

MINUTES

BUDGET & FINANCE COMMITTEE

April 13, 2016

A meeting of the Budget & Finance Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by Arryl Kaneshiro, Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Lihu'e, Kaua'i, on Wednesday, April 13, 2016, at 11:50 a.m., after which the following Members answered the call of the roll:

Honorable Mason K. Chock
Honorable Gary L. Hooser
Honorable Ross Kagawa (*present at 1:34 p.m.*)
Honorable KipuKai Kualii (*present at 1:37 p.m.*)
Honorable Mel Rapozo
Honorable JoAnn A. Yukimura
Honorable Arryl Kaneshiro

Minutes of the March 2, 2016 Budget & Finance Committee Meeting.

Upon motion duly made by Councilmember Kualii, seconded by Councilmember Kagawa, and unanimously carried, the Minutes of the March 2, 2016 Budget & Finance Committee was approved.

Minutes of the March 16, 2016 Budget & Finance Committee Meeting.

Upon motion duly made by Councilmember Kualii, seconded by Councilmember Kagawa, and unanimously carried, the Minutes of the March 16, 2016 Budget & Finance Committee was approved.

Minutes of the March 30, 2016 Budget & Finance Committee Meeting.

Upon motion duly made by Councilmember Kualii, seconded by Councilmember Kagawa, and unanimously carried, the Minutes of the March 30, 2016 Budget & Finance Committee was approved.

Committee Chair Kaneshiro: We are going to take up Bill No. 2610, Draft 1 at 1:30 p.m. Councilmember Yukimura.

Councilmember Yukimura: Can we have a ten (10) minute recess? I would like to see if maybe we can take care of it before lunch, since I was the one who requested the time being 1:30 p.m.

Committee Chair Kaneshiro: Okay.

Councilmember Yukimura: I just need some time to talk.

Committee Chair Kaneshiro: I will recess my Committee now and then we will go to the Committee of the Whole and come back in ten (10) minutes.

Council Chair Rapozo: I guess the question is we are going to take a ten (10) minute break that will take us to after twelve o'clock (12:00 Noon), we will go through the minutes, come back to the GET, and are we going to be able to get done by 12:30 p.m.? The answer is no.

Councilmember Yukimura: Okay.

Council Chair Rapozo: We make that commitment, let us do it, because I am ready to vote on GET, but if you want to do that then we will do that. I do not want to take this break, come back, and when 12:30 p.m., comes up and say, "Okay, now we have to take a lunch break." I am just being real, practical, and realistic.

Committee Chair Kaneshiro: At this time I will recess the Budget & Finance Committee Meeting.

There being no objections, the Committee recessed at 11:52 a.m. to convene in the Committee of the Whole.

The Committee was called back to order at 1:30 p.m., and proceeded as follows:

Bill No. 2610, Draft 1 **A BILL FOR AN ORDINANCE TO ESTABLISH A GENERAL EXCISE AND USE TAX SURCHARGE FOR THE COUNTY OF KAUAI (This item was Deferred to the May 11, 2016 Committee Meeting.)**

Council Chair Rapozo moved to receive Bill No. 2610, Draft 1, for the record, seconded by Councilmember Hooser.

Committee Chair Kaneshiro: Anyone in the audience wishing to testify on this? Seeing none, we will bring it to discussion.

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

Committee Chair Kaneshiro: I think the original bill has been amended from point five percent (.5%) down to point two five percent (0.25%) and the allocation of seventy-five/twenty-five (75/25); seventy-five (75) transportation and twenty-five (25) highway, transportation has been eliminated. The Administration will come in each year with their planned budget and the Council will get to scrutinize it and say what projects they want at the time when the amount of money available. Councilmember Yukimura.

Councilmember Yukimura: Are we not missing two (2) members?

Committee Chair Kaneshiro: Yes.

Council Chair Rapozo: We sure are.

Committee Chair Kaneshiro: We still have a quorum.

Councilmember Yukimura: This is such an important bill, I would like to ask that we find them. Are they in the building or are excused and absent?

Committee Chair Kaneshiro: I do not know.

