

Revenue Forecasting

Honorable Mason K. Chock
Honorable Gary L. Hooser
Honorable KipuKai Kualii
Honorable JoAnn A. Yukimura
Honorable Arryl Kaneshiro

Excused: Honorable Ross Kagawa
Honorable Mel Rapozo

The Committee reconvened on April 9, 2015 at 9:06 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Good morning. I would like to call back to order the Budget and Finance Committee and the Fiscal Year 2015-2016 Departmental Budget Reviews. Let the record reflect that Vice Chair Kagawa is excused and Council Chair Rapozo will be in attendance after the lunch break. On schedule for today we will be hearing from the Department of Finance and the Budget Team, who will take us through the various areas of revenues, charges, and fees. As we do each morning, we will take public testimony, but seeing nobody in the audience, we will move on. I think as far as today goes, we will have...the Finance and Budget Team has a presentation and we will let them do the presentation. Then we will answer any questions on the presentation. If there are no other questions, we will move on to the list of revenue items. We will look at each page of the revenue items and just take it page by page and then, if there is any remaining questions about any other fees that are in our revenues, fees, rates, and assessments, we can bring those up and take them on a case-by-case basis. So with that, we will take the presentation.

KEN M. SHIMONISHI, Director of Finance: *Aloha* Chair and Members of the Council, Ken Shimonishi, Director of Finance. Obviously one of the major revenue items for our General Fund is our real property taxes, accounting for nearly 80% of our revenues. Our Real Property Tax Manager Mr. Hunt has prepared a presentation to show us the various segments of the real property tax by classification, as well as the changes between prior year and current year. So with that, I will hand it off to Mr. Hunt.

STEVEN A. HUNT, Real Property Tax Manager: Good morning, Councilmembers. For the record, Steve Hunt, Tax Manager. To understand the actual revenue that comes from the real property taxes, I think you first have to look at the valuation process, as well as the exemptions and other relief measures that weigh in to what becomes the net taxable amount. Starting from the bigger picture, from a gross valuation standpoint, the difference in gross value between Fiscal Year 2015 and Fiscal Year 2016 is approximately \$1.38 billion in value. That is about a 7.25% change from the prior year. This is due to a combination of new construction, general market appreciation, and the valuing of time shares as wholly-owned condo units for this year. Also in Fiscal Year 2016 there was the creation of two new tax classes that being the Residential Investor and the Commercialized Home Use, as well as continued increase in the property count for the Homestead class, which saw a significant reduction in value. I am sorry; the Residential class saw a significant reduction in value. Most of the properties have been

moving, as you can see from the prior year charts, from this blue bar right here which is our residential class, that is now a much smaller pie and we are seeing movement into the Commercialized Home Use a number of those properties that were in the Residential that had home use exemptions were moved into this new class. Also we have the Residential Investor Class, which are properties that are over \$2 million in value and do not have owner-occupants or long-term tenants. That also absorbs some of the Residential class as well as some continued migration into the Homestead class, which increased by 474 new properties compared to Fiscal Year 2015. Between Fiscal Year 2015 and 2016, as I mentioned the Residential class decreased by 10.7% in terms of the tax base, the value, the gross value. It went from 32.2% of the value in Fiscal Year 2015 to 21.5% in Fiscal Year 2016. As I mentioned the Homestead class increased by 474 properties going to 11,466 properties. Which on a property count basis represents about 34.5% of the total 33,207 taxable properties that we have on the island of Kaua'i.

Councilmember Yukimura: Excuse me, Chair, Steve, may I just ask a question? Whatever you have in writing will that be made available to us?

Mr. Hunt: I can make this available.

Councilmember Yukimura: There is so much information; it is hard to absorb it all.

Mr. Hunt: Sure.

Councilmember Yukimura: Thank you. That would change how I try to do my notes. Thank you.

Mr. Hunt: Do you want to stop and make copies now? What would be your pleasure?

Committee Chair Kaneshiro: Yes. I think it would be a good reference.

Mr. Hunt: Okay.

Councilmember Yukimura: Thank you.

Councilmember Hooser: It is a lot of information all at once.

Committee Chair Kaneshiro: I am trying to write it down and running out of space.

Councilmember Yukimura: Great.

Committee Chair Kaneshiro: Should we take a recess?

Mr. Hunt: I can continue and you can catch up and then have notes.

Councilmember Yukimura: Do you have an extra copy? You still have your copy?

Mr. Hunt: Yes.

Committee Chair Kaneshiro: We will take a quick recess.

Councilmember Yukimura: Okay.

There being no objections, the Committee recessed at 9:10 a.m.

The Committee reconvened at 9:15 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Thank you. Welcome back. We just have to get caught up on our notes. Steve, you can continue on the presentation?

Mr. Hunt: To follow along, I am about sort of the middle of bullet point number three at this point. For Fiscal Year 2016, the Homestead class now represents about almost 31%, 30.9% of the gross value of the tax base, which is up 1.8% from the prior fiscal year with this accounted for about 21.9%. I am going to move to slide 2, unless there are questions on the gross values?

Committee Chair Kaneshiro: We will go through the presentation first and then ask questions.

Mr. Hunt: Slide two shows the gross value comparisons year to year between Fiscal Year 2015 and 2016 and with the exception of the Residential, which is the blue bar and the Hotel, which is the light-blue bar, those tax classifications actually had decreases where every other class had either relatively flat or slight increases to the assessments. And note, please, that the vacant multi-family land, which previously was classified in Hotel & Resort, was moved to the Residential category. It was a big reason why the Hotel & Resort category went down this year. Slide two also shows the changes in property counts at the bottom. So there was a decrease of 1,691 within the Residential category. Again, primarily these being moved to Commercialized Home Use and to the Residential Investor class, as well as the Homestead class. And the other major decrease in properties was in the Hotel & Resort, although we also had some in Ag as Ag properties that are vacant land get developed with single-family residences they move into the Residential category or potentially the Homestead category depending on how they are used. So the Residential and Hotel & Resort saw the greatest loss in property counts while Commercialized Home Use and Homestead saw the greatest increases. In total, this is interesting; there were actually 166 fewer properties total year-over-year. A lot of this has to do with consolidation and resubdivision but also canceling of CPRs. Many properties that sort of rushed out to get entitlements for open zoning on density created CPRs, but were not successful in completing some of that information. Another big project, such as the one in Keālia, Kealanani had a consolidation drop for CPRs and now are subdivided lots. So that reduced some of the property counts. Moving on to slide three. Slide three

shows the changes in net taxable. So this is accounting for both exemptions that are applied to properties, as well as appeals. When we get to the next taxable amount that is what gets affixed to a tax rate to generate taxes. This is what we are comparing when we look at where the revenue will be generated by class. So you see on the pie chart, Residential is now...where Homestead was the greatest gross value, now Residential becomes the greatest net value with about 24.9% of the base attributed to this class. Although this is down from Fiscal Year 2015 because as previously mentioned a lot of the movement from the properties out of the Residential class, this class had represented 34.8% of the tax base in Fiscal Year 2015. Like Fiscal Year 2015, the Homestead class is still the second largest percentage of the assessment base at 24.2% up from 21.8% in Fiscal Year 2015. The next two largest categories are the Vacation Rental class, which is at 15.9%, although that is down from 16.4% the previous year. This is primarily due to the migration of the properties that were in Vacation Rental into the Commercialized Home Use class, those with owner occupants. And next is Hotel & Resort at 11.8% and that is also down from 13.4% and again, as mentioned the migration of the vacant land that had been multi-family land in this class was moved to Residential. Slide four just shows the year-over-year changes and consistent both the Residential, and the Hotel & Resort, much like the gross values show decreases in the net value. Slide five shows the potential real property tax revenues. I say "potential" because we do not always collect it. We do have some that remain in arrears and we continue to try to do collections, but this is based for our budgeting purposes, where we estimate potential. We are showing about a \$5.3 million increase in potential year-over-year. This does exclude the capped relief that was given, about \$1.48 of the \$1.9 million was actually awarded to homeowners once we were able to calculate those that had loss of exemptions, had sold their property, or had significant construction since that time of the 2013 tax. So those adjustments that were made for the 2014 taxes, which is our Fiscal Year 2015 is not part of this potential tax calculation. So comparing taxes between 2015 and the proposed 2016, there were about 1,739 properties in the Commercialized Home Use. And the aggregate difference is about \$750,000 loss in revenues. So those coming out of higher categories going into a lower proposed rate...again we are proposing \$5.05 per thousand assessed, when we compare that to the prior year taxes that actually comes down \$750,000 in aggregate despite having the properties increase a little more than 4% in value. The properties went up in value, but pay less in taxes from the prior use because of the reclassification to the Commercialized Home Use. And finally on the last slide, changes in taxes by categories. If we look at the proposed rates and the estimated taxes, we are showing that Residential would still pay the greatest amount of taxes overall at about 23% of the total taxes for Fiscal Year 2016. Vacation Rental would be the second largest at 21.6% of the total taxes. Hotel & Resort at 19.7%. Homestead at 4th with 11.3%. Commercial at 7.1%. Residential Investor at 5.6%. Agriculture at 4.9%. Commercialized Home Use at 3.8%. Industrial at 2.5%. Conservation at merely 0.5%. When you compare that to the gross valuations, Residential is paying 23% of the taxes, with 21.5% of the value. Vacation Rental would be paying 21.6% with 13.5% of the value. Hotel & Resort at 19.7% with 10.4% of value. Homestead and this is again where we give exemptions and have preferred tax rates would pay 11.3% under this budget with about almost 31% of the value. And then Commercial, 7.1% with 5.5% of the value. The Residential Investor class at 5.6% versus 5.1% of value. Ag, would be at 4.9% with 4.7% of value and Commercialized Home Use at 3.8% with 6.0% of the value. Industrial at 2.5% with 1.8% of the value.

