

**FINANCE & ECONOMIC DEVELOPMENT COMMITTEE
FISCAL YEAR 2026-2027 DEPARTMENTAL BUDGET REVIEWS**

MINUTES

The Fiscal Year 2026-2027 Departmental Budget Reviews of the Finance & Economic Development Committee of the Council of the County of Kaua'i, was called to order by Arryl Kaneshiro, Chair, at the Council Chambers 4396 Rice Street, Suite 201, and Meeting Room 106, Līhu'e, Kaua'i, on Thursday, March 27, 2026 at 9:07 a.m., after which the following Members answered the call of the roll:

Honorable Addison Bulosan
Honorable Bernard P. Carvalho, Jr.
Honorable Felicia Cowden
Honorable Fern Holland
Honorable KipuKai Kualii
Honorable Mel Rapozo
Honorable Arryl Kaneshiro

Pursuant to Hawai'i Revised Statutes Section 92-9(a)(4), because a video recording of this meeting is available online, this is to provide a link to the video recording (valid as of the approval date of these minutes): https://kauai.granicus.com/player/clip/3048?view_id=2&redirect=true. Additionally, meeting videos are available at: www.kauai.gov/Government/Council/Webcast-Meetings.

(Note: No one from the public provided oral testimony taken at the beginning of the meeting via the Zoom technology platform. Additionally, no one from the public testified at Meeting Room 106.)

Committee Chair's Budgetary Comments

Committee Chair Kaneshiro: On the schedule today, I will go through some ground rules for the budget proceedings which are the same procedures we use every year. Next, we will accept any public testimony, and then hear from the Mayor. After that, we will begin reviewing the budget details, starting with the Office of the Mayor followed by a presentation by the Administration on Revenue Forecasting. We will conclude today with a review of the budget for the Department of Human Resources and the March 15, 2026 Vacancy Report.

For Councilmembers, here are the ground rules for the Budget. We have a quick PowerPoint presentation. The following is a summary of Budget procedures. For more details, please refer to the Budget Expectations memorandum dated February 6, 2026. The Departmental Budget Reviews will follow the written schedule. If a Department's review concludes before its allotted end time, the next scheduled review will begin immediately. This minimizes scheduled Budget Call-Backs.

Prior to each departmental review, please review all materials and prepare any questions. Please contact Council Services Budget Staff to send questions to the Administration in advance, especially questions unlikely to be answerable on the spot without prior notice. For example, questions that will require research or time to compile.

This will help limit the number of written follow-up questions. All questions must directly relate to the proposed Fiscal Year (FY) 2026-2027 budget.

The Administration has been asked to be prepared with key personnel to answer questions. Council questioning will commence after the respective department has finished its presentation. During all budget proceedings, the Council Rules will continue to be enforced, including Rule No. 6(f) regarding Councilmembers speaking.

Decision-Making is scheduled for Thursday, May 14, 2026, and Friday, May 15, 2026, if needed. Council Services Budget Staff will meet with each Councilmember between April 20 and May 1 to discuss Decision-Making proposals. Any proposal to add to the budget should identify the source used to account for the increase. It takes four (4) votes to reduce or remove an item and five (5) votes to increase or add. Decisions will be made department-by-department. The Committee will then consider any revenue proposals thereafter, if applicable. The Committee will not revisit items after they have been addressed unless deemed absolutely necessary. These are the same rules as last year. Moving on. Each day during the budget proceedings, we will take public testimony at the beginning of the meeting at 9:00 a.m. Is there anyone in the public wishing to testify?

There being no public testimony, the meeting proceeded as follows:

Committee Chair Kaneshiro: I would like to suspend the rules and call upon the Mayor to offer his introductory comments, followed by Administration's budget team to present their FY 2026-2027 Budget Overview. I ask the members to please hold off any questions until the end of their presentation. Do we need a recess? We will recess briefly.

There being no objections, the Committee recessed at 9:11 a.m.

The Committee reconvened at 9:12 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Welcome back. Mayor, you have the floor.

There being no objections, the rules were suspended.

Administration's Budget Overview

DEREK S.K. KAWAKAMI, Mayor: For the record, Derek Kawakami, Mayor, County of Kaua'i. Chair, Vice Chair, members of the Council, Council Services and to the general public at large, I just want to begin by saying it has been an honor and a privilege to be able to work with you and to get to this point where we are delivering our last and final budget message. It has been a great run. I have to thank this Council for the hard work that you have done working out in communities, giving us feedback, and making sure that the wheels of democracy are well-oiled and well-turning.

We brought out department heads today and they are all prepared to answer whatever questions you might have. With that, I would like to begin.