Council Chair Rapozo: Scott, are they excused or absent? Okay.

Councilmember Yukimura: Are they in the building?

Committee Chair Kaneshiro: Do we have any amendments? There was no public testimony.

Council Chair Rapozo: Do we have amendments? No.

Councilmember Yukimura: I do not have any amendments at this point.

Committee Chair Kaneshiro: The motion on the floor is to receive. I was expecting...we were originally going to defer it to May 11th, but the decision was to have it earlier. Again, the reason I wanted the Bill deferred was to keep our tool box open, see what happens with transient accommodations tax (TAT), and then make our decision. Councilmember Yukimura.

Councilmember Yukimura: Well, we do not have a decision yet on the TAT, so it would be advisable to further defer. I think one (1) of the reasons we put it at this state is because I had hoped that there would be other revenue generating options to discuss as well. I would like to ask for a recess.

Council Chair Rapozo: I have a comment before we do a recess.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: I have been really active in the TAT discussions with the Hawai'i State Association of Counties (HSAC), with the Council Chairs, as well as with Hawai'i Council of Mayors (HCOM), and I do not want us to fall into this trap about the TAT and the GET because they are two (2) separate things. The TAT is a visitor tax. It is a tax that visitors pay. Those moneys are unrestricted that goes to General Funds and we can use that how we see fit. The GET is a tax on everybody and it is specifically to be used for certain things. Because of the fact that the State is saying, "Hey, we are not going to give you more TAT, you folks tax your people with the GET to make up some revenue," to me, is a separate discussion. I do not want to get into this thing where if we do not get TAT, we are going to jack up the GET and hold our people with the bill. That is not how this is supposed to work. We treat this on its own merit. We treat the TAT on its own merit; two (2) separate revenue streams, two (2) separate uses. It is apples and oranges and I am prepared to vote today. I do not need any more deferrals. Tomorrow, the House will taken action, we are meeting with all of the leaders tomorrow on O'ahu and we will take it from there, but that is a separate issue that needs to be dealt with separately. This is an issue that is specific to our taxpayers here on Kaua'I, visitors and residents alike. I do not want to get into the trap that the State Legislature has forced us to do and that is not what we do.

(Councilmember Kagawa was noted as present.)

Council Chair Rapozo: They do not hold us hostage, they do not force us to do things we do not want to do because they do not want to release the fair amount of funds and that is what they have done. They have created this "us against them," thing by saying, "Hey, we are not going to give you TAT, raise your own GET." That is not how state and county government is supposed to work. I am not going to support any deferral. I made the motion to receive and we need four (4) votes for that to pass today, so I would encourage us to have a short discussion. I think we have discussed this to death over the last couple of months. We should be ready to vote on this today. Thank you.

Committee Chair Kaneshiro: Councilmember Hooser.

Councilmember Hooser: As I said many times in the past, I will not be supporting any GET tax increase. I will vote no when and if that comes about. I think it is particularly onerous bad tax and I believe that we are at a point that we need to give people a break. Having said that, I have also believed in deferring to the Chair and respecting the Chair's intention and desire, and so if the Chair wants to defer this issue, I would not be opposed to that, but I just want to be clear that at the end of the day I am voting no on any GET increase. Thank you.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: I actually agree that we should not be looking to the TAT for any and everything. It already came up in budget that visitors are paying forty percent (40%) of our General Fund, I think, through hotel and resort taxes, and then on top of that we are getting fourteen point five million dollars (\$14,900,000). Is that correct, Ken?

KEN SHIMONISHI, Director of Finance: Fourteen point nine.

Councilmember Yukimura: Fourteen point nine million dollars (\$14,900,000) in TAT moneys. They are paying a substantial amount of our budget at this point. I think we deserve more to offset visitor impacts, but to pay for anything and everything, that is not actually responsible. I also think that balancing the budget is not just about cutting, but it is about providing sufficient revenues.

(Councilmember Kualii was noted as present.)