Conservation on about par with 0.5% with 0.6% of the value. With that I will open up to any questions that you might have.

Committee Chair Kaneshiro: Any questions on the PowerPoint presentation?

Councilmember Yukimura: Even with it in writing it was hard to absorb, so much information.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: Your last slide, where you have potential taxes. 2016 versus 2015. So I wanted to know how much...before the home preservation limit and very low-income tax credits, my question was how much? But I guess when you are doing a comparison how much are we including? I mean what is the amount of home preservation limit and very low-income credits?

Mr. Hunt: Right now we have home preservation at about \$51,310 in estimated relief.

Councilmember Yukimura: What?

Mr. Hunt: \$51,310 and eight properties qualified for that.

Councilmember Yukimura: Okay.

Mr. Hunt: For the very low-income credits 172 properties, with \$83,353 in relief.

Councilmember Yukimura: Okay.

Mr. Hunt: There were actually more applicants. I believe we had 239 applications, but many of the properties actually did better with the exemptions than they did under the 3% of gross income. So although they applied, the actual market taxes were lower than the 3% of gross income. So there were no credits in those cases.

Councilmember Yukimura: Well, I am really glad we have a variety of ways to address so many different situations. That information that you just read, is that in this information?

Mr. Hunt: No, it is not. I believe it came over on the certified assessment list.

Councilmember Yukimura: Okay, great.

Committee Chair Kaneshiro: We have a question on the very low-income tax, you mentioned 3% of gross income. Does that mean real property taxes cannot be more than 3% of your gross income?

Mr. Hunt: It cannot go below minimum tax. So that is the floor. For those who have income exemptions, the floor is \$75.00. For those who do not have income exemptions the floor is \$150.00 for minimum tax. You calculate what the market taxes are, versus what 3% of gross income. I believe the cap was \$35,100, if I am not mistaken for gross income for the very low-income credits. If you were making close to the maximum, say you made \$30,000 gross income, 3% would be \$900. So you are comparing your market tax, say your market tax is \$2,000, the difference between \$900 and \$2,000 would be a credit. So your tax would be set at \$900 and you would get a \$1,100 credit.

Committee Chair Kaneshiro: Got it. So there is an income limit to it? It starts at an income limit first?

Mr. Hunt: Correct. That is why we call it very low income. We also have income exemptions for...well, the actual exemption itself. You get a reduction of value if you qualify for the income exemption. \$120,000 off the value. I believe the limit was \$62,000 gross income.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: Good morning.

Mr. Hunt: Good morning.

Councilmember Hooser: How much...so there is a net \$5.3 million increase in tax revenue in the budget. I believe that is what you said.

Mr. Hunt: Correct.

Councilmember Hooser: And how much of that is distributed in a dollars and cents form in Residential, Vacation Rental...you have percentages, but how many dollars and cents in each of these categories is represented by...

Mr. Hunt: I think the last slide has the distribution of taxes.

Councilmember Hooser: In dollars.

Mr. Hunt: That is dollars, a little over \$6 million for Residential Investor, versus \$7.7 in loss for the Residential. So those are dollars on the left.

Councilmember Hooser: Well, out of the 5...that adds up to \$5.3 million?

Mr. Hunt: Yes.

Councilmember Hooser: But because of the shift?

Mr. Hunt: Correct. You have the shift from...your lost revenue in Residential, so the Residential Investor, Commercialized Home Use, and Homestead all had increases offsetting the loss in Residential.

Councilmember Hooser: I am sorry, I am still not getting it. I am still not getting it. For example let us look at Homestead in round numbers it is \$2 million. So of all the Homestead classification, their taxes went up \$2 million?

Mr. Hunt: Well, first you have to look at the pool. There were 474 new properties that were added to the Homestead as well.

Councilmember Hooser: Right.

Mr. Hunt: So there was a valuation increase and there was a property count increase. And not all of the same properties that were part of that 11,000 change base are the same properties. Because there is always movement. People sell their homes, move off, and some people pass away and move on. So it is not a stagnant base. Just looking at the number, yes, over \$2 million of the increase would be attributed to Homestead. But it is not the same group of Homestead payers if you will.

Councilmember Hooser: I think I am getting it here. Do you have a number if you take out new construction/new development, do you have a number?

Mr. Hunt: I do not. There is no way for us to take out new construction and new development.

Councilmember Hooser: I am trying to estimate what regular homeowners who have done nothing, what impact on the average homeowner...residential is going to be.

Mr. Hunt: I do not have that information with me today. It is a request that came over to account how many properties were impacted?

Councilmember Hooser: Right.

Mr. Hunt: I can probably provide that during a break. I can go get that information if you need that today.

Councilmember Hooser: That would be helpful for this discussion. To be clear, an individual homeowner, my property was in the Residential class and now is in...it has shifted. So even though it looks like the taxes are going up, the individual homeowners...I mean down...the individual homeowners actually may have gone up.

Mr. Hunt: For the Commercialized Home Use, all of those properties are going down. Because at the proposed rate of \$5.05 is lower than any of the other rates in the past. So anyone who was an owner-occupant that had a vacation rental,

a commercial, a second home that was rented, all of those, assuming the values stayed the same, all went down. Even if values went up, the rate differential being greater than the percent in value, most of the people in that category are receiving decreases. So 1,739 properties I would say...I say at least 1,600 or more probably got reductions in taxes.

Councilmember Hooser: And the Residential that went to the Investor or whatever that classification was...all went up?

Mr. Hunt: Right. So those are non-owner occupants, \$2 million and up valued properties that are not rented long-term. Those second homes would have had increases, correct.

Councilmember Hooser: And any Homestead owner who rented out a room, who rented out a room in their house, even at affordable rates, their taxes went from \$3.05 to \$6.00?

Mr. Hunt: \$3.05 would be the tax rate for Homestead. If they were moved from Homestead to Commercialized Home Use, yes, actually they would go up to \$5.05.

Councilmember Hooser: Just for the record, just renting a room in your house would trigger that?

Mr. Hunt: Yes. If you are generating income from your property and live on your property.

Councilmember Hooser: Regardless of the size of the income?

Mr. Hunt: Yes. Correct.

Councilmember Hooser: I will pass for now.

Committee Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: Just to understand the bar graphs. On the first one, you have red numbers next to them.

Mr. Hunt: Yes.

Councilmember Kualii: And those red numbers represent the change in property count?

Mr. Hunt: Count, correct.

Councilmember Kualii: So the property count is each individual tax bill?

Mr. Hunt: No, the count is...I guess it would be. Because each particular property will get an assessment and a bill. There are some properties we call multi-pitt that have multiple zonings that gets bills for each, but they would also be blocked into the categories. You may have one property with a portion Residential and a portion Commercial because of zoning.

Councilmember Kualii: So then this in the first bar graph is telling us the change in that basically in the different categories whether it is increased or decreased?

Mr. Hunt: Correct.

Councilmember Kualii: So the bars are tied to the value?

Mr. Hunt: The bars are tied to value.

Councilmember Kualii: Where do you actually have that? Because we have to guess based on the bar and the line what the values are. Is that in the pie earlier?

Mr. Hunt: You could look at the two values that are in the pie and subtract.

Councilmember Kualii: The difference.

Mr. Hunt: Let us take Homestead for example it went from \$5.5 billion to \$6.3 billion and that is the increase. And that would be the corresponding number that you would see on the chart.

Councilmember Kualii: Okay. And then the Residential Investor did not exist. So now it exists and it is 237 and just over \$1 million.

Mr. Hunt: Yes.

Councilmember Kualii: Now in the next two bar graphs, why is it not there, the red numbers?

Mr. Hunt: I just wanted to show them once to show what property counts did. The counts by categories did not change. They are the same counts. They are the same set of properties that we are analyzing and taking it from a gross-level to net taxable-level to the actual taxes estimates.

Councilmember Kualii: I know for me and I will just do it for myself later, I will just put it on every chart and put the dollars on every chart and that is how I will look at it more closely, I think, instead of trying to look at multiple pages. Thank you.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: The Residential Investor, how many property owners does that include?

Mr. Hunt: I do not know owners because you could have an owner that owns multiple properties. 237 properties are in the category.

Councilmember Hooser: 237 properties?

Mr. Hunt: Yes.

Councilmember Hooser: And those were properties that were previously in the Residential classification for the most part?

Mr. Hunt: Yes.

Councilmember Hooser: They have shifted now to the higher classification?

Mr. Hunt: Correct. I think the average price is \$3.8 million.

Councilmember Hooser: And those 237 owners, their property tax rate will go from what to do what?

Mr. Hunt: From \$6.05 to \$7.05.

Councilmember Hooser: So they have a rate increase of \$1.00. And you had mentioned and I kind of missed it, because I am not quite sure what I heard because there is a lot of information coming. When you are looking at the \$5.3 million, I believe you said it did not include the \$1.48 million.

Mr. Hunt: Correct.

Councilmember Hooser: And that \$1.48 million was the...?

Mr. Hunt: The one-time credit that we used Unassigned Fund Balance to cap taxes at a \$250 limit for increase.

Councilmember Hooser: Does that mean with this budget there will actually be another \$1.48 million in revenue on top of the \$5.3 million?

Mr. Hunt: If you are looking at what adjustments were done on the credits, yes. Because we took away revenue, if you will, by giving that relief.

Councilmember Hooser: For that year.

Mr. Hunt: For that year. But it was a one-time. So now the comparison is to...without the relief package, what revenues were estimated at last fiscal

compared to this fiscal? We are comparing \$5.3, but if you are comparing it with the credits then it would be \$1.48 million more.