Aloha, Chair Rapozo and Councilmembers, today we are presenting our proposed budget for FY 2027. This budget reflects our continued commitment to fiscal discipline, to responsible planning, and to delivering the services our community depends on. We are proposing a three hundred sixty-five million dollar (\$365,000,000) operating budget and a one hundred thirty-nine million dollar (\$139, 000,000) Capital Improvement Project (CIP) Budget. Our total revenues are projected at approximately three hundred ninety-eight million dollars (\$398,000,000), a modest increase from last year. Importantly, we are not proposing any changes to real property tax rates. Property tax revenue continues to be generated, primarily by non-residents. The growth we are seeing is driven primarily by property values, not changes in tax policy. Other revenues like excise tax and wastewater fees are increasing slightly to better reflect actual collections. All other revenue sources remain relatively flat compared to last year. Overall, our revenue picture remains stable and predictable. This year our focus is clear: support our workforce, maintain and improve infrastructure, and follow through on the projects already underway. Our employees remain at the center of everything we do. They are the ones maintaining our roads, responding to emergencies, and providing essential service every day. The budget continues to invest in that workforce, while keeping growth measured and responsible. We are continuing major investments in infrastructure. Through the General Excise Tax (GET) fund, we are dedicating over thirty-six million dollars (\$36,000,000) to road resurfacing and bridge improvements across the island. We are also replacing aging equipment, including fire apparatus and refuge trucks, to improve reliability and reduce long-term maintenance costs. At the same time, we are making targeted upgrades to our systems to better support our frontline crews. Just as important as where we invest is where we reduce costs. For the first time in this Administration, we are seeing a decrease in insurance premiums. This is the result of updating outdated property valuations and taking a more proactive approach. I just want to say this again, for the first time in this Administration, we are seeing a decrease in insurance premiums, which is a huge thing considering the insurance market that we live in today. We have also reduced debt service costs by refinancing at more favorable rates. These efforts strengthen our financial position without placing additional burden on our residents. Our CIP continues to focus on progress. Nearly three quarters of our funding is dedicated to projects already underway. This puts us in a better position to continue to work the work that we have already started. We are continuing in wastewater infrastructure, Parks and Recreation, stadium improvements, and public safety facilities across the island. From Vidinha Stadium to Hanapēpē Stadium, to improvements at our transfer stations and treatment facilities—these projects directly impact our communities. We are also improving County facilities to better serve both our employees and the public. This includes additional wastewater system upgrades to support long-term infrastructure needs, as well as an inclusive playground in Līhu'e. Housing remains a priority. We have allocated fifteen million eight hundred thousand dollars (\$15,800,000) to support affordable housing initiatives. This continues our commitment that visitor-related tax increases directly benefit local housing. This budget carries added responsibility. Only about five (5) months of it will be under our Administration. So, we approached it with discipline to complete what we have started, avoid leaving unfinished commitments, and provide a stable path forward. This budget is designed to set the next administration up for success. We made a deliberate decision not to introduce new initiatives that would create additional burdens and instead focused on finishing what

we have started and ensuring that the next administration can step in and hit the ground running.

To the Council, *mahalo* for your partnership, your collaboration and thoughtful deliberation that has helped move this County forward. This budget provides a strong, stable foundation, and the flexibility for the next administration to continue serving our community with confidence, strength, and clarity. Thank you so very much.

Committee Chair Kaneshiro: Thank you for that. Were you going to do an overall budget overview presentation, Ken? Does anyone have any questions for the Mayor, based on what he just said?

Councilmember Felicia Cowden: We can just say thank you, thank you very much.

Committee Chair Kaneshiro: We will go through the budget overview, Mayor, if you would like to sit up here, too. After that, if there are any questions on those, then they can be asked. Councilmember Kualif'i.

Councilmember Kualif'i: Thank you, Mayor. I know that you thanked the Council, but we thank you also. It has been a pleasure working with you. I really appreciate your overview and these three (3) pages have been very concise, sharing all the highlights and numbers. One thing that caught my eye is that you have talked about how all the unions have settled, and the increases are reflected, except for Bargaining Units 11 and 15. I do not know if negotiations are still underway, but I think it might be good to have a sense of what kind of expenses you are expecting for that, and whether or not it is in line with what you are expecting, or if it is unusual. We can do that offline if that makes more sense, for follow-up. Then, the only other thing, and it might be a question later for the Department of Human Resources (HR), I think that, on the three (3) new positions mentioned in your narrative, the one position for HR with the Department of Water, I think it is zero-funded not dollar funded. The reason is that the funds will come from the Department of Water, but in the narrative, it almost reads that you are going to be requesting that. Has there been discussions with the Department of Water already, and do we anticipate that they are willing to move in that direction with us, so that we can complete the whole payroll being centralized in HR?

Mayor Kawakami: Would you like me to follow up with that offline, or we can bring up HR?

Committee Chair Kaneshiro: HR is presenting today, too, so we can ask them that question.

Councilmember Kualif'i: That is right, okay. Maybe the last thing, and it is kind of a big thing that came up in our Council Meeting yesterday. I will add it today to the provisos that you have here. You shared with us that Section 8, related to Council approvals for unbudgeted equipment was increased from twenty-five thousand dollars (\$25,000) to fifty thousand dollars (\$50,000), and that is keeping in line with the law

change at the Legislature, so this is more a matter of housekeeping that you are trying to do, right?

Mayor Kawakami: Yes, and as the departments come up, they will have a much more comprehensive answer. I can give you a broad view, but I think that it is best to bring the subject matter experts to dive into the details of that. Everyone is here taking notes, so they will be able to respond.

Councilmember Kualii: Just on a broader sense, this Council will likely consider a proviso because we came to a realization as a body—with regards to the Housing Development Fund, which is amazing and we appreciate that year after year, you increase the investment there, but that in fact when the Administration goes and purchases a property, there is no... a money bill, normally, would come back to the Council for such a big expenditure of County funds. The consideration will probably be to put a mechanism in there so that, such a big purchase would also come back to...I guess there are different ways of doing it, but I just wanted to know your thoughts on that. You have been a councilmember before as well.

