know, I'm not familiar with the --

CHAIR VICTORINO: The political aspect.

MR. GOODE: --wranglings on TAT but I remember hearing something about roads in limbo.

CHAIR VICTORINO: No not, it was GET. Was nothing to do with the TAT.

MR. GOODE: Oh, GET.

CHAIR VICTORINO: It was the GET, that was the connector.

MR. GOODE: Oh.

CHAIR VICTORINO: And they did remove it so just to remind you that sometimes the State will give us something but make us pay for it some other way and that was one of their ways. So I'll open the floor for questions. I'll start with you, Mr. White, and work my way right down.

COUNCILMEMBER WHITE: Of the 190 roads that are class one, when you were discussing...

CHAIR VICTORINO: Mr. White, can you go a little closer to your mic. I don't...I know it works well when I talk, you know.

COUNCILMEMBER WHITE: I know they must turn it down for you, gotta turn it up for me. Of the 190 roads in the class one, how many of those would or how many of those have portions that would be class two that we don't maintain?

MR. GOODE: Probably less than 10 percent, maybe around 10 percent of them.

COUNCILMEMBER WHITE: Okay. 'Cause I agree, I think, you know, if we're, if we can get rid of 85 percent of the roads in limbo because we're already taking care of them, I think that makes a lot of sense, so I appreciate your providing us the details this morning. I think your idea is right on.

MR. GOODE: Okay.

COUNCILMEMBER WHITE Thank you.

MR. GOODE: Thank you.

COUNCILMEMBER WHITE: Thank you, Chair.

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CHAIR VICTORINO: Thank you, Chair. Mr. Hokama, because you were the originator of this issue back in 2012 so please.

COUNCILMEMBER HOKAMA: And I haven't changed much. Still don't feel to take over State responsibilities and it's interesting, Chairman, we talk about roads we've been maintaining but obviously it's in dispute because somewhere down the line, the State exercised authority and oversight, somewhere. That's why it's in limbo. So my thing is what did they do, why did they supposedly stop because they exercise jurisdiction. And a lot of these things goes back to territorial days, even before the State. But there was a County still then before the Territory so I think we need some historical information, Chairman, because not every road is the same to me. You know, there are still roads on Lanai that's not on the list that I will tell you, it's definitely not the County's road but it's a government road on an old map. So for me, is if we are going to take anything, let's make sure that we can verify it and that it is our responsibility and jurisdiction. Because other than that, I think we have protection by the Constitution and the State better give the money for this mandate to take over certain things because that's how I'll look at it. They want to shove things, expenses to us, well then bring the money with it too then or why is it in dispute? They could have just said we have no dispute, we're not contesting jurisdiction. There's a reason why they're contesting jurisdiction, Chairman, and we need to find that out too. Why they want to punt and give everything to the counties.

CHAIR VICTORINO: Okay, thank you, Mr. Hokama. Ms. Willenbrink, can you make a note of that and we will forward a letter with that request. We'll send it to the Department of Transportation and try to ascertain that historical perspective that you're asking for, Mr. Hokama. Anything else?

COUNCILMEMBER HOKAMA: Thank you, Chair.

CHAIR VICTORINO: Oh, okay. Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you, Chair. I, the only concern I have, well maybe not the only, but often these old government roads are without signage or street name and what have you and yet we have residents residing off these old government roads so I think the sooner we take whose kuleana it really belongs to because in case of emergencies for the residents it's not, the responders do not have identification. That's couple of the concerns I've had coming from Molokai so I'm sure it's here too with old government roads so I think the presumption for us to go ahead and assume, and I agree with Mr. Hokama, somebody's gotta pick up the cost for that, so. But thank you for working on this. Thank you. Thank you, Chair.

CHAIR VICTORINO: Okay. Mr. Couch?

VICE-CHAIR COUCH: Thank you, Mr. Chair. And I agree with both Mr. Hokama and Ms. Crivello as well as Mr. White on several different issues. The big thing is, you know, looking at least in the South Maui District, this is stuff we've been doing all along so the stuff that, as Mr. Goode says, the class ones, I think there's no problem

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with taking them over. We've already done everything and we've got the liability anywhere there's dispute on the liability. You know, the legislation is attempting to excuse the County from liability on this, which implies that the County has liability as we speak. So I think for the roads that are class one, I'm fine with getting them off the list and getting them but I don't want to see the State shirk its responsibilities either so that's where my thoughts are.

CHAIR VICTORINO: Okay, thank you. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And very happy to be here discussing this so we don't let it fall to the wayside, you know, decades and decades that it's been ongoing. But I'm trying to understand the recommendation that came out of the report. Mr. Goode, not sure if you were that familiar but it's saying where counties having a population in excess of 500,000 persons, well, that's only one county that we know of. It doesn't, that doesn't pull any of us outer islands from the island of Oahu into this. I know later it says, it's been revised to include all counties. But this is in regards, and I'm trying to figure this part out, the sale of public highways that formerly were State highways to State. So I don't, what does that mean? I mean, you, these old government roads, they want to give, you know, it's in limbo. It's State technically at first but they don't want it so then we the County say hey, we want it. So now they're saying if you sell it to private, I don't know, monies has to be remitted but if you're selling to State you don't? I don't, I'm confused with that recommendation if you can --

CHAIR VICTORINO: Mr. Goode?

COUNCILMEMBER COCHRAN: --straighten it out.

MR. GOODE: Thanks, Chair. Yeah, Ms. Cochran, it is a bit confusing but, yeah, this, was it HRS 264-3.

COUNCILMEMBER COCHRAN: Yes.

MR. GOODE: It was basically passed for the City and County. That's why it has the over 500,000 limit and the State and the City and County were also working on OGRs and this is probably 20 years old. I think it was early '90s when they did this and basically the deal was if the State passes this, the City and County will accept all the OGRs that they had on their books. Again, all the counties are different and the state of the roads are all different. But the City wanted to know well if we're going to get them and we're going to take them, and we want to sell them for whatever reason or somebody wants to buy it, we get the money. And so that's what this law says. It basically says yeah, you can have them, county, and if for some reason you sell them, you keep the money, not the State. And the recommendation from the task force was we'll make that provision for all the counties. I don't know if that actually passed yet or if it was part of that other bill that died in Committee.

COUNCILMEMBER COCHRAN: Okay.

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MR. GOODE: But roads really aren't worth a whole lot so you don't get a whole lot of money for it but it makes sense that we get it but that's, so that's what happened to the City and County. They said, hey look you pass this and we'll accept these OGRs and they did so there's a Council action on that. There has been further disputes since it passed according to my colleagues at City and County of Honolulu as it relates to well which roads did they accept. So I think that one of the issues they have was that the resolution was not specific so they still have a handful of roads that are I think either still being disputed or what have you. But for the most part, the City and County is kind of over, pretty much handled this issue.

COUNCILMEMBER COCHRAN: Okay. Yeah, thank you. So, and then I'm just looking at our list. I know as you state it's a work-in-progress. For West Maui, the Market and Mill Streets, is that the, is that supposed to be in Wailuku? Where's our Market?

MR. GOODE: Yeah, there's the Mill Street by the mill.

COUNCILMEMBER COCHRAN: The old mill.

MR. GOODE: And Market is a, kind of a paper road makai side of the library I think.

COUNCILMEMBER COCHRAN: Okay.

MR. GOODE: If memory serves me right. That's a good example of a class three. You could be standing on it and not know you're on a road.

COUNCILMEMBER COCHRAN: Right. And then looking at the types that the, the section, street, type, prefix, TMKs, for Shaw it says T. What's that T stand for?

MR. GOODE: Oh, that was a typo, it should have been ST --

COUNCILMEMBER COCHRAN: Oh, it should be S...oh, okay, got it.

MR. GOODE: --for street.

COUNCILMEMBER COCHRAN: I thought it was like something special.

MR. GOODE: Yeah. I actually noticed that too the other day.

COUNCILMEMBER COCHRAN: Okay because I've been looking at that a lot lately it being Coconut Road originally during territorial days and...okay, alright. That's, and then I guess in reference to Hui F, I hate to bring that one up, but that was not, is not a government road per se to begin with. It was privately built then the dispute happened because it was never built to standards so that's why a road like that would not be on here?