Councilmember Hooser: More money?

Mr. Hunt: Yes.

Councilmember Hooser: So the net tax increase if you consider the credits as a tax increase, because we lifted that cap, so therefore those property owners will have that tax increase...so the net tax increase is actually \$6.8.

Mr. Hunt: That would be a correct statement, I believe. Yes.

Councilmember Hooser: And so I think it is important information for us to have. It was not as clear when you first kind of went through it.

Mr. Hunt: I think the majority of that is also within the Commercialized Home Use and the combination of releasing the permanent cap which is now at market value and market tax, combined with what had been done with rates for certain categories, especially with Vacation Rental class. Many had started in Residential and by the time they came out, they were in the Vacation Rental class because we did not have that class even though they were vacation renting. It was a combination of the two values released and the rates that had major impacts on those. So if we look at the distribution of that \$1.48 million in relief, the majority of that was to Vacation Rental and some to Residential, but primarily Vacation Rental receiving the lion's share. I think less than 10% got close to 80% of the relief.

Councilmember Hooser: Right. And what precipitated that relief was the tremendous swings in property taxes that many of those people experienced. And one of my main concerns is avoiding that again. And so what I really need to have is specifics on who is coming down because the Home Use, Commercialized Home Use and now we are talking about going up. And so how do we...you provided some really detailed information TMK by TMK when we voted to remove the cap. And do some of this other stuff. And so I would like to see that same level of attention and detail shown to the TMKs that are impacted by this. So we can judge whether people are going to have a \$5,000 increase or \$200 increase? Because it is a lot more. It is not \$5.3 million. It is \$6.8 million. Can you provide that?

Mr. Hunt: Given time, I would be able to, yes.

Councilmember Hooser: How much time?

Mr. Hunt: It depends on how quickly I can replenish some of my staff. I currently do not have an Ag Inspector. I am down two Appraisers and have another on worker's compensation so I am at least four people down, so a lot of the burden of the day-to-day is falling on me. So that would be me preparing that information.

Councilmember Hooser: Would we be able to get that information in time to use it to base a budget decision on?

Mr. Hunt: The May budget decision?

Councilmember Hooser: The budget decision that yes...

Mr. Hunt: Yes, by the May 8th budget submission...yes I can commit to having that information available.

Councilmember Hooser: Thank you.

Committee Chair Kaneshiro: Further questions? Councilmember Yukimura.

Councilmember Yukimura: Thank you for providing the comparisons on the back of the information sheet. Just so I understand what it shows, it is showing the percentage of taxes paid, compared to the percentage that this...that any particular class is of the gross value?

Mr. Hunt: That is correct.

Councilmember Yukimura: Right. So arguably, Residential is paying 23% of the taxes and gross value is 21.5%. So it is kind of they are reflecting what their percentage of gross is. Vacation Rental is paying 21...almost...well, rounded off, 22% of the taxes when their gross valuation is 13.5%. So it shows that there has been at least by tax rates, we have made a policy decision that vacation rentals which are not owner-occupied homes of local residents, would pay more than their gross valuation. Hotel is interesting. You show 20% of the taxes are paid, and they are 10% of gross value. So they are paying about double. Okay. And then when you come down and it is interesting "Ag" and even "Residential Investor" are showing equitable or equal proportions. Commercialized Home Use is paying less than their gross valuation by about half. And then Homestead is paying less than their gross valuation. Those are local people/homeowners by about one-third. So imbedded in this is a reflection of the policy that we have made if I can quote former Councilmember Tim Bynum that "local people will pay less because they live here, they are working here. This is their home." So they would pay lower tax rates and that is a policy decision that we are making, which I think we want to perpetuate. But that really helps us see what we are doing in terms of policy. Thank you.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: The chart that is up there now, that represents \$5.3 million?

Mr. Hunt: Yes.

Councilmember Hooser: Can we have a chart like that that represents \$6.8 million?

Mr. Hunt: No. What you are asking for I am prepared to do in May, which is the breakdown of applying the credits to each property and pull them into class. Problem is that some of those properties for Fiscal Year 2016 may have gotten credits and no longer in the same class. If they sold the property or doing another use, they might have migrated. I wish it were an easy sample pool to say this continues to move and year over year you can compare a snap shot to snap shot. We just do not have that granular level of detail that we can provide. I can take those properties with exemptions and break them into two categories...sorry, home use exemptions...there are other exemptions. Those who have home use exemptions I can break them into two categories. Those that are Homestead and only used as owner-occupied, no income, and those that are in the Commercialized Home Use and do an actual comparison to their taxes and the credits that those got and compare that to our estimated taxes for this year. That is as much detail as I am able to provide.

Councilmember Hooser: Okay. I am puzzled that we were not including the \$1.45 in the \$5.3 and in discussing additional tax revenue that come in, we have been focusing on the \$5.3 and this is the first of all the discussions that I have heard there is actually \$6.8. Is that extra money in the budget properly? Or is it somehow mixed it? Explain why...

Mr. Hunt: The \$112 million and change that we are talking about in estimated real property taxes are based off the rate-setting and the net valuations. So when we are comparing that to the prior year, we are also comparing to the same certified roll. When Council makes adjustments after the fact and does it for...it affects the certified roll, but we are not going back and re-certifying figures. So that one-time credit was just a one-time credit and we view the \$107 million in what the budget was last year. So in comparison to the budget was still the \$5.3 million.

Councilmember Hooser: You are comparing it to what before the adjustment was made?

Mr. Hunt: Yes.

Councilmember Hooser: Okay.

Mr. Hunt: Because it was not an adjustment done at budget. This is something that was done much later.

Councilmember Hooser: But the reality of it is there is a \$6.8 million increase in tax revenue.

Mr. Hunt: Which is I disclosed it on the sheet. It is right there.

Councilmember Hooser: This is several weeks since the Mayor's budget message and this is the first I heard that we have a \$6.8 million increase in tax revenue. It

has been \$5.3 million all the way through and I think it makes a difference in the conversation that we are having. Thank you.

Committee Chair Kaneshiro: Any further questions? Councilmember Kualii?

Councilmember Kualii: When you...I just missed some things. So I want to go back, because you talk kind of fast. When you talk about the property counts and the units, if you will and the total, you had said there is less total.

Mr. Hunt: Correct.

Councilmember Kualii: Because of consolidation, canceling of CPRs, what else did you say? What other reasons?

Mr. Hunt: Those were the primary two.

Councilmember Kualii: Those were the primary two. And what was the total?

Mr. Hunt: The total taxable property count for Fiscal Year 2016 is 33,207.

Councilmember Kualii: 33,207.

Mr. Hunt: Yes. And prior year was 33,373. Interesting enough the prior year was also a reduction from Fiscal Year 2014. Of 751 properties. So it is a continued trend at least for some of these CPRs to be canceled.

Councilmember Kualii: And then on that backside of your chart, you explained a little bit about Commercialized Home Use, taxes 3.8%, gross values, 6.0%, and you said there is...of the 1,739 properties, probably 1,600 or more got reduction in property taxes. Can you say what that is for the Residential Investor?

Mr. Hunt: I would imagine all 237 are going to increase both by value and by having a higher tax rate.

Councilmember Kualii: Okay. And then the other thing is so what was the rate again for the Commercialized Home Use?

Mr. Hunt: Pardon me?

Councilmember Kualii: The Residential Investor went from \$6.05 to \$7.05.

Mr. Hunt: Residential Investor had been in the Residential category. So they went from \$6.05 in Residential to \$7.05 as Residential Investor, so a \$1.00 increase.

Councilmember Kualii: So what is the same for the Commercialized Home Use?

Mr. Hunt: Commercialized Home Use...these were not in one category. These were pulled from Vacation Rental, from Residential, from Commercial, from Industrial and lumped into one category and we said anyone who lives on their own property with an owner exemption, but generates revenue, whether renting a room or having a dental office below and living above, whatever the combination, they are not using it solely as their principle residence but other uses, that rate is \$5.05, which is the next lowest rate to any rate. From the most minimal decrease, you are going from \$6.05 to \$5.05 but on the high side, if you are coming down from Vacation Rental, you are going from \$8.85 to \$5.05.

Councilmember Kualii: Are they all decreases?

Mr. Hunt: I would say the majority are. There are probably some close to breakeven. If they come from the Residential class and the value increased more than the rate differential, they may be at par or a little bit above.

Councilmember Yukimura: May I follow-up?

Councilmember Kualii: Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura. Follow-up question.

Councilmember Yukimura: There might be increases where they thought they were Homestead, and they did not realize that income meant income from...activity on the property. So there may be some increases.

Mr. Hunt: Well, if they were in a prior category from Homestead and moving in, yes. Definitely there would be an increase on rate alone, even without change in value. Or properties that may have started as Homestead last year, built a second home and rented it and not only have just migration from Homestead to Commercialized Home Use, but the fact that they have a new building on it too. That moved them into the new category and created more value.

Councilmember Yukimura: Yes. Okay.

Mr. Hunt: It was likely offset by revenue from renting it.

Councilmember Yukimura: Go ahead.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Thank you, Steve. This is kind of premature and we probably will not see it until later, but has there been a look at the budget and tax impact on the potential homestay category?

Councilmember Yukimura: Did you say homestay?

Councilmember Chock: Homestay, and where that moves this.

Mr. Hunt: It would...my understanding of the draft language is homestays would require home exemption with an owner-occupant on the property and in that case they are already classified as Commercialized Home Use, they are in here and it has been budgeted for. Likely they will be coming out of Vacation Rental into this category. So they have already probably seen some relief.

Councilmember Chock: Okay, thanks.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: I am sorry, I find it interesting that you have identified somewhat of a trend towards consolidation and fewer lots in total on this island. I am thinking that is partly a response to the policy decision by the Council to lower the density on open lands.