Mayor Kawakami: Yes, my thoughts are that when it comes to land acquisition and housing, time is money. We see cost escalations going up by the day. Having flexibility is a good tool. I would say that the next administration is going to have to deal more with the changes that you make here, but what we present to you is what we feel is the best path forward, but we respect the Council's decision collectively and their wisdom on moving forward. Every decision we make has unintended consequences, but that is not to say that trying something new does not have its merit. In regards to housing and the complexities behind it, when land becomes available and how quickly we have to maneuver to stay competitive, what we present to you is what we feel is the best slew of tools for the Housing Agency to get housing for people.

Councilmember Kualii: Thank you. I am not saying that we do not support the land purchase, of course we do. The item moved forward in the Council Meeting on Wednesday.

Committee Chair Kaneshiro: Are there any other questions from the Members on the Mayor's presentation? If not, Ken, you have the floor.

KEN M. SHIMONISHI, Budget Administrator: *Aloha*, Committee Chair Kaneshiro and members of the Committee. Ken Shimonishi, Budget Administrator. Again, every year we do an overview, not just for the Councilmembers but for the public as well, so people can get a better feel on how revenues are generated, how appropriations are made, and so forth. With that, we will start with the Budget overview and you have the slides in front of you.

On page 2, again, I will just go over that we continue to adhere to the elements of Long-Term Financial Planning—this includes a structurally-balanced budget approach—where recurring expenditures should be covered by recurring revenues. The use

of Fund Balances are based on estimates at this time. We have not used any General Fund fund balance to balance the Budget.

On slide 3, this is a table by the Operating Funds, FY 2026 and the current proposed Mayor's request FY 2027. In total, as the Mayor has mentioned, revenue has increased by twenty-five million five hundred thousand dollars (\$25,500,000) or six point nine percent (6.9%).

On page 4, we have the narrative, further explaining that revenue change. General fund increased by twenty-two million six hundred thousand dollars (\$22,600,000) or seven point nine percent (7.9%), primarily attributable to Real Proper Tax—an increase of twenty million eight hundred thousand dollars (\$20,800,000) or eight point six percent (8.6%). The County's Transient Accommodations Tax (TAT) increase of one million one hundred thousand dollars (\$1,100,000), which also now includes budgeting a little bit for penalties and interest. The total one million one hundred thousand dollar (\$1,100,000) increase in that is three point six percent (3.6%) as compared to last year. Our interest earned increased by eight hundred fifty-five thousand dollars (\$855,000) or seventeen point eight percent (17.8%). We are applying a roughly thirty percent (30%) rule of what was actual in the most recent FY 2025. So, that is something that we are trying to get to. The Highway Fund remained relatively flat with an increase of one hundred ninety thousand dollars (\$190,000) or one percent (1%). The General Excise Tax (G.E.T) Fund increased by two million four hundred thousand dollars (\$2,400,000) or six point two percent (6.2%). The Solid Waste Fund actually had a decrease of six hundred forty-three thousand dollars (\$643,000) or five point eight percent (5.8%). This was primarily due to a reduction on the interest earned—applying that rule, so that came out to almost an eight hundred thousand dollar (\$800,000) increase. The Sewer Fund increased by six hundred forty-two thousand dollars (\$642,000) or five point three percent (5.3%), and this is based on the most recent six (6) months of data that we have.

Looking at our Operating Budget expenditures by category, overall, we have an increase of roughly seventeen million nine hundred thousand dollars (\$17,900,000) or five point two percent (5.2%). In these categories you will see the various changes and also the percentage amounts. Again, the narrative for that table begins on page 6.

Salaries and Related increased by twelve million one hundred thousand dollars (\$12,100,000) or six point three percent (6.3%). Regular salaries increased by seven million five hundred thousand dollars (\$7,500,000) or seven point six percent (7.6%). Health Fund contributions increased by three million one hundred thousand dollars (\$3,100,000) or twenty-two percent (22%). Collective Bargaining increased by six hundred forty-seven thousand dollars (\$647,000) or forty-three point eight (43.8%) and Social Security increased by four hundred sixty-five thousand dollars (\$465,000) or seven point five percent (7.5%).

The areas of note include an increase of nineteen percent (19%) in the Planning Department, an increase of twelve point seven percent (12.7%) in the Department of Liquor Control, in HR eleven point four percent (11.4%), in the Department of Finance nine percent (9%), in the Housing Agency eight point six percent (8.6%), and in the Kaua'i Police Department seven point four percent (7.4%).

Utilities remain relatively flat with a just a forty-seven thousand dollar (\$47,000) increase or point seven percent (0.7%) and our Operations, overall, increased by four million five hundred thousand dollars (\$4,500,000) or five point six percent (5.6%). Again, the insurance decreased by five hundred eighteen thousand dollars (\$518,000) or eleven point four percent (11.4%), as the Mayor had pointed out earlier.