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MR. GOODE: That's correct. Yeah, we wouldn't, it doesn't fall in the class of this dispute. It is odd that it is somewhat government owned because it's actually vested in the Second Circuit Court, which we consider, I guess, a government agency but yeah, we didn't include, we call it the Hui roads which, that fall in this category.

COUNCILMEMBER COCHRAN: Yeah, all the hui.

MR. GOODE: Yeah.

COUNCILMEMBER COCHRAN: Yeah, okay. Alright. Well thank you, Director, for your work on this.

MR. GOODE: Alright.

COUNCILMEMBER COCHRAN: Thank you, Chair.

CHAIR VICTORINO: You're welcome. Mr. Carroll? Okay.

COUNCILMEMBER HOKAMA: Chairman?

CHAIR VICTORINO: Yes?

COUNCILMEMBER HOKAMA: If I may, please? Thank you. You know, Ms. Cochran brought up a good point, Director Goode, regarding the recommendations, 'cause that was pretty good legalese language. But if you look at a little higher, on number five, the State is telling us as long as it stays within the government family, there's no title issues but if we chose to sell or dispose to a third party, there is a title issue? Is that what the State is telling us?

CHAIR VICTORINO: Maybe we can have you, Mr. Kushi, with your legal background, maybe assist in that matter also, please?

COUNCILMEMBER HOKAMA: Counselor, if you can we would appreciate some comment --

CHAIR VICTORINO: Clarification?

COUNCILMEMBER HOKAMA: --on number five, please.

MR. KUSHI: Yeah, I'm reading it now. I don't know what it means.

COUNCILMEMBER HOKAMA: Thank you because I don't either. I don't get it either.

MR. KUSHI: No idea. If you do a title search on all of these roads, I don't think you'll get anything.

COUNCILMEMBER HOKAMA: And I just add that, Chair, because, you know, it's kind of interesting. The issue exists if we transfer the land. So if we don't, there's no title

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issue? So what would the title issue be if we transfer the land? That's what I want to know. I mean obviously somebody says there's a problem, Title Guarantee or somebody's saying to somebody there's a problem if you transfer it from a government to a third-party entity that's not government.

CHAIR VICTORINO: We can look into that matter and maybe even address that one to the Legislative branch because they're the ones that incorporated it and made the regulation or the HRS so maybe it is time for us to ask them what did they really mean in their description.

COUNCILMEMBER HOKAMA: And again, yeah, Chairman, if you look at number five, the way I see it, the State's still showing jurisdiction because the way I read it is the State has to convey to the County for the County to convey to the third party. So the State is saying I'm in control of the land since I have to convey to the County. So what is this limbo thing? They're telling me they have jurisdiction.

CHAIR VICTORINO: Well, you read what many of us read. Also that falls with, you know, even in the area of parks. I know that's outside of our discussion matter but we have many parks that we control but it has been EO'd, Executive Ordered over to the County and so when does that exercise our control of it but yet if we want to do something, we still gotta go back to them so why don't you just give it to us, but anyhow.

COUNCILMEMBER HOKAMA: And again, Chairman, it just puts our people, like Mr. Goode, in the very difficult position because he's asking us, he's been told to ask us for our comment and yet when you look at their documents --

CHAIR VICTORINO: Right.

COUNCILMEMBER HOKAMA: --they're telling me they're controlling and have jurisdiction because I need permission from them or approval from them. So I don't understand this limbo thing.

CHAIR VICTORINO: Well, we'll try to get to the bottom of it. I think, and I want to first of all thank Mr. Goode for his exemplary work. Oh, Mr. Kushi, you have something you'd like to add?

MR. KUSHI: Yeah.

CHAIR VICTORINO: Sorry, I didn't see you raise your hand. Go ahead.

MR. KUSHI: If I may say this and if I understand the question and the situation. And by the way, talk about EO property, we went through the exercise with the State on those parks, you remember.

COUNCILMEMBER HOKAMA: Right.

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MR. KUSHI: Take it but you gotta maintain it too, with no money right? If I understand what's happening here or what the situation may be is that if any private third party, whoever would do it, would want these roads, then the State would quit claim it to the County and the County would then quit claim it to the third party private. If you quit claim something it's like, you know, if I own the bridge I'll give it to you so there would be no warranty deeds or anything. But again, on a quit claim deal, both parties must accept the terms of the quit claim. So I don't think title issuance would matter in this case. The other route is condemnation, you know, where you clear it, you clear the deck totally. But that costs time and money.

COUNCILMEMBER HOKAMA: Right. Okay, I appreciate that comments from Corporation Counsel, Chairman, because he gave us couple scenarios of, that make sense, so thank you so much.

CHAIR VICTORINO: Thank you, and then thank you, Mr. Kushi, for your clarification, at least giving us a better idea. So what I would like to do, again I'm going to defer this matter and I would like to ask, with your permission, first of all to get clarification from the Department of Transportation and other agencies that are involved in this roads in limbo issue, including the Legislature, and get some clarifications on the questions that have been brought forth. Secondly, I would like Mr. Goode, if with your permission, to prepare our A list and get it ready for us to look at and see, you know, the probability of us just taking over and if there's quit claims and other issues that have to be done then at that point in time, you know, giving Mr. Goode and the Department the opportunity to get it cleared up. Because if we can, like you said, Mr. White, get 80-85 percent of these roads taken care of, then we've got a small fraction to deal with and that makes it so much easier for the Department and for us to understand what needs to be done. Yes, Mr. White, you have something you wanted to say?

COUNCILMEMBER WHITE: Yeah, you know, I think Mr. Hokama, as usual, brings up an important point that if the State has had jurisdiction over all these roads and we've been maintaining them, are we going to get some of that money or are we going to get any money going forward for these roads to be maintained? You know, we're always in this push and pull over money and the next item is part of that push and pull. But it is, you know, it is a big question. If they have the jurisdiction to the degree where we have to ask permission to do something, then that tells me that's their road. So I think this is a more, more of a web than I thought it might be but it is a road that we have to cross.

CHAIR VICTORINO: Thank you. The chicken has to get from one side to the other. And I agree. Hopefully we'll be able to ascertain some of those answers to some of the questions that have been brought up but I also feel like, and again, the next subject matter is another push and shove with the State issue, but I just believe that it's come a time where if we can finalize these matters, let's finalize them. I mean, I don't want to get stuck in the mud trying to say yeah, you've owned it all these years, now you want to turn it over to us so you'd give us money for it, because then again we might go back to square one and start issues that we don't want to maybe start. So but I

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will leave it to Mr. Goode. I will try to ascertain the answers to those questions that you've all asked today to try to get this matter moving and I think it's time. It's a good time to look at it. Yes, Mr. Hokama?

COUNCILMEMBER HOKAMA: Chairman, and if Mr. Goode has the ability, and again, you know, he knows his manpower best.

CHAIR VICTORINO: Yes.

COUNCILMEMBER HOKAMA: If maybe his Engineering Division can assist him. I would like a sense of a general estimate of what kind of County resources would then they be requesting if this was our jurisdiction. Because that's not even in my calculations of things that I've been preparing for upcoming Budget. So if he says if you take it and we take the compromise, let's say 175 roads, that will be another \$675 million worth, I mean I have no clue. I just throwing out a figure but it might be good to have a sense of what this means financially to us if we say we're willing to take that responsibility, Chairman. I just want a sense of where we are financially, thank you.

CHAIR VICTORINO: Okay, and I will ask that but I can answer honestly, how much did we spend on the Wells Street redevelopment? I can tell you that was just done. You know and that's one of many that have just been done, so.

COUNCILMEMBER HOKAMA: No, and that's why, Chairman, yeah, there is financial impact --

CHAIR VICTORINO: Yes.

COUNCILMEMBER HOKAMA: --on our community.

CHAIR VICTORINO: Yeah.

COUNCILMEMBER HOKAMA: And we should be aware of all these factors before we make that decision, Chairman. Thank you.

CHAIR VICTORINO: Okay. Okay, Mr. Goode, if, you got that question as far as what Mr. Hokama is requesting?

COUNCILMEMBER HOKAMA: Your best estimate.

CHAIR VICTORINO: Best estimate.