Mr. Hunt: I think that was the rush to get the CPRs. I know of a few...large, local family, owned companies that went and CPR'd a bunch of property with the density. And then I am not sure...it was not the declaration, but there was some language that said they had to have a little something more than the declaration filed as of date and it did not meet the requirements and realized that they did not have the density that they thought they had with the CPR. So they consolidated and canceled the CPR. And with some of the other ones that are longer-term holds, I do not think...it creates additional property taxes to have additional units. So I think some of those units were becoming cumbersome when the developments were not proceeding and the market was a little softer. With the Kealanani project, they just decided that they did not want to have that many CPR'd lots to be paying taxes on when they were so far away from development.

Councilmember Yukimura: You know, CPRs have been in my mind a subversion of our zoning and they subvert the minimum lot size in our agricultural lands. They were, I think, a way to get around our zoning. So it is very interesting that when we modified the density portion of our zoning, that created this kind of movement towards fewer lots which I think is a positive. I believe that was the intention of the effort to remove some of that excess density that was given to open, which you know is meant to be open areas where the topography is steep, like valleys or river valleys, where it is really good for ag and subject to flooding. So to put more density there does not make sense, but these CPRs and our excessive density really created a lot of problems. It is just very interesting for me to see some of the response to this policy decision we made several years ago. Thank you.

Committee Chair Kaneshiro: Any further questions on the PowerPoint presentation? If not, I guess we can move on. We have a sheet that breaks down every single revenue line item. And we also have our revenue section in our notes. So I am trying to think what is the best way to go? I think our notes shows in general what the changes are. This sheet shows in detail what the changes are. So I am open to going through this sheet and we can use our notes as a reference, also. But we will go through the sheet one by one, just through the pages. I think we can take it in sections. You have it as accounts, real property taxes, licenses and permits...we will go through the sections and go through it that way. We will keep moving through the pages. Then, when we are done, if there are any questions on any of the fee rates throughout the County, we can go over that also. So I do not think there is much of a presentation on this sheet. I guess, Councilmembers...Councilmember Yukimura.

Councilmember Yukimura: So Steve, the potential taxes in Fiscal Year 2016 that does include what would be delinquent taxes or not?

Mr. Hunt: No. So what happens from a collections' standpoint, we budget for the total amount of taxes. There is no bad-debt allowance. Whatever we collect during the fiscal year we are operating in just goes into the cash flow. Often, moneys that are collected in the fiscal year that we are budgeting for will be collected from prior fiscal years as we catch up and that sort of augments or supplements, but we can only project what the total tax is, not what we are actually going to collect during the fiscal year. And on top of that we also collect penalties and interests, which is not incorporated into the budget. Because again we do not know who is going to pay or when they will pay.

Councilmember Yukimura: So do you have...you must have a history of delinquent taxes over the years? And is there any standard percentage that is usual?

Mr. Hunt: I believe we are running about 3-4%.

Councilmember Yukimura: And then you say that is offset by collection of prior year delinquencies?

Mr. Hunt: For instance in May we have a foreclosure for tax sale auction of five properties. It was a much larger list, but as you get to foreclosure, they realize that they have to come and make do with their payment. We hate to foreclose, but at some point we have to force that in order to collect. That usually happens when they are three years in arrears in property taxes.

Councilmember Yukimura: So the offsets come from those prior year delinquencies, plus penalties, plus interest...And so it does not hurt you to ignore the delinquencies and just go by what the total tax projection is?

Mr. Hunt: Right. And again, we also have payment plans. So people are making payment plans to work out stuff that is in arrears as well.

Councilmember Yukimura: And the sheet that you are showing us is...what are the different line items? You show current delinquent, escrow, current delinquent? This is for a year? Oh, no, I see. Budget 2015 and budget 2016.

Mr. Shimonishi: Correct. So what we have provided are the actual collections for Fiscal Year 2012, 2013, and 2014, as well as what was budgeted for Fiscal Year 2015. Then now Fiscal Year 2016 and the far column on the right would be the change between the 2016 and 2015 budgets. So as Steve was mentioning earlier, we budget just based on assessed roll at the \$112 million in real property.

Councilmember Yukimura: And this \$5.3 is what Councilmember Hooser was talking about.

Mr. Shimonishi: Correct.

Councilmember Yukimura: Versus the 6 point something.

Mr. Shimonishi: Yes.

Mr. Hunt: The credits that were given, I think, in December or so, were not part of the May budget. So when we are comparing budget to budget, we are looking at...where we estimated revenues last year and where we estimated revenues this year?

Councilmember Yukimura: But is Councilmember Hooser's point that, in fact, we have \$6 million plus additional moneys.

Mr. Hunt: We ended up using Unassigned Fund Balance to lower revenue projections, if you will.

Councilmember Yukimura: Yes.

Mr. Hunt: And unless we are going to use Unassigned Fund Balance again as an offset or lowering projections or lowering rates, then there is going to be an impact, obviously, whatever you take away. That is a revenue loss and there has to be a corresponding expense cut.

Councilmember Yukimura: Okay.

Mr. Hunt: My understanding is that it was a one-time tax credit. If it were a perpetual change or rate change or something that was done, then it could have been incorporated. But much like when we had the cap going, we would incorporate it into that, but because it was one-time and use of Unassigned Fund Balance only, we thought comparing Fiscal Year 2015 projected to Fiscal Year 2016 projected was the best way to look at this.

Councilmember Yukimura: I see. Okay. You have under the last real property tax line item “Kukui‘ula CFD.” Why is it in here? And you show a figure of \$1,000 for Fiscal Year 2012.

Mr. Hunt: I believe it is revenue that we collect and send to the Bank of New York as part of their payment of their bond.

Councilmember Yukimura: Okay. Because we do not collect anything from the CFD?

Mr. Hunt: We do when they do new issuances. They have not done a new issuance, but if they would, we would collect 15% of the issuance and that does not show up as General Fund revenue. It actually goes into a special fund and would be earmarked by ordinance for specific uses.

Councilmember Yukimura: Right.

Mr. Hunt: I believe just in the Kōloa District as well.

Councilmember Yukimura: Right. Thank you.

Committee Chair Kaneshiro: Councilmember Kualii?

Councilmember Kualii: Along the lines of what Councilmember Yukimura was asking there on page one at the bottom, there are several categories/line items, but it just says all 0s. Why are they there if no fees are being collected? Like, business licenses, business licenses, auto driving instructor, auto driving school, auto purchase sale, auto wrecking salvage? Are there fees and nobody is doing that and so they are not paying?

Mr. Shimonishi: I think, again, it is probably something that existed at one point and there was a need to budget or someone felt there was a need to budget and recorded at that level. But more than likely that is imbedded into another line item.

Councilmember Kualii: Because along those lines, too, on the other report from you, Appendix A. In 001, bottom of the page, page two. It says, “business licenses and permits. The following business license fees are levied primarily by the authority of Chapter 445 HRS and shall be due and payable in advance on July 1st of each year.” And that is where it delineates several...it just shows annual fees of \$10 it is really minimal.

DAVE SPANSKI, County Treasurer: That is correct that. Is set by State law.

Councilmember Kualii: It is set by State law and we collect it, it is our revenue?

Mr. Spanski: For example, last year, June 30, 2014, we had 31 business licenses and collected \$1,000.

Councilmember Kualii: 31 of various kinds?

Mr. Spanski: Yes. 13 firearms, 3 pawn brokers, 5 peddlers, 4 scrap dealers, and 6 second hand dealers.

Councilmember Kualii: 31 and we collected how much?

Mr. Spanski: \$1,030.

Councilmember Kualii: So the State has this law in place for all counties or different?

Mr. Spanski: Yes. These are all set by HRS 134-31. The only one where the County has any leeway and we do, and we have used that, January 8, 2008 County Code, Section 23-3.4, page 811 of the County Code.

Councilmember Kualii: We have used that to collect what additional revenues?

Mr. Spanski: You charge \$100 to the peddler. You have five peddlers, you have \$500.

Councilmember Kualii: I would just query if the Administration would not look into that and see what the possibilities are there? I know that when I lived and worked for a city in California, we had significant revenues that came from business license taxes as well. And it was a really tiny, tiny rate. There was some fraction of 1%. But there was like a minimum of \$25 or \$100.

Mr. Spanski: You have to keep in mind these people pay general excise tax to the State.

Councilmember Kualii: Yes and primarily they are paying for police and fire and what have you through property tax, but often it could be a different landowner from the business owner. And you just are assuming that the landowner is passing it on to the business owner. But there is a legitimate cost to doing business. And it can be some really small amount, but it can also add up with a lot of businesses. So just something to look at, since there is something in place, but it is netting us nothing. It is almost not worth the processing probably, like you have done with the minimum tax. I mean, just saying 31 licenses, \$1,030 and five licenses, \$100, \$500.

Mr. Spanski: It takes the staff about five minutes to process a license or two and a half hours for the 31 licenses.

Councilmember Kualii: Okay. Thank you.

Committee Chair Kaneshiro: Any further questions on the real property tax section of this first page? We will move on to the taxes section. Any questions on the taxes section? Licenses and permits? Councilmember Yukimura?

Councilmember Yukimura: Since the permit...we have dog and cats now that is new since we passed...well, not new, but they are bringing in more revenue now, since we updated the dog license fees, right?

Mr. Hunt: Actually it is part of the contract with the Kaua'i Humane Society and shows up as a revenue line item because we have to pay it back as reimbursement, as an expense. It is a wash and it is not net revenue to the County, but a line item to help support the expenditure on the contract.

Councilmember Yukimura: But presumably they do not come in and ask for more General Fund...I mean their ask for General Fund moneys is less?