Councilmember Yukimura: If you at the report about what we did...the reason why we have a better budget this year is because we did very careful revenue raising. We created a new class of residential properties that are two million dollars (\$2,000,000) and over, we removed the cap, gave really big benefits for owner-occupants local residents by increasing the exemption level, so where people could pay, we did ask them to pay, and that was part of balancing the budget and moving toward a healthy budget. If there are revenues that we can access for a growing community that has to think about the future, we need to do that and I believe we are being responsible in doing that. The reason why I think the excise tax is a good possibility is we have great needs for expanding our transportation system and if we apply excise tax moneys to expanding the bus system that offsets the regressivity of the tax. That is what allows us to expand the system that is going to benefit everyone. It will help lessen traffic congestion and you have heard the stories, so I will not go over it, but it will benefit everyone and so that is why I think we have to keep that option open.

Committee Chair Kaneshiro: Councilmember Chock.

Councilmember Chock: I would like to open up the conversation up even further in terms of what we can do to...if we are in need and it looks like we are to shelter some of those who should not be impacted by an increase such as elderly, those with low-incomes. I know we have had some discussions on the floor about possibilities. I would like to hear if any of those options are still available to us as we move forward.

Committee Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: I have been looking into targeted relief and as I have looked into it, I do not see it as something that can be part of this Bill and I do not see it as something that should be done before this Bill. However, if this Bill was

to pass, in my opinion, it will create hardship on members of the society that are at the lowest level of income that are struggling. I have some proposals, if you will, that Administration has helped me with. We got in targeted relief and I am still working on some other things and I have to work on a resolution as well to piece it altogether, but my intent is to move forward on that, if the Bill passes.

Committee Chair Kaneshiro: As the Chair, I just want to say that we went through this issue for a long time. We heard the pros and cons on it. We had a lot of discussion on it and so my intent is to hopefully take a vote on it on May 11th if it gets the deferral vote because in actuality if it is going to pass, it needs to pass in early June. The May 11th date is after the State closes its...I think if you have amendments to this current Bill that we need to vote on, then we should have it by May 11th. We have had the discussion for a long time so I am ready to vote on it too, but I think if there is anything that is going to come through we should have it ready by May 11th. Any further discussion?

Council Chair Rapozo: Let us hear from Councilmember Kagawa.

Councilmember Kagawa: Ironically, yesterday I read an article, I believe it was in the *Civil Beat* about the State of Hawai'i and the residents paying the second highest amount of taxes in the nation when you add all of the GE taxes, income taxes, property taxes, et cetera. The property taxes, granted, were low for the counties, but the income and GE taxes combined are so high that how much can the residents take? We are already the second highest taxed individuals, our residents, in the nation. Do we want to be the top? Is that what we are trying to achieve? I think it is working together with the State and seeing how can we share the burden of tourist taxes equally so that we can both function efficiently. I believe we are not at that point. The working group that was developed by the State Legislature said that we deserved a nine point five million dollar (\$9,500,000) increase to the fourteen point nine million dollars (\$14,900,000). There is talk that we may get a different combination, a twenty percent (20%) share, which could be about five million dollars (\$5,000,000) more instead. Are we going to be happy with that? I would say no, but is that an improvement? Yes. We can sure find a lot of roads and bridges to fix with five million dollars (\$5,000,000). Is it premature to try and go for the lead and being the highest taxed State in the Country? I think it is very premature. I think what it takes is we need to actually look again at our budget and do some cost cutting measures and I will give you some examples: the Police Department and Fire Department overtime. Again, I drove by Hanapēpē Art Night, on Friday night, and I see two (2) of the almost highest ranking officers directing traffic and we are talking about the serious concerns about overtime in the budget and yet this week there are two (2) of the highest ranking officers directing traffic on overtime in Hanapēpē. I think this Council just needs to cut the overtime. Just cut the overtime and let management dictate, "Okay, we do not have as much overtime, perhaps we need to send lower ranked officers to direct overtime on those types of events." It works all around with Fire as well. I am sure if you give them the entire budget they are asking for, they are going to spend it. If you restrict their overtime, they are going to make