MR. GOODE: Yeah, I obviously can't do it here on the floor.

COUNCILMEMBER HOKAMA: Just a projection.

MR. GOODE: Yeah. My goal with the class, the definition of class ones are these ones we already maintained. So to me I don't see it as additional costs it's just part of the

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program. It's the class twos and threes that we'd have to analyze and those would be difficult. But to me that's another discussion or another set of problems but it is, need to know the order of magnitude.

CHAIR VICTORINO: Well, I think what Mr. Hokama, if I'm correct, Mr. Hokama, you're wanting to know what class A or class one would be because even though we are maintaining it and we're doing it already so we know how much we're spending, but overall, what more do we need to spend and this is taking the State off the hook for that. You know I think that's what you're asking for, isn't that right, Mr. Hokama?

COUNCILMEMBER HOKAMA: Well, Chairman, there is a Senator and she believes that the counties don't provide the State sufficient benefit so my thing is I don't have a problem sending her a bill of all the things the counties, this County does to support the State including State departments through the annual budget.

CHAIR VICTORINO: Mr. White? Thank you, Mr. Hokama.

COUNCILMEMBER WHITE: Yeah, but if we could add to that, one of the other terms that the Director has used in the past is lane miles and it's probably a lot of work to get the lane miles on something like this but just a rough estimate would be helpful to I think Mr. Hokama's concerns because we can generate the cost off the lane miles.

CHAIR VICTORINO: Well I think we have some idea because I remember Mr. Goode gave me some numbers as far as lane miles so if you would and for the class A. The difficult one is, not class A, class one. The class two and three might be a little more difficult to ascertain but I think the class one, I, you know, you have a pretty good idea on that one pretty quickly. So, okay, Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And real quick, Mr. Goode, Papelekane I know has been, in town that's like a very widely used down there by the harbor...

CHAIR VICTORINO: You know what I'm going to ask you, because we have a lot, I think, if it something that does your district, would you ask him directly, you know, maybe you send a letter to him if you want information on a particular road? I'd rather stay away from that because we have other issues. I wanna kind of kept it general if you don't mind, please?

COUNCILMEMBER COCHRAN: Okay.

CHAIR VICTORINO: Yeah, if you would, Ms. Cochran.

COUNCILMEMBER COCHRAN: Yeah it's just real...okay.

CHAIR VICTORINO: Okay?

COUNCILMEMBER COCHRAN: Yeah, we'll talk.

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CHAIR VICTORINO: Yeah, yeah, see. Yeah.

COUNCILMEMBER COCHRAN: But, I mean...okay.

CHAIR VICTORINO: Yeah, if any of you have --

COUNCILMEMBER COCHRAN: Public really wants to know what's the deal with this road.

CHAIR VICTORINO: --any roads in your district that you have particular concerns on...

COUNCILMEMBER COCHRAN: Just that one road. That's all I'm looking at.

CHAIR VICTORINO: Yeah, you know, then you can check with Mr. Goode directly, please.
Okay. So with no further discussion, I will ask to defer this matter, with no objections?

COUNCILMEMBERS: No objections.

COUNCILMEMBERS VOICED NO OBJECTIONS (excused: GCB, DSG).

ACTION: DEFER pending further discussion.

CHAIR VICTORINO: Thank you very, very much. At this time, Mr. White, I see our delegation from Pingtung is, has joined us. Good morning. Welcome. So at this time, Mr. White, if you'd like to introduce them and...me? I do it. Oh, okay. Excuse me.

VICE-CHAIR COUCH: Recess?

UNIDENTIFIED SPEAKER: Recessing?

CHAIR VICTORINO: No, we're going to do that live and then we'll take a recess for the gifts and all those matters, okay? Yes. Alrighty. Okay, good morning from our sister city of Pingtung County in Taiwan. We'd like to welcome you to Maui. First of all, I would like to call the Magistrate of Pingtung County to come to the podium...oh, you will do the introducing of the names and the positions?

Note: Visitation from Pingtung County Delegates. Ms. Liping Liu (translator) introduced the delegates.

MS. LIU: Yeah, I'm trying to interpret.

CHAIR VICTORINO: Okay. Okay. So I'll go very slowly then.

MS. LIU: Sure.

CHAIR VICTORINO: Okay. So why don't we start with the delegation, introducing them, their names, and I will tell them, like for example the Magistrate from Pingtung County

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is the equivalent of the Mayor of Maui County. So if you would please, and your name, please?

MS. LIU: My name is Liping Liu.

CHAIR VICTORINO: Welcome.

MS. LIU: Thank you.

CHAIR VICTORINO: Go ahead, introduce.

MS. LIU: . . .*(spoke in Mandarin)*. . .

CHAIR VICTORINO: Thank you. And the Director of Research and Evaluation Department, Pingtung County Government.

MS. LIU: Lin Shu-hui.

CHAIR VICTORINO: And then their Secretary, Environmental Protection Bureau, Pingtung County Government.

MS. LIU: Lin Jui-chuan. Lin Jui-chuan.

CHAIR VICTORINO: Lin?

MS. LIU: Lin.

CHAIR VICTORINO: And then next is the Secretary to the Magistrate of Pingtung County.

MS. LIU: Hsu Fu-kuei.

MR. HSU: Aloha.

CHAIR VICTORINO: Aloha. And then the former Magistrate of Pingtung County, the previous Mayor.

MS. LIU: Tsao chi-hung. Tsao chi-hung.

CHAIR VICTORINO: And then the Secretary to the Former...

MR. TSAO: Aloha. We say masaru.

CHAIR VICTORINO: Masaru.

MS. LIU: Masaru.

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CHAIR VICTORINO: Masaru. Thank you. Oh, we're gonna learn some Chinese now. The Secretary of the former Magistrate of Pingtung County.

MS. LIU: Huang li-hsia.

MS. HUANG: Good morning.

CHAIR VICTORINO: Good morning. And finally, Associate Professor of the National Central University.

MS. LIU: Chen Cheng-I.

MR. CHEN: Aloha.

CHAIR VICTORINO: Just to give you a quick history, Pingtung, Taiwan is the Republic of China, has been our sister city for the County of Maui since March 5, 1982. Danny Mateo, on the behalf of the Council, visited Pingtung in 2012. Pingtung County has a population of 847,000 people and is greatly promoting tourism sector of their county in recent years. Traditionally, this county has been dominated by agriculture and the fishery industry. So I would like to welcome them. At this time, Mr. White, with your permission, I'll call a recess for you to do the presentation of gifts and picture taking. This Committee will now stand in recess. . . .*(gavel)*. . .

RECESS: 9:54 a.m.

RECONVENE: 10:23 a.m.

CHAIR VICTORINO: . . .*(gavel)*. . . The meeting of the Policy and Intergovernmental Committee will reconvene.

ITEM PIA-57: STATE OF HAWAII'S TRANSIENT ACCOMMODATIONS TAX (CC 15-254)

CHAIR VICTORINO: We have one final item today and that is the Hawaii, the State of Hawaii Transient Accommodation Tax, PIA-57. The Committee is in receipt of County Communication 15-254, from Council Chair Mike White, transmitting the matter relating to the State of Hawaii's Transient Accommodation Tax. Mr. White has prepared a special presentation for us and for the community and I thank Mr. White for all his efforts. Are you going to be able to do it from there or will you need to take the podium here?

COUNCILMEMBER WHITE: I'll just do it from here.

CHAIR VICTORINO: You'll do it from here? And who will run, you can run it from there? Kim, you're running it? Okay, fine. Alright, Mr. White, please proceed.

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COUNCILMEMBER WHITE: Yeah, and thank you very much for making this time available, Chair, because the TAT continues to be a subject over which we have continuing discussions with the State Legislature and as many people don't know, the room charge or the room taxes on hotels are a municipal tax in most places around the country.

CHAIR VICTORINO: If you would excuse me one moment. I did not...thank you, I let you cough at the same time. I did not recognize Mr. Hokama and Mr. Guzman, they attended the meeting and I never got a chance to recognize them so please forgive me, gentlemen. If you would proceed, Mr. Chair.