Other services increased by one million two hundred thousand dollars (\$1,200,000) or two percent (2%), four hundred fifty-one thousand dollars (\$451,000) in the Kaua'i Police Department, three hundred eleven thousand dollars (\$311,000) in the Department of Public Works, Solid Waste Division, two hundred seventy-three thousand dollars (\$273,000) in the Office of the County Clerk, two hundred seven thousand dollars (\$207,000) in the Planning Department, one hundred eighty-one thousand dollars (\$181,000) in the Agency on Elderly Affairs, one hundred fifty thousand dollars (\$150,000) in the Office of the County Auditor offset by reductions of one hundred sixty thousand dollars (\$160,000) in the Office of the Prosecuting Attorney, and one hundred fifty thousand dollars (\$150,000) in the Department of Public Works, Highways Division.

Continuing on with the narrative on page 7. Dues and subscriptions increased by one million four hundred thousand dollars (\$1,400,000) or twenty-four point five percent (24.5%), one million three hundred thousand dollars (\$1,300,000) in the Department of Finance, eighty thousand dollars (\$80,000) in the Office of the County Clerk, sixty-seven thousand dollars (\$67,000) in the Department of Human Resources, offset by reductions of eighty thousand dollars (\$80,000) in the Kaua'i Fire Department and thirteen thousand dollars (\$13,000) in the Department of Liquor Control. Consultant Services increased by two million three hundred thousand dollars (\$2,300,000) or thirty-seven-point four percent (37.4%), two million four hundred thousand dollars (\$2,400,000) in the Department of Finance, thirty-three thousand dollars (\$33,000) in the Department of Public Works, Solid Waste Division offset by reductions of eighty thousand dollars (\$87,000) Public Works, Wastewater Division, and fifty thousand dollars (\$50,000) in the Kaua'i Police Department (KPD).

Our Special Projects decreased by three hundred thirty thousand dollars (\$330,000) or six-point two percent (6.2%), three hundred eighty thousand dollars (\$380,000), so that was in the Kaua'i Fire Department (KFD), fifty thousand dollars (\$50,000) in the Parks General Fund, offset by eighty-nine thousand dollars (\$89,000) increase in the Department of Finance. Grant In Aid decrease...

Council Chair Rapozo: Real quick.

Mr. Shimonishi: Yes.

Council Chair Rapozo: You are showing a total of three hundred thirty thousand dollars (\$330,000).

Mr. Shimonishi: I am sorry, where are you?

Council Chair Rapozo: Special Projects. You just said a total of three hundred thirty thousand dollars (\$330,000).

Mr. Shimonishi: Right.

Council Chair Rapozo: But you said of that three hundred eighty thousand dollars (\$380,000) is Fire?

Mr. Shimonishi: Correct.

Council Chair Rapozo: That cannot be...

Committee Chair Kaneshiro: There is an offset with the Department of Finance of ninety-eight thousand dollars (\$98,000).

Mr. Shimonishi: Yes. On that particular item, last year KFD had an alerting system for the stations and that was nonrecurring, so we saw that large reduction but offsetting that reduction was an increase of ninety-eight thousand dollars (\$98,000) in the Department of Finance.

Council Chair Rapozo: Okay, maybe I just misheard. I thought I heard you say Special Projects total was three thirty thousand dollars (\$330,000) and of that three hundred eight thousand dollars (\$380,000) was KFD.

Mr. Shimonishi: The decrease was three hundred thirty thousand dollars (\$330,000).

Council Chair Rapozo: Yes.

Mr. Shimonishi: KFD decrease was three hundred eighty thousand dollars (\$380,000), but that three hundred eighty thousand dollars (\$380,000) was offset by an increase in the Department of Finance.

Council Chair Rapozo: Got it. Okay, I am sorry. Thank you.

Mr. Shimonishi: Grant In Aid decreased by one hundred nine thousand dollars (\$109,000) or two point four percent (2.4%), four hundred thirty-five thousand dollars (\$435,000) decrease in the Office of Economic Development (OED), offset by three hundred twenty thousand dollars (\$320,000) in the Office of the Prosecuting Attorney (OPA). This was related to more of a switch in the grant that was previously assigned to OED related to family violence and sexual assault. We actually moved that money to OPA now. The rental category increased by two hundred thirty thousand dollars (\$230,000) or twenty point nine percent (12.9%), one hundred seventy-seven thousand dollars (\$177,000) in the Department of Public Works, Solid Waste Division, thirty-one thousand dollars (\$31,000) in the Department of Public Works, Highway Division, and nineteen thousand dollars (\$19,000) in KPD.