management decisions that really is going to be done in the most efficient way to save taxpayers money. I know it is difficult. It is difficult to tell your employees, "What you had last year and the year before, sorry, we are not going to give it this year. Budget-wise we are constrained." I know it is difficult, but before you tax the people please make the difficult decisions. Before increasing something like the GET, let us make the difficult decisions within our body, and then let us look at the possibilities of doing the most regressive tax there is on the public. The other thing I have concerns about is our ability to do what the public wants us to do. What do they want? Do they want us to relieve traffic congestion? Improve the roads for cars? Fix bridges that are falling? We never fixed a bridge in what...fifty (50) years. Let us start to fix them because they are going to fall soon. Let us get back to basics. Let us not go after bells and whistles when we have the whole house broken. Let us fix what we have. Let us fix our *hale*. Let us fix the potholes in the roads like Olohena or the heavily traveled roads. Let us fix what we have before we go with bells and whistles, curbs and planters, and all these other unnecessary things that I believe are bells and whistles. You do that when you have large surpluses. You fix necessities when you are broke. Let us fix the necessities and let us show that we can fix necessities and I think the public will feel confident that, "Hey, you increased the tax on us, but, you folks are putting it to good use. I appreciate that, so thank you." I do not think the public sees that right now and that is my problem. Let us earn the respect of the public before we even think about increasing something like the General Excise Tax. Thank you.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: There have been a lot of talk about kicking the can down the road and I am hearing that today, we are going to kick this can again one more time down the road until May. I think for budgetary purposes as the Administration is putting their supplemental budget together, as we as Councilmembers start analyzing what we just went through over the last several weeks to come up with our decision-making discussions, we need to know today or next week. We cannot keep waiting and waiting and depending on what the State will do. To me, it is irrelevant. Kicking the can down the road is every time we increase the size of the County. Every time we hire a new position, we are kicking the can down the road. Every time we spend a dollar on luxuries, like what Councilmember Kagawa talked about, versus necessities – we are kicking the can down the road. Let us fix that first. Let us tighten up those areas because the GET is for ten (10) years and this GET is going to impact, like what Councilmember Kualii has talked about, the people that cannot afford, the people on fixed-incomes, the people who do not have the extra twenty dollars (\$20). I cannot stand when people say, "Well it is only twenty dollars (\$20)." If you do not have twenty dollars (\$20), it may as well be a million dollars (\$1,000,000), because you do not have it and there are people here on this island that are in that position today. There are many people like that and I have heard it and we have seen it in E-mails. They had to make the decision on whether they are going to buy food or medication. We do not need to tax them anymore and we are spending our money in this County on things that we do

not need right now. That is where I have to agree with Councilmember Kagawa. Let us take care of the necessities and get rid of the fat in this County. I was going to put up charts to show graphically, and I might do it next week at the full Council, how much this County has grown in the last several years as far as positions and costs. Did we really need to do that? If you were running your household budget, would you buy that swimming pool when you really could not afford it? Maybe you could afford the first deposit, but can I afford the remaining balance? Yes, I could go there and pay the down payment of a Harley-Davidson, but I cannot afford the seventeen thousand dollars (\$17,000) and that is why I drive a 2002 Dodge Dakota that is rusty and has been in the shop for the last week because I know in my household budget, I cannot...would it be great to buy one? People tell me, "Mel, you are the Council Chair, you cannot be driving that truck." "Go buy me a new one." We are not talking about that. We are talking about moneys that we are going to ask our people to pay. Our poor people to pay. Our fixed income people to pay. No mention of congestion relief—yes, maybe we will put an extra road here and we are going to try to do this. An article came out the other day about the bus in the newspaper about converting this County; Kaua'i to buses and bikes. Did you read the comments that were submitted? People want roads. People want new roads. They want to get rid of the congestion and this does not do that. The motion is to receive, Committee Chair, and I know there has been talk about a deferral, but I would ask that we at least take the vote on the receipt and let the majority speak. If we do not have the votes for the receipt, I will definitely support the deferral, but to do the deferral because the votes may be there to receive this, I believe is a disservice. If the majority, in fact, feels that this needs to be killed today, then I think we should kill it today.