COUNCILMEMBER WHITE: Thank you very much. So this is a proposal, or not a proposal but a presentation just to get people thinking about whether or not the counties are getting a fair share of the Transient Accommodations Tax as the State currently doles it out. So I would really appreciate other Members comments, and concerns, questions, et cetera, as we go through this. So if we can have the next slide, please? Who's got the controls?

CHAIR VICTORINO: We're having some technical difficulties, hang on. We thought we had everything ready but...

MS. WILLENBRINK: Brief recess, Chair.

CHAIR VICTORINO: Sure. Recess subject to the call of the Chair. . . .*(gavel)*. . .

RECESS: 10:26 a.m.

RECONVENE: 10:26 a.m.

CHAIR VICTORINO: . . .*(gavel)*. . . We will reconvene the meeting. Please, Ms. Willenbrink. Mr. White, please.

Note: Computer-generated presentation.

COUNCILMEMBER WHITE: Thank you, Chair. As we will all recall, back in 2009, when the economy went south, the State revenues dropped by 9.8 percent and they obviously had to make up that shortfall somehow and so they decided that a portion of the gap would be made up by increasing the TAT and capping the County's share. And those items took place over a couple of years. So in 2009, the TAT was increased by 1 percent to 8.25 and then the following year to the current level of 9.25. At the same time, County revenues continued to grow but slightly with increasing property values, but then--next slide--in 2010, State revenues began to increase again but remained below 2008 levels. So in 2011 and 2012, the TAT distribution to the counties was capped at \$93 million and unfortunately by this time, the County property values started to drop and drop pretty significantly as you'll see in later slides. And next slide. And where we are today is that State revenues now from 2010 to 2015 have increased by 34.4 percent or nearly 1.8 billion over the year 2010. Cumulative

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revenue increases from 2010 to 2015 for the State amounted to \$6.8 billion over the 2009 base. Next slide. In the counties, county property tax revenues have grown by 8.8 percent over about \$122.5 million and property values remain \$4.5 billion lower than in 2010, that's for all counties, and as you'll see in the next, well, I'll get to the values in a minute. Over the same time, even though we are currently \$122 million ahead of where we were in 2010, each of the counties saw a loss in revenues during that same timeframe. So our cumulative increase from 2010 to 2015 at the County level is only \$31 million compared to \$6.8 billion at the State level. So if I could have the next slide. And, you know, we get questions at the State level, well why don't you guys increase your property tax rates. You know, you guys have control over your own revenues and so you can increase your rates. But I think it's important to look at a couple of things. The middle column shows the property values compared to 2010. So City and County of Honolulu is up 5 percent and there...well and Maui County is down 19.4 percent. So we're down the most of any of the four counties with Hawaii County down 8 percent and Kauai County down about the same amount in property values, but our revenues are all up and the revenues are up because in the City and County of Honolulu, their effective tax rate per thousand dollars of valuation have increased by 6.1 percent. So to say that the counties aren't increasing our property tax rates is just not correct. So the City and County of Honolulu has gone up 6.1 percent, in the far right column, Maui County to address our revenue shortfalls has increased our property tax rates by 25.8 percent. Hawaii County has increased their rates by 17.7 and Kauai County 15.3. So all of us have increased our rates and the resulting revenue increases are 11.4 percent from 2010 to 2015 for the City and County of Honolulu, Maui County revenues in RPT are up 1.4 percent, Hawaii County up 8.2 and Kauai County up 6.6. So that compares pretty dramatically to the State's increase of 34.4 percent. Okay, next slide. And what has happened with the State's adjustments to the TAT from 2007 to now is that in 2007, the State's share of the TAT amounted to \$8.3 million. That has grown with capping the counties and increasing the tax by two points. That has grown the State's share to \$205 million in 2015. And at the same time, the counties have lost \$85 million that they would have gotten otherwise. Okay, next slide. So that means that the State's increase was \$196.6 million or 2,363 percent while the counties received \$2.2 million or 2.2 percent increase over the 2007 allocation. So if you take a look at the next slide, during the same time, and Maui County's share of that \$2.2 million was \$508,600 in added TAT funds from 2007 to 2015 but our expenses just in Police, Fire, and Parks have gone up by \$62 million in that same period. So in effect, we have gone from a position where the visitors were picking up, you know, a significant share of the cost for these three departments but in the last 8 years, the visitors, through the State, have only provided \$508,000 out of the \$62 million increase and I think it's appropriate for our residents of Maui County to expect the TAT to come to at least cover the visitors' share of that, of those increases. So, the next slide. So how do we compare with other jurisdictions? And this is a question that I've been asking for a long, long time, but there's a company called HVS that put together a study that was published last year and then there's a more recent copy that came out in 2000...actually just in September. So this is all fresh information but, and I need to point out that this study incorporates all of the taxes on lodging, whether it's a state sales tax or Hawaii's Excise Tax, whether it's a municipal lodging tax or a special district tax in various

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cities. So when we're going through the next set of numbers, it's not just TAT, it's all taxes on lodging, which includes sales tax, GET, and so forth. So if you go to the next slide, the State of Hawaii currently provides 17 percent of overall taxes on lodging to, actually that's on the neighbor islands, you'll see Honolulu receives 20.4 and that's because of the half a percent GET that they receive. Compared to our peers nationally, 35 percent of the 150 cities receive 100 percent of taxes on lodging, 127 of those, which includes the 35, receive 50 percent or more of the taxes on lodging, and 148 receive 25 percent or more. There are just 2 that receive less than 25 percent and that's us and Rhode Island. So if you'd go to the next slide. So the top row, average accommodations tax rate for 150 Municipalities, the total on the right column is the average tax charged throughout these 150 cities and it amounts to 13.41 percent compared to our 13.25, so we're right about average there but where we lose ground is you look under the counties, and actually that title should really be municipalities because this is counties and cities that are receiving these taxes. But of the 13.4 points, the average of the 150 cities is 9.08 or 9.1 and the State receives 4.3 percent or 4.3 points. The current rate for Hawaii, and this is for the neighbor islands, is 2.26 of the 13.25 and the State is receiving 10.99 or almost 11 percent. Under the proposed split of the TAT Working Group, now the TAT Working Group's proposal is that the monies will be collected, the Tourism Special Fund will be funded, the Convention Center, the North Shore land purchase, and the DLNR programs will be funded out of the total prior to the funds being split between the counties. So after spending...I don't know, I can't remember what the total is but it's roughly 82 million for the special fund, 31 million for the Convention Center and the other two items, after that, we split the remaining amount with 45 percent going to the counties, 55 percent going to the State. So that puts the County's share at 3.05 and reduces the State's share from 10 or 11 percent down to 10.2. And so that leaves us with a ranking of 149th, just, you know, just where we were before this all started. The proposed split that I am recommending is that we split the monies 50-50 with the State prior to the funding of the special fund, Tourism Special Fund for HTA and the Convention Center and the other projects. That would, even though that dramatically increases the amount that we would get under the TAT Working Group proposal, the counties would increase from \$103 million to \$138 million. Under a 50-50 split, the State and the County would split the \$420 million so the counties would have \$210 million to split. And that would move us up to 148th. So if you could move to the next slide. And my feeling is that the County's share should be fixed at 50 percent. Next slide. One of the comments that we get with respect to the TAT being returned to a higher level is similar to the discussions we get in other issues in that I think all of us have heard this, well we're not going to give it back to you unless you take more responsibility. Well, my feeling is that we have the responsibility for Police, Fire, and Parks and just that one responsibility has increased dramatically in cost. So while the State folks continue to say well, we can't give it back or give it away, we can't give it away for free, the focus that I think we need to have is you took it when you needed it but when we need it, you've not made any adjustments. So instead of you feeling like you're giving this away, you need to feel like you're giving it back. So that's the nuts and bolts of my presentation. I think it, you know, one of the challenges is to find cities that are dependent on leisure travel, like Hawaii is. So if you look at a place like Orlando. Orlando gets 62 million visitors a year. They have a