Mr. Shimonishi: Just to clarify, the numbers on the budget, when we are preparing the March, we did inquire with the Humane Society on what they expected their collections to be and that is what they provide and I bumped it up by 5%. It might be a little different from tomorrow when they do their presentation, but at the time of preparation, these were the numbers.

Councilmember Yukimura: I know, they just submitted to us yesterday their to-date financials. And then so vehicle weight taxes are in this area, too?

Mr. Shimonishi: No, the vehicle weight taxes would be in the Highway Fund.

Councilmember Yukimura: Okay.

Mr. Shimonishi: So right now we are in the General Fund.

Councilmember Yukimura: Thank you.

Committee Chair Kaneshiro: Any more questions on licenses and permits? We will keep going down the line. Business licenses. There is nothing in there. Licenses. We will move on to page 2. Any questions on the licenses section? I have a question on the fireworks. Are we not getting any permit fees for fireworks or is it showing up somewhere else?

Mr. Shimonishi: Actually we are. However, there is...I believe an ordinance passed to allow firework permit revenue to be used by the Fire Department for their training and what not. But it is not shown in the General Fund, but rather as another...not grant, but another project in the 251 Fund that is not part of the budget. But the revenues...I guess it is a special revenue fund you could say within the 251 Fund. So the Fire Department does have access to those revenues for specific purposes.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: How much is being generated?

Mr. Shimonishi: I do not know off the top of my head, but we can get that information.

Councilmember Yukimura: Yes, could we follow-up on that? That is like the 209 Fund that Parks and Recreation, where the Spouting Horn rentals moneys used to go straight to Parks and they used to be able to use it without any scrutiny or budget team processes and we changed it and they tell us every year how they are going to use the moneys and we get an accounting of it. Or we are trying to anyway.

ERNEST W. BARREIRA, Assistant Chief Procurement Officer/Budget Chief:

Good morning, Chair, Ernie Barreira, Budget/Purchasing Chief. The amounts are relatively small, nothing like the 209 in terms of concession revenue. While you are correct in that it had not been a part of the budget ordinance, there was due diligence in terms of approvals through the Finance Director and Mayor, in terms of the expenditure of the 209 Fund.

Councilmember Yukimura: Right, but it by passed the normal budget process, where the Council has some say in the budget. Otherwise, we would not have to spend these three weeks every day. We would just let the Administration spend whatever it wanted.

Committee Chair Kaneshiro: Councilmember Kualii?

Councilmember Kualii: I have a question on the last regular license, taxi cabs. The State probably has a State taxi cab fee, but is it regulated island wide by the State? Or they just do it at the airport? We do not get any revenues? Is it just the vehicle weight tax, I guess then as far as roads and police?

Mr. Spanski: I do not have...I do not have that information for you. I think it is \$100 for a taxi cab permit. I do not know exactly where it goes or what it is right now. I can get back to you, because I know Council Chair Mel Rapozo asks that every year and I have that information and it is very minimal.

Councilmember Kualii: Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: At the very bottom is the famous or infamous TAT moneys. Which is \$14.9 million...let us say, is that this year's figure?

Mr. Shimonishi: That is correct.

Councilmember Yukimura: So \$14.9, almost \$15 million. Steve, you are on the committee?

Mr. Hunt: I am on the working group.

Councilmember Yukimura: And they are going to be filing a report next...?

Mr. Hunt: December of 2015 we have to file a report back to the Legislature and they would have that discussion. We do not anticipate any action being taken before the following year's budget, Fiscal Year 17's budget.

Councilmember Yukimura: Where there might be some action is in the GET, right. And I understand Ken that you were there at the public hearing yesterday...no at the budget committee hearing.

Mr. Shimonishi: It was the Ways and Means Committee on House Bill No. 134.

Councilmember Yukimura: Did you get a sense of what the Legislature's position was on the GET.

Mr. Shimonishi: Well, coming out of that committee was to allow counties where the population of 500,000 or less, which is basically the outer islands, to use that money for both operating and capital costs of public transportation, including...I believe roadway improvements and such as well as ADA improvements related to that area.

Councilmember Yukimura: Actually, sidewalks, too, I think.

Mr. Shimonishi: Yes. And that it was an extension of five years. So from 2022 up to 2027 and I think with two ten-year extensions before the Leg...that is my sense coming out of that committee.

Councilmember Yukimura: The bill that was being heard as amended was only for capital costs, but I know the Administration testified to allow it for operating, which was the original bill.

Mr. Shimonishi: Yes, the committee mentioned the ability to improve road improvements in there and we testified to the fact that some of the road improvements do not qualify as "capital" but rather "operating."

Councilmember Yukimura: Right, like paving?

Mr. Shimonishi: Yes and they went back to include both operating and capital in the bill.

Councilmember Yukimura: They did make those amendments?

Mr. Shimonishi: Yes, that is my understanding.

Councilmember Yukimura: Excellent. So there is a chance that I think for me the problem was that it would take effect in January of 2017. But we would have to levy the tax before the end of this year.

Mr. Shimonishi: Correct.

Councilmember Yukimura: I think those things are still in the bill, right?

Mr. Shimonishi: Yes. July 1st to December 1st would be the window to enact.

Councilmember Yukimura: I know my testimony says please move it up, so we can use it starting 2016. If we have to take the hits and actually levy the tax, we should be able to start using the moneys is my position. But I am just asking this because it is potentially a \$5 million source of money...\$7 million, but earmarked for transportation, but could free up some General Fund money or even Highway moneys, right? For now and into the next year, we are looking at pretty much this \$15 million plus as the State assistance.

Mr. Shimonishi: The TAT, correct.

Councilmember Yukimura: Steve, when you are in that committee, do you provide them with information, like we just heard with the Fire Department? Where our rescues are...I do not know what it was...60-70% visitors? And we are doing it almost all off of State land. I think it is like 90% of the rescues are off of State land.

Mr. Hunt: I think right now, and we have to go by what is the language of the Act that passed, Act 174 and it looked at all public services. So it did not necessarily say what was the nexus to visitors? And that is where we are having somewhat of a challenge with the working group, I guess is trying to...we can all look at levels of public service, but what is the nexus to visitors? And also if we are going to bring in expenditures, we also have to look at revenues, because the State also receives revenues in the form of GET in addition to the TAT from visitors, they also collect rental car fees, and have airport and harbors collect fees. So if they are going to throw in airport as one of their expenditures, we need to look at airport revenue as well. So we are still in sort of infancy of boil down into what is really palatable in terms of how the TAT should be allocated based on revenues and expenditures directly related to the impact of visitors.

Councilmember Yukimura: So that is what the arguments are getting down to? How much the State versus the County...what portion of each budget is spent on visitor-related?

Mr. Hunt: Well, it is not even looking at prior intent and reimbursement. It is been about the impact. And measuring the impact. So that is kind of what we are trying to get down to. But the Act itself does not necessarily give us a lot of

guidance on that. That has been somewhat of a challenge. Former Judge Simeon Acoba has been our Chair and he is looking strictly at the language of the Act.

Councilmember Yukimura: Why?

Mr. Hunt: Because that...he is into the language. That is what judges look at. So we are having those arguments now amongst ourselves. We have broken into three investigative groups, a county group, and private sector group including HTA members, as well as the State group. And we also have representation on each of the committees, within the working group. So I am chairing the County's Committee, but also on the State's Committee and when I can bring up those arguments that you are bringing up expenditures, but look at the revenue side, too.

Councilmember Yukimura: Absolutely. It seems to me that you do not necessarily have to go back to the past legislation. You could just say what is best policy for revenue-sharing between the State and counties?

Mr. Hunt: And I think to a large extent some of the Legislators, we could pass what we think is the fairest distribution, but if it is not palatable to the Legislators, it would not go anywhere.

Councilmember Yukimura: Right.

Mr. Hunt: And part of that is incorporating what the State believes is their share, which might include the additional 2% going from 7.25 to 9.25% that they felt they bled for and the counties would just ride on coattails with the original allocation percentage. So part of that is looking at what our portion is with the 7.25 with the original distribution percentages, excluding that additional 2%? That might be another way that would probably be more palatable.

Councilmember Yukimura: Well, one question that I have is what is the amount we want to get? I mean, I heard last year we were saying \$10 million. That will help us balance the budget. And if that is what we want, but if we can get some of it through a GET for transportation then how much do we want? You do not want to stay there, because you have to grow over the years. Anyway, we need to keep our goal in mind, I guess. Thank you.

Councilmember Chock: Follow-up question.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: The December deadline is to come over with the report and recommendation?

Mr. Hunt: Correct.

Councilmember Chock: Thank you.

Mr. Barreira: I guess Councilmember Chock, the concern is...I guess the concern is when will we get word in terms of the execution of the annual budget? Because March is our first submission and May is our supplemental. So there is concern about that as well.

Councilmember Yukimura: Follow-up.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: For this year, TAT is not going to come, right? So the possibility lies with the excise tax, I think, right now. If they would just change the effective date, it could affect our next fiscal budget, Fiscal Year 2017.

Mr. Barreira: Yes, 2017, yes.

Councilmember Yukimura: I guess if it takes effect in January of 2017, we can still incorporate it, but if we could have it by the 2016, then we could really have the full benefit of it in our budgeting process.

Mr. Shimonishi: Yes. I would not anticipate the State being able to implement a change to enact this and collect it on January 1st of 2016. That is just my thought and I think they need time to...

Councilmember Yukimura: How long did it take them to implement the City and County portion?

Mr. Shimonishi: That is just my thought.