Continuing on page 8 with Operations. Our advertising increased by one hundred thirty-three thousand dollars (\$133,000) or sixty-six point four percent (66.4%), one hundred eighty-nine thousand dollars (\$189,000) in KPD and thirty-six thousand dollars (\$36,000) in the Office of the Mayor. Supplies showed a decrease of two hundred five thousand dollars (\$205,000) or four point four percent (4.4%). Two hundred seventy-nine thousand dollars (\$279,000) decrease in the Department of Public Works, Solid Waste Division, nineteen thousand dollars (\$19,000) decrease in the Department of Parks & Recreation, General Fund, offset by an increase of forty-seven thousand dollars (\$47,000) Department of Public Works, Highway Division. Our road and bridge repairs remain unchanged from the last fiscal year at thirty-six million three hundred thousand dollars (\$36,300,000). Our lease decreased by two million seven hundred thousand dollars (\$2,700,000) or twenty-seven point two percent (27.2%), and this was another change from last year when we had leased the helicopter, as well as larger ticket items, primarily related to Solid Waste. We still have the lease in there, obviously, for the helicopter, but we have reverted back to outright purchasing, or budgeting for outright purchasing of the larger pieces of equipment. Of that decrease, one million seven hundred thousand dollars (\$1,700,000) was related to the Department of Finance, related to the Enterprise Resource Planning (ERP) system. Four hundred thousand dollars (\$400,000) decreased in the Department of Public Works, Highway Division. Three hundred thirty-four thousand dollars (\$334,000) Department of Public Works, Solid Waste Division. Two hundred eighty-nine thousand dollars (\$289,000) in the Department of Parks & Recreation, ninety-seven thousand dollars (\$97,000) in Department of Public Works, General Fund, offset by one hundred sixteen thousand dollars (\$116,000) increase in KFD.

On page 9, the Auto., Equip., & Heavy Equip. increased by five million eight hundred thousand dollars (\$5,800,000), and this is the switch I talked about, or eighty-two-point two percent (82.2%), three million three hundred thousand dollars (\$3,300,000) in KFD, one million eight hundred thousand dollars (\$1,800,000) in the Department of Public Works, Solid Waste Division, one million seven hundred thousand dollars (\$1,700,000) in the Department of Public Works, Wastewater Division, three hundred twenty-five thousand dollars (\$325,000) Department of Parks & Recreation, General Fund, offset by decreases of five hundred fifty-three thousand dollars (\$553,000) Department of Public Works, Highway Division, one hundred fifty thousand dollars (\$150,000) decrease in the Transportation Agency, and one hundred one thousand dollars (\$101,000) in KPD.

Contribution to Open Space increased by one hundred four thousand dollars (\$104,000) or eight-point six percent (8.6%), and this is just based on the half percent (0.5%) of Real Property Tax revenue. Debt Service decreased by two million dollars (\$2,000,000) or eighteen point nine percent (18.9%), due to refinancing initiative undertaken in FY 2025. Although not related to...I would not say "not related," but we do not show this as part of the Operating Budget as an expenditure, but the contribution to affordable housing, which Councilmember Kualifi was talking about a potential proviso. This year's contribution which is the second page of the Operating Budget Ordinance Section 1, it is truncated for display purposes, but we are proposing to contribute fifteen million seven hundred fifty thousand dollars (\$15,750,000) which is six percent (6%) of the Real Property Taxes. The required minimum per our Structurally Balanced Budget Resolution is two percent (2%) as

well as the Ordinance, the minimum is two percent (2%), but we are proposing six percent (6%). This just shows that we are contributing from the General Fund to the Housing Development Fund and we take that contribution back from the Housing Development Fund into the General Fund and then into our CIP Ordinance. The total being contributed into the CIP Ordinance is forty-six million seven hundred thousand dollars (\$46,700,000) of that fifteen million seven hundred thousand dollars (\$15,700,000) is the Affordable Housing contribution. Looking at the CIP side of the equation, in the CIP Ordinance, in the General Fund, page 4 of the CIP Ordinance, you will see that fifteen million seven hundred fifty thousand dollars (\$15,750,000) being contributed, the blue shaded number. At the time we generated the ordinance, we were looking at the unencumbered balances as of February 19th. In total, that Affordable Housing Fund sits at about forty-one million dollars (\$41,000,000), sat about forty-one million dollars (\$41,000,000) at that time. I think this is true testament to the Administration and the Council being on the same page in determining that, yes, we have to make this contribution to affordable housing. I think it is unbelievable.

Looking at our Operating Budget elements by category, just to show where the big pots of money are. Obviously, side-by-side, FY 2026 versus FY 2027 on page 12, you can see that our Salaries and Related went up a bit, point six percent (0.6%) in terms of our total budget. The Leased portion decreased by point nine percent (0.9%). The Auto., Equip., & Heavy Equip. increased by one point five percent (1.5%), and then the Debt Service decreased by point seven percent (0.7%). Some slight shifting of how the moneys are appropriated, but nothing too crazy.

On page 13, Overall Operating Budget By Department. This would exclude the Open Space contribution and the Debt Service, but again we show that the Department of Public Works is the largest department. In FY 2026, it represented thirty-three point six percent (33.6%) of the appropriations. In FY 2027, thirty-two-point eight percent (32.8%) that is the blue shaded area where you see the Department of Public Works, General Fund, Department of Public Works, Highway, and G.E.T., the Department of Public Works, Solid Waste, and Wastewater Division. The next largest department would be KPD at roughly fifteen-point five percent (15.5%), followed by KFD at roughly fifteen percent (15%), Department of Parks & Recreation, and the Department of Finance.

Page 14. We are focusing a little more on the General Fund being that it is the largest fund and compare how do we look from last year versus this year in terms of our percentage of allocation or appropriation. A slight decrease in the Salaries and Related category of point nine percent (0.9%), a decrease in our Leased, as I mentioned earlier of one point one percent (1.1%), and then an increased in Equipment side of the house of one point five percent (1.5%). Still looking at the General Fund on page 15. When you look at the Salaries & Related category is always the largest piece-of-the-pie and where does that split out to. For KPD and KFD, they represent roughly fifty-five percent (55%) of that bucket of dollars, followed by the Department of Parks & Recreation, Department of Finance, and the Department of Public Works.