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population of 255,000. So they have about 100,000 more residents than we have but they get 62 million visitors compared to our 2.5 million visitors. They sell 32 million room nights in their hotels and other lodging opportunities. We generate 5½ million room nights and yet if we were to receive, if the counties were to receive the room tax that they receive, the counties would get the entire \$420 million. So we're only asking for half of what Anaheim gets and if you look at...I'm sorry, I said Orlando. Anaheim is in California, as you all know. They don't have any sales tax and they don't have any state lodging tax either, so in Anaheim, we would be getting the entire amount of the room tax of \$420 million as well. And there are other states, and I'll provide more information later but I think it's important to know that there are, of the 50 states, two states, California and Alaska have neither a lodging tax at the state level or a sales tax at the state level that applies to lodging. Ten states have both a sales tax and a lodging tax at the state level and the average is 9.2 percent compared to our 13.4. Twenty-six states have a sales tax without any lodging tax. And then 12 have a lodging tax but don't have a sales tax. So there are only ten that have both and the others have one or the other or neither. So I think this is something that we need to take, you know, continue to take a deeper and deeper look into just so that we can establish what's really fair. And the State rightfully says well we have more expenses than you all do. But the State also has the most effective tax of any state in the country because the rest have sales tax, and that doesn't apply to services and things of that sort. Our excise tax applies to all of it. So we have a much larger tax generation capability at the State level than most other states have. So I think it's important for us to take a look at this. If you look at the services that are provided to visitors once they land, it's the counties that provide the vast majority of those services, and it's not the State. So the working group has done a good job of trying to put together who's spending what and so forth but my view is that they should focus on the original deal that was made with the counties, which says back in the early days that 95 percent of the TAT, when it was just a 5 percent tax, 90 percent of that would go to the counties and so I think they should stick to that promise and that would provide us with almost precisely the numbers that I have been sharing. So I'm happy to answer any questions and any concerns, any things that others feel that I should add to the mix. Thank you, Chair.

CHAIR VICTORINO: Thank you, Mr. White, for that very comprehensive overview. I think you've made the point that we have as a County, or as counties, been neglected very badly in the area of what we should be receiving for the services we provide. And again, roads in limbo was another example just moments ago. We discussed again same situation. Take it over but no money. Here it's your responsibility and what Mr. Hokama has coined, unfunded mandates. I mean we have just a whole mess of unfunded mandates from the State. And this is just another piece of that but they're not a mandate, they just take it away from us. So even HSAC has discussed that and you were at our meeting. We wholeheartedly support this effort. I think we have over the past several years that I've served on the board and I think even before that. Yes, we stop them from taking or reducing it two years ago but we got peanuts thrown back at us but that's better than nothing at all. If you remember, we still got that 1.1 percent and then it was 2.2 overall for the 2 years. But I think it's time where the State's economy has rebounded, if you want to use that term, and it's time for us to

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get our fair share and I think this is just a real factual presentation on what exactly this means, not only to the State but to the counties. And so I thank you, Mr. White, for doing that. He's really good with numbers. He spent the whole weekend again doing this and I really do appreciate that. No, seriously all joking aside, we do. So, if you have questions. I'll start this time on this side of the table. Mr. Carroll, do you have any specific questions or suggestions for Mr. White and his presentation?

COUNCILMEMBER CARROLL: I would just like to thank Mr. White for a very clear presentation. It is something that we have been working on for many, many years. And the bottom line was that last part, giving us back what we're supposed to have and convincing the Legislature to do that. I think if the public's watching this, they're very clear on the fact that we really need that money and we should have that money. It's how we're going to convince the Legislature, to go over and do what they really need to do and give it back to us and I would hope that all the counties, Maui, Kauai, and Big Island, and even Oahu, City and County, can work together to try to get some justice in this so we can use that money for our people. Thank you, Mr. White.

CHAIR VICTORINO: I can assure you, Mr. Carroll, that HSAC and HCOM, not HCOM but the chairs, the four chairs are in total support. And we have scheduled over the next couple of weeks some meetings with Senate and House leadership and also trying to get a meeting with the Governor to discuss these matters, to present this to them before we go down there in January for the opening of the Legislature. We hope to get some dialogue started very early in the process, so yes, thank you very much for all your efforts through the years, Mr. Carroll. Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair, and thank you, Chair White, for putting the time into this and you definitely know your stuff here so thank you for bringing it clearly to us. On your slide, oh, there's no numbers, wait. I guess the second to last page, I guess it's just the proposed splits, percentages. You mentioned that in the, first off, the, Oahu takes for DLNR I guess stuff, Convention Center, and then that purchase of Turtle Bay land, and DLNR, if I'm not mistaken, only gets like 1 percent?

COUNCILMEMBER WHITE: Yeah, they get 3 million, so that's actually, well I believe it's 3 million that they get and that's actually a little less than 1 percent now. Their 3 million has been a fixed amount for a number of years I believe.

COUNCILMEMBER COCHRAN: Yeah, and that in itself is a sad figure. They definitely need more, as we all know. They do a lot to protect our natural resources that help our tourism and economy. But so then from there currently we get 2.5, after that's taken out, the remaining balance, we get 2.5 to this County? And...

COUNCILMEMBER WHITE: Which page are you looking at?

COUNCILMEMBER COCHRAN: I'm just, I'm kind of just extracting, second to the last page, the bottom, just trying to figure out percentages-wise...

COUNCILMEMBER WHITE: You're looking at this chart?

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COUNCILMEMBER COCHRAN: Yes.

COUNCILMEMBER WHITE: At the bottom?

COUNCILMEMBER COCHRAN: And then, but I'm just trying to figure out the big total, how it's divvied out first and then we sort of split up the, you know, the remaining share?

COUNCILMEMBER WHITE: Yeah, I have those numbers.

COUNCILMEMBER COCHRAN: Okay.

COUNCILMEMBER WHITE: The challenge is that this particular page is a combination of TAT and GET.

COUNCILMEMBER COCHRAN: Okay.

COUNCILMEMBER WHITE: So it's all the taxes because the study is done looking at all the taxes on lodging whether they're State or municipal so it is a little confusing because these percentages are not percentages of the TAT alone. They are percentages of all the taxes on lodging.

COUNCILMEMBER COCHRAN: Okay.

COUNCILMEMBER WHITE: So when you look at the 2.2 percent, that includes the, we get 2.2 percent of the total GET and TAT that's charged to lodging.

COUNCILMEMBER COCHRAN: Okay. Okay, yeah. I was just looking at the TAT portion. But this is a combo.

COUNCILMEMBER WHITE: Yeah, it's a little...

COUNCILMEMBER COCHRAN: Okay, got it.

COUNCILMEMBER WHITE: It's a little confusing but I couldn't figure out...

COUNCILMEMBER COCHRAN: How to split it apart?

COUNCILMEMBER WHITE: Because I've got to compare, so the first part of the presentation is comparing what we used to get but to put it in perspective, under the current breakdown with the counties getting \$103 million, Maui County's share is 23,484,000. Under the original breakdown of the TAT, Maui's 22.8 percent share of what the counties get would have grown to 42, almost \$43 million. So that would go a long ways to paying at least a good portion of the increase in the Police, Parks, and Fire costs. Under the TAT Working Group proposal, Maui County would grow from 23.4 or 23.5 that we're getting now to 31,600,000. Under the 50 percent proposal, the amount would grow to \$47.9 million.

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COUNCILMEMBER COCHRAN: Okay. And so that...

COUNCILMEMBER WHITE: So to, just to finalize or finish that off, so the combination of the 4.3 or 4.63 that you see on the screen actually represents that combined total of the counties getting \$210 million and just taking that number as a percentage of the total TAT and GET. That's how we get to the 4.63 percent. The remainder of the TAT and all the GET goes to the State, which represents the 8.63.

COUNCILMEMBER COCHRAN: Okay. Alright, well very good. Thank you for that. And so in the red, the proposed proposal, I guess, by HSAC, this is what you folks have gone up to lobby or intend to go up to lobby about?

CHAIR VICTORINO: Intend to.

COUNCILMEMBER WHITE: Intend to, correct.

CHAIR VICTORINO: Intend to.

COUNCILMEMBER COCHRAN: Okay.

CHAIR VICTORINO: That's what we intend to, yes.

COUNCILMEMBER COCHRAN: Okay, very good. Thank you. Chair, thank you.

CHAIR VICTORINO: Okay, Mr. Couch?