Councilmember Yukimura: Why do not we find out? Because they already have the mechanism in place. They get GET from every county, right? So I think if we want to be persuasive, we should find out how long it took for them to implement City and County's? Because maybe it takes three months and if we pass it early on, this year, assuming they pass it this year, we can do it. But we have to think about that though, Ken. You are right. Thank you.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Steve, can you tell me, when you said we were looking at measuring impact. Can you describe what does that really mean and what we need to be thinking about?

Mr. Hunt: For instance, and I do not have my notes in front of me. It is a whole other file. If we look at the current distribution 44.8%...prior to the cap I should say, 44.8% went to the counties, after taking off the Convention Center funds at the beginning and some HTA moneys. The remainder was split, 44.8% to the counties and the balance to the State. We were getting of that 44.8% we were getting 14.5%. If you

actually look at where the revenue is being generated, Kaua'i generated much, much less revenue than the 14.5%. But our impact is if you look at the number of visitors relative to residents, we are amongst the highest. City and County is the lowest, around 9%, 8% in terms of proportion of visitor to resident. When we come here, it is over 25%. Maui is close to 25%. We are both close to the top and Big Island 17-18%. So we are not just looking at where the revenue is collected because you have consolidation of revenues coming from Starwood, being accounted for in one area. Even though it may be sales of hotels on Kaua'i, it is reported in Honolulu. And so if we just look at the revenue collection, we lose in that game. So what we are looking at is finding metrics to say, if you look at revenue, that is one way, but we also have to look at the impact. We have one of the largest percentages of visitors to revenue and what we spend on public safety and what we spend on visitor promotions and we are spending in proportion to our residents 25%. So we are kind of looking at defining it as a high-level of nexus, mid-level of nexus, and no nexus. Others are minimal and others are moderate and some others are directly correlated. So that is what we are doing is taking our CAFR and assigning based on the percentage of visitors as a de facto population and applying that to our operating budget to see how much of that we could assign, if you will, to the visitors and that is how we are measuring our impacts.

Councilmember Chock: Indirect cost...not costs, but impacts as well?

Mr. Hunt: I mean, I will take some...the private investigation group within the working committee which Ed Case is steering and in their committee they did surveys in the hotels, Outrigger and others to find out what visitors wanted to enhance their experience. Some of the highest ones that came up were safety, transportation, cleanliness of parks, homelessness, things like that that were coming out in the surveys of what the visitors wanted, and if you want to continue to get our business, these are things that we want to address. Part of it is not only a bundle of money generated by visitors and should it go into enhancing the visitor experience and also the impacts on the roads and sewer systems, to see things that directly enhance their experience. That is another angle being looked at, too.

Committee Chair Kaneshiro: Any further questions? Councilmember Yukimura?

Councilmember Yukimura: So how are they counting visitors who have a second home or snowbirds that come 2-3 months?

Mr. Hunt: The numbers that we get from the Tourism Authority and they incorporate flight loads in terms of the estimating the daily visitor on each of the islands or counties. We are using that and dividing by 365 so on this day you would expect this many visitors. It is length of stay and number of visitors and all that weighs in how many people were here on any given day.

Councilmember Yukimura: Lenny Rapozo in his report on Parks says now the elderly programs are attracting the second-home population and they are actually using our programs. I would think elderly is one program that we think does not really get impacted by visitors, but I, in fact, met them at the Valentine's party. There are people

who come and stay at Pono Kai and use the bus system. They are sending so many suggestions my way about how to improve it and I wondered how we were counting those because they are increasing in number. They actually, they become part of the community. So they come to our churches and donate money, they attend activities.

Mr. Barreira: From all you mentioned, parks, we focused on Police and Fire in terms of rescue and public safety.

Councilmember Yukimura: Parks.

Mr. Barreira: But parks, all of the parks, our stadiums for example, Hanapēpē and Vidinha Stadium we bear all expenses for operations of those facilities, including overtime, utilities and maintenance, and all the other requirements are in place, even utilized by State entities. That is another...smaller, but still significant consideration.

Councilmember Yukimura: That is a good point, thank you, but it is not always visitor-related, but State functions that we support.

Mr. Barreira: Yes.

Councilmember Yukimura: Thank you.

Committee Chair Kaneshiro: Any further questions on page two of eight?
Councilmember Chock.

Councilmember Chock: In terms of...I was wondering how that burial grant comes to us in terms of the amount annually? The amount is inconsistent over the years.

Mr. Shimonishi: I am not quite sure exactly what the mechanism is other than they reimburse us for the indigent cost of burials. And if I could just respond to the fireworks permit, I have a note that revenue coming in is about \$8,000 to \$10,000 a year on that.

Councilmember Chock: Thank you. Any further questions on page two? We will move on to page three. Councilmember Yukimura.

Councilmember Yukimura: Intergovernmental revenues, Federal, pay in-lieu tax. Okay, we actually get \$14.9 million for that. Is it like \$15 million. I am on the top of page three. Are we on page three?

Committee Chair Kaneshiro: Yes, we have got 0. That would be like PILT payments.

Councilmember Yukimura: It was a subtotal. I see. Do we know the nature...? How come that is a line item, number one? This is ringing a bell where they

have Federal facilities like national parks and even the lighthouse, which uses our roads a lot. Is there not something that where they reimburse us? And is that not how the Big Island gets some moneys for their roads? Because they service a lot of national parks? I am just wondering if that is a potential source that we could claim, if we do our research and figure out how it is granted. Maybe we can call the Big Island?

Committee Chair Kaneshiro: You know, when were in D.C. for NACo, this payment was a big issue and a big issue for counties that have, say, Federal lands are 95% of their county. And they do not pay taxes on it and they are trying to fund their county with only 5%. So the Federal government would pay...I cannot remember exactly how they did payments, but I know it was a big issue up there. When I asked people around at the conference how much money it was, it really...even I asked the Big Island guys and they really do not get that much money out of it. I think when you look at us and what Federal lands that we have, which is barely anything, I think we would probably end up at zero. I do not think we would get much money out of it, even if we tried. Because there are places like the Big Island, that have huge Federal lands and the money that they got was real minimal. Councilmember Kualii?

Councilmember Kualii: I cannot really add much to what Chair Kaneshiro has added. Maybe if Chair Rapozo was here, he could add, but I will look into it further as the NACo representative.

Councilmember Yukimura: Great, thank you.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: Since we are on the topic. I think most of the Big Island's improvements were a result of Senator Inouye's earmarks with the nexus of military training. And I think perhaps in the future moving forward, we could look at PMRF, the lighthouse and other Federal nexus and try to come up with legitimate needs that serve those facilities as well as our facilities and approach Senator Schatz and others to help us move forward with that. It is a legitimate need. We just have to identify a project and ask them for it. I think it is something that we should look for.

Committee Chair Kaneshiro: I think when I thought of PMRF, I realized that the land is actually State land and it is not Federal lands. And I know these moneys are for Federal lands. So we may have State land with a Federal facility on top, I am not sure if it qualified for that PILT type of payment. Again, we can look further into it. Councilmember Yukimura.

Councilmember Yukimura: I think we just have to find out what the parameters are? And you know, maybe...I understand Senator Schatz was here last night and maybe they can do the research for us and find out what the parameters are? And we can see if we can fit them in any way? Thank you.

Committee Chair Kaneshiro: Any further questions on page 3? The \$1.1 million for bus transportation. That is bus fares?

Mr. Shimonishi: That is correct.

Committee Chair Kaneshiro: Thank you. Councilmember Yukimura.

Councilmember Yukimura: And the projections on the bus fares include the increases that we are making to the rates?

Mr. Shimonishi: I believe so. I just inquired with Celia, and said does this look reasonable enough and I am thinking that she thought of that as well.

Councilmember Yukimura: I do not know what the adjustment would be to the bill that is going through based on the bill that is going through the Council right now. There was a public hearing yesterday on the bulk purchase from the Community College. And I think the revenues that we are getting from their bulk purchase is going to be less than originally estimated. Because they are not going to the full cost of the bus pass. So I do not know if that is a minor thing or a major thing, but I know it was not originally anticipated, right? The lower, right? Okay.

Committee Chair Kaneshiro: If there are no further questions for page three we will move on to page four. For the motor vehicle license and permits, the budget number that includes what did not recently pass?

Mr. Shimonishi: It does not. And actually I think the note there is it says "rate increase," but it is not an actual increase. It is at the \$0.02 per pound on vehicle weight tax for passenger. So that budget amount does not reflect any proposed rate increases.

Committee Chair Kaneshiro: Okay and that goes for fuel tax also?

Mr. Shimonishi: Correct. That is the current rate.

Committee Chair Kaneshiro: Okay. Councilmember Yukimura.

Councilmember Yukimura: Are you saying, Ken, that the red writing does not apply? The wording? The narrative?

Mr. Shimonishi: I am saying that the "increase" does not apply.

Councilmember Yukimura: But the \$0.02 per pound is?

Mr. Shimonishi: Correct, that is the estimate that we have used.

Councilmember Yukimura: Okay. And if we had passed the proposed increase, what would the revenues have been instead?

Mr. Shimonishi: Approximately \$800,000 more.

Councilmember Yukimura: \$800,000 more. Okay.

Mr. Shimonishi: The effective date would have been January of 2016, so it would have been a half-year impact.

Councilmember Yukimura: I see. And then you had subsequent increases for the next year. So there would be that downward spiraling without it...without the bill.

Mr. Barreira: Councilmember, the projected revenues were all reflected within the presentation.

Councilmember Yukimura: Yes, I know, I just do not have it in front of me. Thank you.

Committee Chair Kaneshiro: Steve, refuge revenue...Federal Refuge Revenue Act. That is in the Highway Fund? Do you know what that is for? Councilmember Yukimura?