On page 16. The second largest fund we have is the G.E.T. Surcharge Fund. What this shows is the historical and total historical appropriations of the G.E.T. Surcharge Fund

where roughly seventy-five percent (75%) is being appropriated towards the Department of Public Works and twenty-five percent (25%) is being appropriated towards the Transportation Agency. This is in alignment with my recollection as how the passage of the G.E.T. Surcharge came and was presented to the Council of what the split would roughly be, not to say it cannot be changed, but I just wanted to point that out, then we continue on that line of appropriations when you consider the overall life of the fund thus far.

On page 17, Transportation Operating Budget of County funds. I think it is important to see how we have transitioned the funding starting in FY 2015 where four million four hundred thousand dollars (\$4,400,000) was coming from the General Fund and then three million dollars (\$3,000,000) roughly from the Highway Fund. As you look at the years, you can see that we have actually moved away from the General Fund once we passed the G.E.T. Fund. I recall that part of the argument was G.E.T. is also a regressive tax, so we should try to benefit those people who are feeling it the most and thus the transferring to funding the Transportation Agency that way. As you can see in 2019, 2020, 2021, and 2022, we still had a small portion of G.E.T. coming out but in 2023...that has all but disappeared and now it is really primarily G.E.T. Fund and Highway Fund. This does not count the state or federal grants that they also receive. The reason why I put this slide in is that the G.E.T. Surcharge is schedule to sunset December 31, 2030, I believe, which is not too far away, and thus how would the County fund that portion should the surcharge no longer be available to the County.

Operating Budget notable changes FY 2027 on page 18, which is our Department of Finance, Real Property Collections Division (0508) has been consolidated with Real Property Assessment (0507), you will not see that division anywhere in the budget. We have consolidated the numbers on any of the worksheets three-year trend and whatnot, so you get to see it apples-to-apples comparison. Proviso Section 8, as Councilmember Kualii mentioned, we did propose the increase as it was changed by the Legislature in Hawai'i Revised Statutes (HRS) Chapter 103D-305 from twenty-five thousand dollars (\$25,000) to fifty thousand dollars (\$50,000). Proviso Section 16, which allows the conversion of a full-time position to two (2) part-time positions, has removed "consultation with exclusive representatives" language, as we determined it was unnecessary and deters the use. It still requires an ordinance for that change to occur, if the Administration ever proposes that. We would still come before the Council.

Just some housekeeping on page 19, if you look at your detailed worksheets. On the bottom you see master page number, and the reason why we do this is because we insert several different files and reports and you would not get a clean, consecutive page number sequence otherwise, so it might be helpful if Councilmembers refer to that page number during discussions and the Administration and the various departments have the same set of pages. Finally, if you are looking at the Budget Ordinance in a soft copy, there should be bookmarks on the various departments and sections to help you navigate more closely to where we are reviewing. *Mahalo*. Are there any questions?

Committee Chair Kaneshiro: Thank you for that presentation. It is always a great overview; you were able to summarize the entire budget quickly. Are there any questions from the Members? Councilmember Cowden.

Councilmember Cowden: I have a handful of simple questions.

Committee Chair Kaneshiro: Just note what page you are on.

Councilmember Cowden: Page 4. When we are looking at the increase of seven point nine percent (7.9%), we had attributable to Real property Tax increase of twenty million eight hundred thousand dollars (\$20,800,000) or eight point six percent (8.6%), so I am curious if the increase is primarily due to inflationary pressure on the housing values or did we have any new developments, so that when we have new property, we are going to have more new taxes that come up? Is that new houses? Do you have an idea? Did the cost of everything go up?

Mr. Shimonishi: I think we have our Real Property Tax people here to discuss in-depth the real property side.

Councilmember Cowden: Okay.

Mr. Shimonishi: I would say values, but I am not sure how much of that relates to actual new parcels as well, but we have that more detailed in...

Committee Chair Kaneshiro: They are presenting the revenues today, also.

Councilmember Cowden: Okay.

Committee Chair Kaneshiro: Based on what I saw the majority of it was based on increased assessed values.

Councilmember Cowden: That is what I figured. An eight point six percent (8.6%) increase is really painful for a lot of people, so I am just trying to be aware, but I know there has been new houses built, so whenever there is new built environment, that is also going to be increasing that amount. On page 5, Overall Operating Budget Elements By Category. When we see the six point three percent (6.3%) increase, and we are still doing five percent (5%) annual salary increase, right, we did that for a three-year period, so it is natural that it is going up by at least five percent (5%). Is that from that three (3) years of salary increase that we agreed on? Am I remembering right?

Mr. Shimonishi: I am not sure if I can quantify that off the top of my head, but I would say if you took a rough guess of one hundred million dollars (\$100,000,000) in salaries, every percentage point that we move is one million dollars (\$1,000,000), right? So, if we did settle our collective bargaining at five percent (5%), three percent (3%), then you are moving that much.

Councilmember Cowden: Last year we had this hazard mitigation pay for COVID-19, did that get built into all of FY 2026 or is any of that coming into FY 2027?