VICE-CHAIR COUCH: Thank you, Mr. Chair, and thank you, Mr. White, for your presentation. Can you put it a little bit, if you have these numbers, in perspective as far as actually dollars? You did give some but what is the total TAT that is generated by all the counties?

COUNCILMEMBER WHITE: It's about 421 million per year.

VICE-CHAIR COUCH: Okay. And how much of that does Maui contribute?

COUNCILMEMBER WHITE: Approximately 130 million.

VICE-CHAIR COUCH: One-hundred thirty million, and we get 23 million back?

COUNCILMEMBER WHITE: Right.

VICE-CHAIR COUCH: That's a huge...

CHAIR VICTORINO: Thank you, Mr. Couch. You're not telling us something we don't know already.

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VICE-CHAIR COUCH: Well I know but I don't know if the public knows that.

CHAIR VICTORINO: And we all know that.

COUNCILMEMBER WHITE: And that's why I brought up Orlando and Anaheim.

VICE-CHAIR COUCH: Right.

COUNCILMEMBER WHITE: Because they have a tax that they keep all of.

VICE-CHAIR COUCH: All to themselves.

COUNCILMEMBER WHITE: So there's a room tax in both of those places and they keep it all and it's because of fire, police, and other --

VICE-CHAIR COUCH: Sure.

COUNCILMEMBER WHITE: --city and county responsibilities to take care of the visitors once they get there.

VICE-CHAIR COUCH: Yeah.

COUNCILMEMBER WHITE: And of course, Anaheim and Orlando have a huge amount of vehicle traffic, which, you know, we don't have, but so they've got road issues and, you know, far beyond ours, so.

VICE-CHAIR COUCH: Right. Thank you, Chair.

CHAIR VICTORINO: Ms. Crivello?

COUNCILMEMBER CRIVELLO: Thank you. Thank you, Mr. White. So is there the conversation going on, I don't know if it's HSAC or the legislators, for us to consider the GET versus the TAT or is it, I'm talking about the 1/2 percent where they want us to consider making that part of our revenue base for transportation?

CHAIR VICTORINO: Mr. White, I'll to allow you to answer that question.

COUNCILMEMBER WHITE: There doesn't appear to be support for the 1/2 percent for the neighbor island counties.

COUNCILMEMBER CRIVELLO: Okay, good.

COUNCILMEMBER WHITE: So the, this proposal is simply going back to them and saying we're not talking about the GET, we're just talking about the TAT for all four counties.

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COUNCILMEMBER CRIVELLO: Does it sound like we have a kind of support, at least from our Maui constituent or legislators for the 130 million or why don't we have the full 130 million?

COUNCILMEMBER WHITE: I have not asked, well, first of all, the, I think our delegation has been supportive of our concerns in the past. They have not been presented the new information of how we compare to other counties. I don't think they have been presented the numbers showing that while the State received an increase of \$196 million, the counties got 2.2. So there are a lot of things that our delegation is not aware of yet that are in this presentation. So I don't know where they're coming from yet but I hope that they'll see that this is relatively compelling.

COUNCILMEMBER CRIVELLO: It is. Yeah. Thank you. Thank you, Chair.

CHAIR VICTORINO: Mr. Hokama?

COUNCILMEMBER HOKAMA: Chairman, thank you. I appreciate the update from Chairman White and it continues to show and prove to me that counties across the nation continue to look at ways of getting the job done. So a few things that I got from Mr. White's presentation, Chairman, that I would like to just share. One, especially on that slide that he showed between 2010 and '15 about the effective property tax rate and the impact. One of the great things that we should remind our tax base about is that a lot of the increased cost to us is collective bargaining. Things that the State, through its ratio of votes to do contracts continually puts the counties in a disadvantage, disadvantageous position, Chairman, because of the amount of votes they have to pass any collective bargaining agreement. And a lot of times, I swear, they don't take into account the County's positions on issues. You know, for me, our County, one of the big concerns is of course comp time and how we deal with that, when we allow it, the impact on financing, whether to take it currently or 25 years down the road, you know, it makes a difference to us. And so I would just say that there's many things that the State can say the County can do this, the County can do that but we're taking it in the butt because of decisions made by the State. On the page that the Chairman has showed us that split of the various proposals, the 55, 45, the 50-50, first, I would say traveling nationally, many jurisdictions assess me 8 to 10 percent tax when I stay at their accommodations. Here in Hawaii we bitch about 4 percent excise. I would agree. I don't think it's right we tax tax, which we allow under this structure. But I would say if, what I am interested in, of course, at this time, Chairman, you know, the HSAC, you have, Mr. White has represented us very responsibly, my concern is lack of State leadership especially in the Governor's Office and in the administration as well as with HTA. Caretaking this program of the visitor's industry is not good enough and that's what they're doing. The Governor can tout he has saved us a billion dollars over his first year, well you know what, I wish he spent that on hospitals and education 'cause that's where the people want their money to go, not saving it, improving it. Giving our people a better healthcare system that we can depend on. Something that the education that the parents can feel that their kids are getting top-quality education. The employers are excited because they have a qualified workforce. And with a qualified workforce you can get promotion and

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increase of pay to improve their own quality of life. This is about economic development. So if the State wants to punt to the counties then punt everything. Punt all the other revenue sources to us. Punt a lot of other things to us because I think we can do a lot of good in this County provided we have the right tools, Chair. I, for one, don't support the excise tax. I don't know how the State looks at it, candy, the carrot on the stick. I just consider that punting their responsibility to the counties. I expect State to have better leadership, better vision and to see where the counties fit because why should this County and the other two sister counties pay for the Convention Center? We've paid for it. We help build it. I think it's a failed strategy. And when is the State going to realize that the counties who generate the money can use that money back in their own counties to improve their own facilities and programs not only for the visitor, definitely, but for the resident. You know, this North Shore park thing, they all feel good on Oahu, well, you know what, I wish they took care of my Maui Memorial Hospital and all our public schools in this County. So, you know, my rant and raving is nothing new, Chairman. But I will tell you this that I think we are in a great position. We have a Senate President from Kauai, the House Speaker is from Maui and I would agree with Mr. White, I think our delegation has been as open and as supportive as possible with the information that they have and the demands they have to balance within the State programs. But for our people in our County, Mr. Chairman, you know, 50-50, to me, is the minimum we should be getting. Tell me what HTA really generates for this County besides taking our money and spending it for what they think is good for our County? You know, I gotta live with the situation on Lanai and it sucks right now, you know? They're going to lay off another 49 Lanaians in a few months. My colleague next to me, Ms. Crivello has her issues on Molokai. There's a lot of good we can do, Chairman, with the right resources and I think we need to fight for what is ours. Again, it's not what the State is giving free. This is our revenue. We generate it. Our properties generate it. Our residents work hard to get the visitor to come here and pay those resources. I have a great discomfort that the State has no clue where the money actually is coming from. I know, you've asked, I've asked the seniors, I've asked a lot of people. People are willing to consider another increase in excise tax provided they give our residents exemptions on food and drugs. And we tell the people where we're going to put those new revenues, what they can expect out of those new revenues, and hold those people who make decisions accountable. I think we have a reasonable community, a reasonable tax base and if we explain well and tell them hold us accountable for the decisions we make, I think our people are willing to support those resources that we need to make the State move forward, Chairman, and keep this County strong. So, you know, and again, I'm doing my rant because I think this is something that is right for us and I'm going to continue to support Mr. White on this matter and I can tell you as your Chairman of Budget, I will not consider posting the general tax consideration. Thank you, Chair.

CHAIR VICTORINO: Thank you, Mr. Hokama. You did pontificate pretty much what all of us feel, or at least what I feel and I agree with you wholeheartedly. It is the time to make those systemic changes and put things back in our court but give us the revenue to do it. I think we can do it more effectively and it's time that that be allowed. But again,

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we have to go to the powers to be and make those changes and, you know, that sometimes, that castle down in Oahu is not an easy castle to breach.

COUNCILMEMBER HOKAMA: Well it's interesting, Chairman, those that do not truly support another Constitutional Convention is mostly within the State structure.

CHAIR VICTORINO: Yeah, absolutely. Thank you, Mr. Hokama. Mr. Guzman?