Councilmember Yukimura: I am guessing that is what I was vaguely recalling, for the traffic that goes to the refuge, the national wildlife refuge. Is there a way to verify what that is?

Mr. Shimonishi: Yes, we can look at that. Thank you.

Councilmember Yukimura: I mean, it would be good to find out what it really stands for. Because maybe it has not been updated for years. And maybe we have the right to more, you know, based on whatever formulas in the Federal law. So it would be worthwhile to check, I think. Thank you.

Committee Chair Kaneshiro: Any further questions on page four? We will move on to page five. Between page four and page five we are starting to get into the individual funds, Liquor Fund, Beautification Fund. I know that we have those on our revenue sheets also. So if you want to use that as a reference. Any questions on page five "revenues?"

Councilmember Kualii: What about just a basic description of the acronyms. TCD/RPA. Top line.

Committee Chair Kaneshiro: That is the very top line of page five. Account description. The acronym TCD/RPA?

Mr. Shimonishi: I do not think the RPA applies, but I am guessing TCD is "Certificate of Deposit." Basically our estimates for interest earned.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: The Beautification Fund is used for?

Mr. Shimonishi: I believe that is used in...with our derelict auto recycling contract.

Councilmember Yukimura: This is about how much it costs to take care of derelict automobiles every year?

Mr. Shimonishi: Yes.

Councilmember Yukimura: I know once I explored tagging on a...every time you register a car, or a new car, tagging on a disposal fee.

Mr. Shimonishi: This is generated from that, in fact...I believe it is \$5.00 a vehicle. Yes.

Councilmember Yukimura: Okay. In some states they get it back and it has to be more than \$5.00, probably, but they get it back when they show their car has been properly disposed of. To encourage proper disposition. It is a complicated thing. I do not think I have ever solved that.

Committee Chair Kaneshiro: Any further questions on page 5? We will move on to page 6. I got confirmation the Refuge Act was for the Kilauea Lighthouse.

Councilmember Yukimura: That is good to know, but what is the rate?

Committee Chair Kaneshiro: If there is more money available?

Councilmember Yukimura: Yes.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: On the Open Space Fund, there is no figure.

Mr. Shimonishi: That is correct. There is no revenue, I guess, generated from the Open Space.

Councilmember Yukimura: Right.

Mr. Shimonishi: But we do a contribution, obviously, from the General Fund, but as far as actual revenues, yes.

Councilmember Yukimura: So there is a...what do you call it? That would be the amount that is in the fund, but not revenues generated.

Mr. Shimonishi: The amount in the fund and the annual contribution by ordinance.

Councilmember Yukimura: And the Open Space Fund does not get the interest to the money?

Mr. Shimonishi: I guess it has not been recorded in there.

Councilmember Yukimura: But it does?

Mr. Shimonishi: Not according to the information that is currently...

Councilmember Yukimura: Not according to the ordinance. The ordinance does not direct it?

Mr. Shimonishi: I have to guess not, but we would have to check.

Councilmember Yukimura: What about the Highway Fund? Does the Highway Fund get interest on its money? Does that go back into the Highway Fund, or does it go into the General Fund? You have to come up.

Mr. Shimonishi: It is a revenue item on page four. If you look, there is an interest line on there.

Mr. Spanski: With respect to the Highway Fund it goes to the Highway Fund. Right now there are no investments with the Open Space Fund. It is just sitting out there in the bank.

Councilmember Yukimura: So there is no interest?

Mr. Spanski: I am also using that...ma'am I am using everything. We have a cash flow position. So what is in the bank...

Councilmember Yukimura: You are using our Open Space Fund for cash flow?

Mr. Spanski: It is there. Yes, it is there. And it is...I think I want to say \$4.9 million sitting there.

Councilmember Yukimura: Interesting.

Mr. Spanski: Now if you request, I can make an investment with that? Do you have any time frame you are going to use that money?

Councilmember Yukimura: That is what would be relevant, yes.

Mr. Spanski: Correct. I would need to know...do you want me to roll it every month? Do you want me to put it out there for five years? Do you want me it put it out for two?

Councilmember Yukimura: You handle the Highway Fund per a statute?

Mr. Spanski: I am only investing our Highway Fund moneys, what the County collects.

Councilmember Yukimura: Only the County's moneys?

Mr. Spanski: Yes.

Councilmember Yukimura: Because State Highway Funds goes to the State?

Mr. Spanski: That is correct.

Councilmember Yukimura: Is there a mandate or directive in the law or a decision that you make, based on all of the things that you have to balance?

Mr. Spanski: Well, if you look at your own Council resolution, and you look at...

Councilmember Yukimura: Okay.

Mr. Spanski: And you look at State law HRS 46-50, everything goes to the General Fund except for specific funds. If you read the language. I do not have it in front of me, but it is out of our own County resolution and State statute 46-50. Which is investment of County moneys.

Councilmember Yukimura: Okay, thank you.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: How much revenue would be generated if that was put into the minimum?

Mr. Spanski: It depends. You want to put it out 3 months you get about 1 basis-point, six months, 2 basis-point.

Councilmember Hooser: A basis-point is a percentage of interest?

Mr. Spanski: Right. Say for example, if I invested \$20 million at 10 basis-points, it would generate \$20,000 in interest for a year.

Councilmember Hooser: So this is \$5 million.

Mr. Spanski: Approximately.

Councilmember Hooser: And six months would get it 2%?

Mr. Spanski: No, two basis-points.

Mr. Hunt: 2/100th of a percent.

Councilmember Hooser: Okay. Right. Is that the problem of having too much money?

Mr. Spanski: No, it is just that I have never...I have...someone has to clue me in on when they want to use their money.

Councilmember Yukimura: You need direction and parameters.

Mr. Spanski: Exactly. If someone says Dave, take this out and I am going spend so much in six months, so much in a year, and I will ladder it out in that proportion or I can take out the \$5 million and have \$1 million this year, \$1 million last year. But I have a cap with State ordinance.

Councilmember Hooser: My question was not critical of the management, but how little 2 basis-points is?

Mr. Spanski: That is the reality we are in currently.

Councilmember Hooser: Thank you.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: Are we limited in the investment choice?

Mr. Spanski: Yes, we are. We are limited to buy only debt instruments only, if you will. You know, for example, could you guys, someone is going to bring up the ERS gets 4% return or 5%, they can buy equities and stocks. We can only buy CDs and the acronym of the RPA is a repurchase agreement. And we can buy government-sponsored agencies, Freddie Mac, Federal Home Loans, those are the types of investments we can use. We can also use commercial paper from a State point, but we have not put that in our resolution. But again, it is getting very minimal stuff that is only less than 90 days. Our duration cap is 5 years and cannot go out longer than five years. For money not immediately available for use.

Councilmember Yukimura: Not needed.

Mr. Spanski: Correct.

Councilmember Chock: Do we have the parameters written so can I review?

Mr. Spanski: The parameters?

Councilmember Chock: Yes, for the options that you are talking about.

Mr. Spanski: I do not have our County resolution number, but you can look at State statute 46-50.

Councilmember Chock: 46-50.

Mr. Spanski: And they will list them or I can E-mail them to you.

Councilmember Chock: *Mahalo*. Thank you.

Councilmember Yukimura: If we could make that a request, so we can all get that info.

Mr. Spanski: I think I have done that almost every year. Someone has to have it.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: Steve that is the value of going page by page, Chair. But these are relevant questions and it is just that we do not...the only time we focus on this is during budget and we go on to other things, but thank you for bearing with us. I want to ask Dave, is there a more conducive or facilitative frame work for investments that you would suggest in terms of changes to the statute or resolution? I mean are there new instruments that were not even anticipated at the time the statutes were created?

Mr. Spanski: There are some in there that have got either the State and some of the counties in a lot of trouble.

Councilmember Yukimura: Yes, I do not want those.

Mr. Spanski: Auction rate securities.

Councilmember Yukimura: No.

Mr. Spanski: What is there, that is what is out there. There is nothing...it is just that the rates are so poor.

Councilmember Yukimura: Yes, right now and that is not due to the policy.

Mr. Spanski: If you are saver, it is not good. If you are a borrower, it might be good. But right now, the rates are so low, it is not good for savings. You are losing based upon even small as inflation is now, you are still losing out. Because as far as we can go out five-year treasuries at 535. I think (inaudible) is 560.

Councilmember Yukimura: But if we are not doing it at all, we are losing, too. If it is money that will not be spent within certain...

Mr. Spanski: Right. Again, we have our portfolio at the end of the March is \$157 million. That is all in, counting Water, and some of our bond money. Reserves is probably \$98 million. Again, you have got to think now our burn rate is \$20 million a month. That is how much we spend a month and again you have to understand your cash flow, peaks are February and August and run negative ten months out of the year. So we front the money and have to spend-down. Say for example probably you probably have cash flow position probably \$20 million in the black because we had property collections in February, but now historical in April we ran about a \$7 million deficit in May...there is \$20 million in the negative. Cash flows, revenues versus expenses.

Councilmember Yukimura: Thank you.

Committee Chair Kaneshiro: Any further questions on page 6?
Councilmember Chock.

Councilmember Chock: Just wanted to clarify. I see the Spouting Horn vendors in General and in Parks. I just want to make sure it is in the right...I am assuming it is in the right place there.

Mr. Shimonishi: Yes. So the 209 Fund number, which is in the left column is the fund that Councilmember Yukimura was referring to. This is a special fund set up for the Parks Improvement and Maintenance for those vendors that generate the rental income out in Spouting Horn and those funds are available for R&M improvements in our parks.

Councilmember Chock: Okay. I see the General Fund as well. Thank you.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: So about that 209 Fund, if we had not passed the ordinance that is now governing it, this would not even be on this sheet, right?

Mr. Shimonishi: That is correct.