Ms. Shimonishi: All of that has occurred in prior years.

Councilmember Cowden: Okay, so that is gone.

Mr. Shimonishi: Correct.

Committee Chair Kaneshiro: We do have one more coming up but it is probably going to get passed in this fiscal period.

Councilmember Cowden: KFD?

Committee Chair Kaneshiro: Yes, what we saw yesterday.

Councilmember Cowden: Okay. On page 9, when we are talking about the leases and going back to purchasing the property, what was the lesson learned? Why did we shift back to purchasing? I remember when we moved towards predominately leasing, so you must have had a reason that we decided it is not a good idea and we are going to buy the product. I do not mind buying vehicles, but do you know that, would that be a detailed question somewhere else?

Mr. Shimonishi: I think the major factor is how we can balance the budget without financing, if the revenue stream allows. In this case, clearly, we could do that which is an easier method of acquiring and it should save you money not paying interest on leasing, right?

Councilmember Cowden: Right. So, I was happy on that. I know on page 9, I want to put a big smile on it. I am really pleased at the refinancing initiatives as well as how we have been investing, so again, I just want to throw out that big applause to the Department of Finance and the Treasury Division for doing a good job at managing money. On page 17 when we are talking about the G.E.T. sunseting, do we have a bill in the State Legislature right now to revisit that? I thought that was something coming up because that will be a really big problem not just for our Transportation Agency, but also for our roads. That might be a "Mayor's" question.

Mayor Kawakami: Every year we make the case to extend the G.E.T. surcharge in perpetuity. The issue gets convoluted because it gets tied into Rail, but for the neighbor island counties, it is the best funding and source of revenue to fix roads, bridges, and infrastructure, but more importantly the amount of jobs that we created with the G.E.T. surcharge, creates a multiplier effect in our community. If you were to ask any restaurant worker who tips the best, it is our blue-collar workers that are out there building our roads, so that is the case that we make. That is the case that the next administration is going to have to make and quite frankly if I had a crystal ball, I believe that it is going to come down

to the wire in 2030 for a big push to preserve that source of funding. As far as this year, the appetite to revisit that did not seem to be at the Legislature's top priority list.

Councilmember Cowden: Okay, and when I look at all of this horrific flooding that we had, my sense is that the state is going to be pretty dry for us. We were so lucky that we might have a little bit of challenge, so I was hoping there was something that would have been passing already.

Mayor Kawakami: On the flipside, because the Legislature, and this sort of goes off, but it ties into the bigger financial stability of our County, the fact that the Legislature scooped our appropriation of the TAT and then gave us sort of that TAT taxing authority but made it nearly impossible for us to collect it with some of the language in the bill, and the fact that our former Finance Director and our current Managing Director were able to work with the other counties to triage the situation without the State putting their fingers on that money, makes it a lot harder for them to claw it back. In a sense, we are safer, but the Legislature can create laws to change all of that. The reason why I say this is because future County Councils and future Administrations have to be aware of the history of how we got this funding and protect it. For the general public who is watching this, especially for the many workers that depend on these types of infrastructure jobs to feed their families, there should be a level of concern that 2030 is right around the corner and TAT, as stable as it may seem, can change in a blink of an eye, because that is how we lost it—literally with no notice, without taking into any consideration that we partner up with the State in many, many situations, when we are rescuing hikers in State trails, it is a County helicopter and a County firefighter, when we create fields of opportunity for our high school student athletes, it is all being paid for by the hard working people that are paying taxes to the County of Kaua'i, and so this is all an educational outreach to the public at-large as well. You bring up a good point, these are all sources of revenue that are critical to meet the expectations of our constituents, growing expectations, and it is going to have to be guarded and protected into the future.

Councilmember Cowden: Thank you for that.

Committee Chair Kaneshiro: We went through a budget not too long ago with no TAT, so we lost...we started fifteen million dollars (\$15,000,000) in the hole in that budget.

Mayor Kawakami: And on the heels of coming out of COVID-19, when we were crippled.

Committee Chair Kaneshiro: Yes.

Councilmember Cowden: In alignment with that, when we honored our people, and I just cannot help but say thank you to KFD and first responders for the tragedy that we had yesterday—heroes again; when I look at the amount of money that we did for the COVID-19 hazard pay, where am I going to see that in here? Was that coming out of our Reserve? We spent a lot last year on that, that had not been budgeted to begin with.

Mr. Shimonishi: Are you asking how the temporary hazard pay is being funded?

Councilmember Cowden: Yes, I learned that it got funded last year, and it was not in last year's budget, so has that lowered our Reserve?

Mr. Shimonishi: Correct, we are taking the funding from the Reserve. Until we get FY 2025 audit numbers, we are using FY 2024 and trying to roll it forward, but I would say our projections is that the Reserve while maybe under the thirty percent (30%) target that we set for ourselves, it is not projected to be dramatically under twenty-eight and one-half percent (28.5%) as opposed to thirty percent (30%).

Councilmember Cowden: Okay.

Mr. Shimonishi: It is still leaves us substantial amount...in the Reserve side of the house and hopefully, again, with our balanced budget process, we recover that in the next year.