COUNCILMEMBER GUZMAN: Thank you, Chair, for the opportunity to speak. I think all my colleagues have basically pointed out some of the major issues and concerns. I have one question on the, Mr. White had mentioned that there were promises made from the State back in the day for 90 percent that was going to be retained by the County and I was wondering if I could see some type of timeline or what are we talking about in promises? Is this something that was on the floor, was it something in writing? I'm not quite sure or comprehending the term promises but I'd like to at least see in the legislative timeline of how this came about from the past to current and which representatives were pushing for the State and which were not, more in favor of the County. The other one would be at least having the Maui delegation be on the floor and having us ask them questions or even having this presentation presented to them on the floor and getting their input. I think that we're dealing with a, I guess an entity that is quite difficult to move and I think that if we look at the numbers, Oahu representatives outnumber the representatives that are elected in the neighbor islands so if we can collectively get the neighbor islands' delegations to all be in support at least they can, you know, have some type of numbers to move it. I just don't think that it's going to be that effective if we approach it from the outside in. I think we've got to really put the pressure on our delegates, our representatives, to really move on it because they're the ones that cast the votes. You know one starting point is to have them down on the floor. They gotta know that this is an important issue. You know, it's not something, every time I run into one of them they kind of side swipe it. Yeah, I know the game. Yeah, we play it too but you know what, you gotta answer the question and do the right thing and I think they've gotta say either yes or no in front of the camera and let the constituents know where they stand. So that's my little, I guess on the soapbox speech as well. Thank you.

CHAIR VICTORINO: Thank you for your Christmas wish because I don't think it's coming. But, you know, and I think we have in the past tried to get our legislators here. Their time schedules sometimes makes it really prohibitive. We have met with leadership in the past. We've brought them here to Maui and worked with leadership so we've tried a number of methodologies to get our point across. I think there's two things that definitely have to be steadfast is that all the neighbor island counties must be united. All the mayors must be united. And there is the chink in the armor. There's the problem. And if you don't know what I'm talking about, just listen to our Mayor. Okay, I rest my case. I'm not going to go any further, okay. So there's that challenge. The counties, the councils, the chairs are pretty united but it's the next level which makes it really difficult. And they do the divide and conquer issue really, really well. Mr. Hokama can attest to that. Mr. Hokama?

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COUNCILMEMBER HOKAMA: So, Chairman, hearing that, I would ask, as our Committee Chair, then I think between you and Mr. White, if Council passes a resolution, it becomes County policy and that would be the County's position. And I think we may want to consider that through an official Council action, Chairman, then it would be the County's policy's [sic] position. Thank you.

CHAIR VICTORINO: Okay, that can be done. I think I'd more than be willing to work on it with your advice and consultation. I think we could bring something forward. Mr. White, do you have anything else that you'd like to add?

COUNCILMEMBER WHITE: No, I appreciate the comments and, you know, this is, this issue is always a steep hill to climb because the State Legislature does have all the power. But to Mr. Guzman's question, there is, the TAT Working Group report provides all the legislative history so we can forward each of the Members that document.

CHAIR VICTORINO: Can you make a note of that, Ms. Willenbrink?

COUNCILMEMBER WHITE: And...

CHAIR VICTORINO: I'm sorry.

COUNCILMEMBER WHITE: And to put it in perspective, when the TAT was first passed, it was the beginning of session, the hotel industry said we'll agree to a 2 percent tax as long as it's earmarked for the Convention Center. And of course all of a sudden the neighbor islands said well, we don't really want to pay for the Convention Center but we went along to support Honolulu. When the, by the end of session, 2 percent tax became a 5 percent tax and the earmark for the Convention Center went away completely. So it all went into the General Fund. So subsequently, those of us from the neighbor islands went down and said we're not getting a Convention Center, so we want our share of the tax. So that's when the determination was made that 5 percent would stay with the State for their handling of it and 95 percent would be given to the counties and that's when the current split giving Oahu 44.1 percent of the total and Maui getting 22.8 percent and Big Island getting 10.9 and Kauai getting 10.1 percent, that was all done as long ago as that. So a lot of this has stood firm because the counties have never fought amongst themselves as to what that split should be and I don't think we will, you know, and we won't now. The only thing that has changed is that the tax has been increased twice after that and the State has simply helped themselves to a much greater share, and so the TAT Working Group report maps that all out in very clear sequence.

CHAIR VICTORINO: Well, we will make sure that that is forwarded to every Member of the Council so that they will have that...the report is finalized, right? Because I was told a couple of...

COUNCILMEMBER WHITE: Well, I'm not sure it's, I know they had a meeting...they have a meeting this week. I'm not...so I don't know what, whether what we have is a draft but whatever we have --

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CHAIR VICTORINO: Yeah.

COUNCILMEMBER WHITE: --we'll send the most current copy.

CHAIR VICTORINO: Because I was under the understanding that that was just a draft and the final report wasn't going to come out until this month or next month.

COUNCILMEMBER WHITE: That could be.

CHAIR VICTORINO: So, so...

COUNCILMEMBER WHITE: So just understand that it's a draft.

CHAIR VICTORINO: Yeah. So I just want everyone to understand that what we will be sending you is probably a draft, okay? Yes, Mr. Couch?

VICE-CHAIR COUCH: Thank you, Mr. Chair. And just for some historical perspective, the, our crack staff downstairs came up with the committee report quotes from the original TAT legislation. On the record, these are quotes from the committee report. Your committee agrees that a more equitable method of sharing State revenues with the counties must be provided. A stable and continuing source of revenue will enable the counties to provide for their needs. Currently, the counties must come before the Legislature each year to request financial assistance. This process discourages long-range planning. Your committee also notes that tourism is the largest industry in Hawaii and many of the burdens imposed by tourism fall on the counties. Increased pressures of the visitor industry mean greater demands on County services. Many of the costs providing, maintaining and upgrading police and fire protection, parks, beaches, water, road, sewage systems and other tourism-related infrastructure are being borne by the counties. Your committee finds that sharing TAT revenue with the counties by distributing the revenue among counties in proportion to the population of each county would be best accomplished, would best accomplish the intent of this measure in an equitable manner. Your committee further finds that this method will provide the counties with predictable, flexible, and permanent source of revenue. This is legislative intent when they first did it. We all know we go by legislative intent. They have obviously strayed from this original legislative intent, so.

CHAIR VICTORINO: I agree with you, everything you said except the fact that when you say by based on population because it should be based on revenue generated by the County.

VICE-CHAIR COUCH: Understood. I'm just reading from...

CHAIR VICTORINO: No, I know. I know what you said. But I want that clarification because that's been a bone of contention by many of us is that the fact is what the different counties generate. The proportion should be accordingly. But, Mr. White, go ahead.

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COUNCILMEMBER WHITE: I would stay away from that discussion because...

CHAIR VICTORINO: Well, yeah. At this point, yeah. But he brought it up with the legislative intent.

COUNCILMEMBER WHITE: No but I'm not sure that the breakdown really matches population --

CHAIR VICTORINO: Yeah.

COUNCILMEMBER WHITE: --because we're getting 22.8 and the population on the Big Island is I think a little higher than ours.

CHAIR VICTORINO: A little higher than us, yes.

COUNCILMEMBER WHITE: So there was something --

CHAIR VICTORINO: They tweaked it.

COUNCILMEMBER WHITE: -- else in the tweaking but I don't want there to be a division between the counties so, you know, we just need to be happy with the distribution as it is.

CHAIR VICTORINO: Well that's why I'm trying to say that I don't want that to be really the predication based upon population. And I think that was what I was trying to...