Councilmember Yukimura: It would be \$300,000 that we would not even look at in terms of revenues or expenditures. So by passing the ordinance that brought it back under the budget and under Council purview, we now understand what is happening in terms of the money that is coming in and how it is being used.

Mr. Shimonishi: I would also point out that it is included in the CAFR. All of the funds are. So there is that vehicle as well, that we look at all of the revenues in and out of the County, again is in the CAFR. I understand Councilmember Yukimura's position that it is not being, I guess, appropriated specifically in that manner, but that has been corrected.

Councilmember Yukimura: So you are saying that even if we did not have the ordinance, that now regulates this, even though it was not...it would not be printed or shown here as "revenues" it would always be disclosed in the CAFR?

Mr. Shimonishi: That is correct.

Councilmember Yukimura: But we would not have a say in terms of how it would be spent.

Mr. Shimonishi: Well, again, it was how the ordinance was originally passed.

Councilmember Yukimura: Right.

Mr. Shimonishi: That provided that vehicle to the Administration.

Councilmember Yukimura: Right. And it is kind of two ways we can treat funds, if you will, income. We can say it goes straight to the department for whatever purpose specified into the ordinance or we can say it needs to be shown every year.

Mr. Barreira: If you look, Councilmembers, at the proposed revenue or the existing revenue, in the 209, you can anticipate that looking at a comparative analysis that number is going to stay relatively low for the next several years because the concession contract runs for five years. The numbers did come in much lower the last time we did award those bids.

Councilmember Yukimura: The Parks' intention to renovate the booths may lead to higher bids. I do not know. To me it better if we are going to invest in it.

Mr. Barreira: As Mr. Spanski noted a lot is market-driven and making it a more attractive area. And that would not occur until the current contracts expire, which is several years out.

Councilmember Yukimura: Thank you.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: On the Spouting Horn. Why is it not the tenant's responsibility to do their improvements? It seems fairly common in commercial leasing

that you lease a space and they come in and build it out and it is all part of the contract? Why are we incurring that obligation?

Mr. Barreira: I can only say that is part of the provisions within the solicitation document now. I would like to refer that question to Mr. Rapozo, who could probably comment more intelligently on it. You are right, in the private sector that is common place. The improvements become the possession of the land owner.

Committee Chair Kaneshiro: Any further questions for page six? We will move on to page seven. Any questions on page seven? I am looking at this, but I am also looking at...we have another sheet that the Council prepared for us and we have Golf Fund and contribution from General Fund of \$1.2 million. Is that how much we are subsidizing the Golf Fund?

Mr. Barreira: That is correct, Chair, for this year, for Fiscal Year 2016.

Committee Chair Kaneshiro: And for Kalepa Housing, we need to put in fund balance? Do we need to subsidize Kalepa also?

Mr. Shimonishi: No, we do not subsidize any of the Housing funds.

Committee Chair Kaneshiro: Okay. Councilmember Yukimura.

Councilmember Yukimura: That is a great observation, and I am very proud of the Housing Agency that they have set it up so we are not subsidizing it on an on-going basis. They put aside reserves. I know now they are looking at some rent increases, just like a lot of our divisions are looking at updating their fees. Because you have to do that and there is always the limit on affordable housing that it cannot be more than 30% of household income. So it is not like you can raise it beyond what people can pay. But it is good management. It is good management.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: So is there a reserve fund for Kalepa for depreciation and repairs? How much is that?

Mr. Shimonishi: I do not have that information off the top of my head, but I am sure Housing could respond to that.

Councilmember Hooser: Is it millions? It kind of goes with the question of the Open Space Fund, if it is a whole bunch of money sitting around, using it for cash flow or using it for investing and income-production?

Mr. Shimonishi: I think any of those reserves would be specific to the facilities that they manage.

Councilmember Hooser: Just like the Open Space Fund. I understand that. I am just saying that the Open Space Fund is used for cash flow apparently.

Mr. Spanski: In regards to the Open Space Fund, it is a fund. Kalepa is also a fund, but has a dedicated bank account where everything is run out of there. Off top of my head Pa'anau has \$1 million, maybe \$1.6 and I think Kalepa has \$2.9 million, that is used only for housing expenses.

Councilmember Yukimura: Repairs, replacements?

Mr. Spanski: Right, and back again to Kalepa...Open Space, years ago you had an Open Space Committee and they would call me in and at one point talking about floating bonds, and at that time there was about \$1.5 million and I had that invested and they were talking about that. So I pulled it out and put it back in its fund and I have not touched it since. Somebody has to give me direction of what you want to do with that money and I can do that. You have a Section 8 bank account, you have a Housing and Community Development bank account. You have a Pa'anau and you have Kalepa.

Councilmember Hooser: Are those bank accounts limited to the projects that generate the income?

Mr. Spanski: That is correct.

Councilmember Hooser: And that is a part of the regular budgeting process? If they are going to do improvements that will be reflected in their overall budget?

Mr. Spanski: That would be within their budget, nothing from this panel, I believe. I want to say they are like a self-sufficient fund, theoretically like the Golf Course is supposed to be self-sufficient, like a business. I am just thinking of the bank accounts, because I see those. But I do not operate...I do not use their money. That is strictly for Housing.

Councilmember Hooser: Thank you very much.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: So I just want to share when our Housing Advisory Committee did a tour of all of the affordable housing projects and we spent one day we spent going south and west and the other going north and east. There is a real difference between State housing projects and County houses because some of the State houses were boarded-up and looked really shabby and thanks to Sandra Kouchi, who is now retired, she made a lot of noise and they have been fixing up the State housing. That is because they did not have a fund and they did not put aside reserves. So it took a huge appropriation, I think, of General Fund moneys from the Legislature and very expensive, because they did not do preventative maintenance and just replaced. Across from Kalāheo School there was a complete rental all boarded-up and now I see it is fixed and people are

living in it. It was a very big difference between how the County was managing its housing and how the State has been managing its housing. So our Housing Agency really deserves a lot of credit for think very good management.

Committee Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: A separate item. I am just curious...on the same page.

Committee Chair Kaneshiro: Okay. Because I need to take a caption break, also. We will take a 10-minute caption break.

There being no objections, the Committee recessed at 11:01 a.m.

The Committee reconvened at 11:11 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Welcome back. We will continue where we left off. We are on page seven. Councilmember Kualii.

Councilmember Kualii: I think it is a fairly simple question. Having to do with the Golf Fund and the different revenue. I noticed that the green and locker fees are one line item for \$937,000. But the golf cart concession is a separate line item for \$144,000. Is it because the golf cart concession is handled by subcontractor, a vendor?

Mr. Shimonishi: Correct.

Councilmember Kualii: And we handle the green and locker fees?

Mr. Shimonishi: Yes.

Councilmember Kualii: Do they go hand in and hand or you choose to pay for green and not locker fees?

Mr. Shimonishi: You can just pay for the green fee and walk the course.

Councilmember Kualii: It would be interesting to see how the \$937,000 breaks down into the amount that is for greens and the amount that is for locker fees? Do you know that?

Mr. Shimonishi: We would have to check with Parks on the split, on greens versus locker fees.

Councilmember Kualii: Yes, if you could find out. Thanks.

Committee Chair Kaneshiro: Any further questions on page seven and we will say the final page eight, because page seven is Kalepa Housing and page eight is Pa'anau.

So any questions on the remaining pages that we have? If there are no further questions, I just want to make a statement that the Administration has informed us throughout the year coming up they will be looking at fees such as park fees and other things, and maybe...they have taken the advice that we have mentioned in the other meetings about charging electrical costs or charging a water cost to it? I know they said they have things to vet out on their side as far as speaking with the community about these fees before they bring it up here. So we can be anticipating some changes in fees. Because I think the fees have not been changed in a while for many items. Not to say that they going to change every single fee, but looking at particular fees that are older and should be updated or maybe taken into consideration, electrical and water charges. So we can be anticipating that in the future. Councilmember Yukimura, you wanted to say something?

Councilmember Yukimura: Yes. It is very commendable that the Administration is systematically looking at fees. Because I think about three years ago, when we raised the vehicle registration fee, and even our planning fees. We had not raised them for like 25 years and it is a disservice to our needs for revenues and our need to at least make services pay for themselves wherever they can. And it is also a disservice to the fee-payers, because to give them such huge jumps is not right. And I want to commend the Transportation Agency, which has been taking into account and based on our Multi-Modal Land Transportation Plan has a systematic way to raise fees over the years, to make sure that we are not falling behind. I had something else to say, but that was it to fees.

Committee Chair Kaneshiro: I am going to finish the meeting.

Councilmember Yukimura: May I?

Committee Chair Kaneshiro: Yes.

Councilmember Yukimura: I wanted to thank the gentlemen here and the Managing Director and the Mayor for this briefing, because even with all of this emphasis on cost-cutting, revenues is an integral part of a budget and we have to look at those, that side of it, too. So it is very, very important. And I appreciate the detailed briefing that you have given us. Thank you, back there, Dave, too. Your knowledge is very impressive and we have appreciated it today. I want to thank my colleagues around the table for being here, one, so we would have a quorum and two, so we would also...this is such an important part of the budget. And there are a lot of pieces to understand. Thank you, Chair, for your excellent management of the meeting.

Committee Chair Kaneshiro: Thank you. I could not do it without you as well. So thank you for being prepared with questions and we have been running...I would like to say a smooth meeting. So I appreciate it and thank you for coming out. At this time I would like to recess the Departmental Budget Reviews and we will reconvene at 9:00 a.m. tomorrow, Friday, April 10th, 2015 and have the review of the Department of Finance and the contract for the Kaua'i Humane Society.

There being no objections, the Committee recessed at 11:16 a.m.