Committee Chair Kaneshiro: Councilmember Yukimura.

Councilmember Yukimura: If people say that there is "fat" to cut to the extent that we need these revenues, I have not seen it yet. I have not seen any proposals that actually show how they are going to provide the ten million dollars (\$10,000,000) a year that we just need to repair our roads and retire the hundred million dollars (\$100,000,000) in backlog. I would really appreciate some specifics. Vice Chair Kagawa said to cut overtime, but I think we looked at that last budget and there is some overtime we cannot cut without violating collective bargaining agreements and so if there are some discretionary overtime that can be cut, and I am all for that, but how much will it yield? Looking for another source of money to provide for essential needs is not kicking the can down the road. We are kicking the can down the road when we do not provide the revenues to fix our roads and our existing infrastructure, so how are we going to do that? I feel that is such a responsibility and let us see some real practical ways that we are going to fund that effort to fix our roads. I just want to say that some of the moneys we are talking about as use for extraneous purposes like curbs, that money cannot be used to fix our roads, at least the federal portion of it cannot. Lastly, you know the best way to offset the regressivity of the excise tax is to put it into transit expansion because a person commuting can save two thousand dollars (\$2,000) a year. That is a huge offset. If they can get rid of one (1) car and we are not talking about getting rid of all cars, we

just heard that at Habitat for Humanity how having a big new car prevented them from qualifying and when they got rid of their car and later bought a second-hand car, they then qualified for a mortgage for a house. Making transit more usable for students and elderly is the best way to offset the regressivity of this tax. That is why it makes so much sense to use the excise tax money for expansion of transit because you are going to be helping the people that are most hurt. I think we need to keep those sources open. If we go through the budget and find ten million dollars (\$10,000,000) a year more, that is one thing—of recurring moneys, because we are going to need it for ten (10) years to do the backlog of repairing roads. If we can do that, that is one (1) thing, but I have not seen it yet.

Committee Chair Kaneshiro: For me, I stated what I wanted to do. I want to defer it to May 11th. If there are any amendments, please have it by then and we will make the decision then. I repeated myself many times on why I am in support of the GET and I rather just make my statements on May 11th. If Councilmembers are ready to vote on the receipt, we can.

Councilmember Yukimura moved to defer Bill No. 2610, Draft 1.

Committee Chair Kaneshiro: To the...

Councilmember Yukimura: I need a second.

Council Chair Rapozo: Committee Chair? Hold on. You have the floor, she is not recognized, and belts out a motion to defer, is not appropriate.

Councilmember Yukimura: Okay.

Council Chair Rapozo: That is simply not appropriate. Forget it.

Committee Chair Kaneshiro: Again, if the Members are ready to vote on it now or they are more comfortable deferring, I am open to the deferral and someone can make the motion. Councilmember Yukimura.

Councilmember Yukimura moved to defer Bill No. 2610, Draft 1, to the May 11, 2016 Committee Meeting, seconded by Councilmember Chock, and carried by the following vote:

FOR DEFERRAL:	Chock, Hooser, Yukimura, Kaneshiro	TOTAL – 4,
AGAINST DEFERRAL:	Kagawa, Kualii, Rapozo	TOTAL – 3,
EXCUSED & NOT VOTING:	None	TOTAL – 0.

Councilmember Yukimura: Is May 11th the next Council Meeting?

Committee Chair Kaneshiro: It is Committee Meeting.

Councilmember Yukimura: Oh, it is the next Committee Meeting.

Committee Chair Kaneshiro: No, it is...

Councilmember Yukimura: But you wanted it to the 11th.

Committee Chair Kaneshiro: That is what we originally had it.

Councilmember Yukimura: May I clarify that that was my motion?

Committee Chair Kaneshiro: Okay.

There being no further business, the meeting was adjourned at 1:55 p.m.

Respectfully submitted,



Darrellyne M. Caldeira
Council Services Assistant II

APPROVED at the Committee Meeting held on June 29, 2016:



ARRYL KANESHIRO
Chair, BF Committee