COUNCILMEMBER WHITE: You know, I think another, you know, Mr. Couch's comments brought up the fact that, you know, the visitor industry is a very strong industry and in this report, the HVS report, it shows that Hawaii generates the highest level of state taxes on lodging. You know the municipal taxes are listed under another report by, you know, by city. But what's interesting is that, as I mentioned earlier, there's not a lot that have lodging taxes but the State of Hawaii generates over \$500 million in total. The next is Texas, and if you just look at four cities in Texas, Austin, San Antonio, Dallas, and Houston, they have 172,000 rooms in just four cities. That compares to our total for the State of 72,000. So in just four cities they've got 100,000 more than we do. So they're number two in the generation because they have a lodging tax but no sales tax on lodging. If you drop down to the tenth largest state generator of lodging tax, you're at one-tenth of what we generate. There's 56 million and we generate 566 million in 2014. So again, what I'm finding is every angle that I look at this from says that we're being fair asking for 50 percent. And I totally agree with my colleague Mr. Hokama that we should get the whole thing because that's the way most of the cities are set up. So but being somewhat realistic, asking for the whole thing is I'm sure not going to fly, but anyway. The other thing that we need to remember is that we are impacted, the County's revenues are basically impacted by property values. The State income is generated by economic activity. And so when the economy went down, we were still okay but then we took a much larger hit in our economic base for taxation than the State did but did they come to our rescue? No.

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Maui County increased property tax rates by 25 percent just to break even. We're at, you know, our, we're collecting 1.4 percent more than we did in 2010. So we need to make sure that they keep realizing that our economic base for taxation remains below where we were in 2010 by \$4.5 billion.

CHAIR VICTORINO: Okay. Thank you, Mr. White. And I think that really tops the morning off as far as where we want to go with this. And again, as I stated earlier, HSAC is a total supporter of this. I mean all the four counties are behind of it including Oahu. They're not worried about the other aspect about the GET, that's not part of the conversation and it's not one or the other. This is our focus on TAT and that's it. And that's what we're going after. Yes, Ms. Cochran?

COUNCILMEMBER COCHRAN: Thank you, Chair. And just real briefly, maybe mister, yourself or Mr. White. Is there a possibility of the State just saying we're not giving anything and keeping it all? I mean, could they or completely drop us down? And as it is we're saying let's not rock the boat too much and upset anybody really because we are, they can just as well drop our current percentage down from where it's at granted that we should be getting, you know, double, triple more than we're currently getting too?

CHAIR VICTORINO: Mr. White, I'll let you answer that one.

COUNCILMEMBER WHITE: I think all of us know that anything is possible --

CHAIR VICTORINO: Yes.

COUNCILMEMBER WHITE: --at the Legislature but the purpose of getting an early start on this is for our community to understand what the issue is. For our community to get the numbers from us that make the case that we should be getting more than we're getting. I mean, just the fact that we've had increases of \$62 million in Police, Fire, and Parks over an 8-year period and at the same time we've only gotten \$500,000 back in TAT tells me that the State Legislature is more than willing to put the cost, the visitor's share of the cost of Police, Fire, and Parks on the back of our residents, not the visitor. So I think the more we talk about it, and, you know, I would love to hear, when you talk to other people in the community, I would love to hear what their feedback is because I have much more information that I haven't put in this and I made some notes as to what we'll add but I'd be interested in hearing from them their perspectives.

COUNCILMEMBER COCHRAN: Maybe, Chair, you know, mister, Chair White has done a good job in his surveys or his little mailers. Perhaps there could be, I don't know, testing the waters out there in our County?

CHAIR VICTORINO: I don't know if we have the time at this point because we're against a crunch because the Legislature is opening up in about three weeks, four weeks, and, you know, we need to be, I think we have enough right now. But let me give you this perspective, a number of business people have come to me and said, you know,

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constantly we keep raising real property tax rates and the values go up on there and they're second only to the visitor resort area as far as rates are concerned and so they take a beating each and every year. And these are a lot of small businesses that employ a lot of our everyday blue-collar workers, and some white collar of course. You know, and these are the businesses that are being impacted and they don't get direct revenue from visitor industry. They're construction, retail, and retail sometimes gets some but not all that much. You still depend on the residents, especially if you're talking Central Maui more so than West and South Maui. You know, Upcountry would be similar. Now you get some but, I mean, you know, proportionately this is where the tax base lines up so there's a lot of issues here. And I believe if we get our fair share, that does take care of all of the, well not all, some of the major challenges we face. We don't have to throw an unreasonable burden on these businesses and that's where we've thrown a lot of this over the years. If, and I've sat here for, now this is going to be my tenth budget, and the vast majority we've tried to avoid our residents, our homeowners, but we've put it on other areas and those are a lot of our small businesses that really employ a great number of employees throughout this County. You know, you don't see them, you don't hear them because . . . *(inaudible)* . . . talk about the County and State having the largest number but those numbers are vastly, vastly larger than the public sector when you put them in totality. You know, somebody has 150 here, 200 here, 75 here and the resort industry is private. It's not public. And I can tell you, Mr. White, you must have about 400, 500, 600 people under your employment at Kaanapali?

COUNCILMEMBER WHITE: Three hundred.

CHAIR VICTORINO: Three hundred, okay. I know the Westin was about 700 when I, because I did security and I'd get all the data on how many employees we had. We had over 700 employees and that was the Westin. Now, you times that by all the various properties, that's a lot of employees. And many of them go into that category of small businesses. Our restaurants, you know, Tasty Crust, let's use that as an example as a small business, right? Or we go down here, a lot of our small restaurants, Jack's Inn, you know, I mean, I go on and on and on and we can do this forever and I don't want to carry on but I'm saying the profound effect by not getting what we should be getting, what we fairly deserve has a profound effect on a lot of our businesses and our residents, and our residents are part of our businesses. Yes, Mr. White?

COUNCILMEMBER WHITE: Just for Ms. Cochran's question, we are actually working on a mailer right now.

CHAIR VICTORINO: Okay, very good.

COUNCILMEMBER COCHRAN: Oh, very good.

COUNCILMEMBER WHITE: And we're, once we get it where we feel that it's right, we will also offer that to the other counties as well.

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CHAIR VICTORINO: Okay, thank you.

COUNCILMEMBER COCHRAN: Good.

CHAIR VICTORINO: But again, we gotta start moving because we don't have time. You know, if this was maybe three months ago, we would have had some time but, you know, we'll use the surveys actually as backup information as we go down to our legislators and the Governor's Office. And we want to include the Governor's Office because, let me be honest, the Governor now was one of those who was one of our hindrance in our GET program two years ago because he was the Ways and Means. If I'm not mistaken, he was Ways and Means Chair at that time. So there's a lot of history here and I think we really are on the right track and I want to thank Mr. White for all his work and all of your manao. You know, you have all shared a lot of insights and I think we need to continue to move. If you have other ideas, you have other suggestions, feel free to let us know and because we want to carry the banner and we want to sound united when we go there. That's very, very important. I want the Legislature to hear it from all of us, not just from one county but all the counties and I think right now we're very unified as far as HSAC and most of our members, we're very unified. So the problem I have, again, is the next level but I won't dwell on that, we've got to move on. We can't sit there and wait to get them aboard with us. We need to move right now. So, if there's nothing else to discuss, I would like to wish everyone a Mele Kalikimaka and Hau'oli Makahiki Hou. Thank you. This is our last meeting of the PIA Committee for this year and I want to thank all my Members for all your participation and I apologize if sometimes I may be hardnosed in pushing things along. I always want to get the job done and I apologize if I offend anyone, please forgive me. It's the season of forgiving so that's why I'm asking for your forgiveness. Not only giving but forgiving, okay? So, and the last matter of PIA-57, I would like your approval to defer, with no objections?

COUNCILMEMBERS: No objections

COUNCILMEMBERS VOICED NO OBJECTIONS (excused: GCB).

ACTION: DEFER pending further discussion.

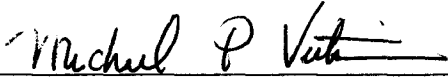
CHAIR VICTORINO: Thank you very much. So the meeting of the Policy and Intergovernmental Committee will now be adjourned. Aloha. . . .(gavel). . .

ADJOURN: 11:27 a.m.

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APPROVED:



MICHAEL P. VICTORINO, Chair
Policy and Intergovernmental Affairs Committee

pia:min:151214:krr

Transcribed by: Kekai R. Robinson

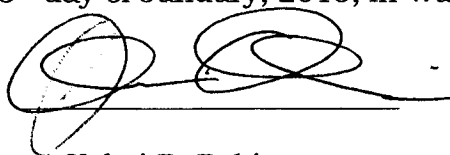
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CERTIFICATE

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 the 8th day of January, 2016, in Waihe`e, Hawai`i

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a solid horizontal line.

Kekai R. Robinson