Councilmember Cowden: Thank you so much for that, because I was looking everywhere and I could not find it, so that is why I could not find it.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: Thank you for being here today. I handed a note to the County Attorney that he can get back to me later, but maybe you can answer on Proviso Section 8 regarding the increase of unbudgeted items from twenty-five thousand dollars (\$25,000) to fifty thousand dollars (\$50,000), which would require Council approval. That is what that proviso is lifting/raising the limit or the cost?

Mr. Shimonishi: That would allow the Administration to purchase unbudgeted equipment of fifty thousand dollars (\$50,000) or less.

Council Chair Rapozo: Without Council approval?

Mr. Shimonishi: Without Council approval.

Council Chair Rapozo: Right, but I am reading the statute, and I do not see anything in the statute that prohibits the Council from keeping it at twenty-five thousand dollars (\$25,000), so that is what I sent over to Tyler. I am reading the statute. The statute talks about the fifty thousand dollars (\$50,000), but it is more about the prohibition against parcel, in other words chopping up large purchases into small ones so you can get around the procurement. This statute basically says you cannot do that, but I do not read anything in here where it says the Council's authority will be limited to only fifty thousand dollars (\$50,000) or more, so that is the question I have. I can wait for Tyler.

Mr. Shimonishi: Like I said this was referred to by our Assistant Chief Procurement Officer, but I would agree that it does not stop Council from saying, "No, we do not want you folks to have fifty thousand dollars (\$50,000)..."

Council Chair Rapozo: Right. I think twenty-five thousand dollars (\$25,000) is a safe number and just the way it was written, it was to be aligned with the statute, but I am reading the statute, and it does not say that the Councils are restricted. I will get the legal opinion from Tyler. That is just my concern to lift that higher, just me personally, because I think the twenty-five thousand dollars (\$25,000) is a safe number for both sides. Thank you.

Committee Chair Kaneshiro: Councilmember Holland and then Councilmember Carvalho.

Councilmember Holland: Thank you folks so much. I have an overall broader question about the timing. When this budget was finalized, we had not seen the massive increase in petroleum that we are seeing due to the war in Iran. I am wondering and thinking a lot about what we can do on the County-level to offset the possible impacts over the next year that we may see if this continues to go on for some period of time. I am wondering if there is some thought going into already what we will be looking at supplemental to offset maybe some of those concerns around what things are going to cost us, potential inflation associated with that, and also looking at the things I have been thinking a lot about over the last few weeks is, we are so limited on how we can influence those things. Obviously, those larger global national things that we cannot influence on at this level, but we have seen presentations from the food banks this year about how much they are struggling and I can anticipate that we are going to see an increase to that as we continue to go into this. We have already seen in one (1) month gas go up one dollar (\$1) per gallon and that is not projected to slow down at this point. I am wondering if we are looking at things to possibly offset some of those costs but also food banks, the fast-tracking of energy, security things around electric vehicles (EVs) or projects that we have that are prioritized around public transport and those types of things. As we think how can we help our citizens cope with that adjustment, food production obviously being another one that we saw during COVID-19, really showed our weakness and we really have not invested in over the last five (5) years what, obviously we can only do so much in the county-level, but just thinking ahead on supporting our farmers, food self-sufficiency and the food situation as well.

Mayor Kawakami: The economic uncertainty that every single county and state municipality across this nation from sea to shining sea that has been prone into with global conflict is going to have a cascading effect that makes it hard to wrap our head around the cost escalation on everything, and more than you just described. Just for people's knowledge, the cost of oil goes up, that increases the cost of asphalt. Will it make it cheaper to go concrete? We do not know because of the tremendous supply chain disruptions everywhere. That little Niumalu Bridge was stalled for a large part because they ran out of steel across the nation, they could not find steel. Part of the reason why the Legislature increased the threshold from twenty-five thousand dollars (\$25,000) to fifty thousand dollars (\$50,000) is just the fact of the matter of what twenty-five thousand dollars (\$25,000)

can buy you yesterday compared to what twenty-five thousand dollars (\$25,000) buys today. As far as mitigating factors, that is why we pump so much money into CIP and road projects and that is why we stayed focus on making sure that we are introducing a comprehensive budget that takes care of needs without getting into glitzy and glamorous and focusing on basics, which is infrastructure, housing, and cost of living. The fact that we were able to re-shift the tax burden off of the shoulders of our people who live here and rebalance it non-residents is, in my opinion, a huge accomplishment, but it is hard for our residents to feel that cost savings when the cost of milk, eggs, gasoline and everything under the sun goes up as well. Until we get some sort of stability from higher up, we will continue to be challenged, but there is no loss of confidence between this Council and very fiscally responsible and our Administration that we will not be able to pivot, shift, adjust our sales, and make lemonade out of lemons. The nonprofits are under severe duress. We just had a report card from Hawai'i Community Foundation (HCF) where they were begging their donors to consider unrestrictive funding so that the nonprofit of HCF has the ability to pivot quickly because they can see that beyond the horizon, the nonprofits that we lean on to be the safety net and parachute for our community are all going to be struggling moving forward and we may see some huge budgetary impacts, that is going to severely limit the type of services that we can continue to provide to our people that depend on it, and that is why I think everyone is holding their breath to see some sort of sanity happen way, way up above the level of decision-making that we make here.

Councilmember Holland: Thank you, Mayor.

Committee Chair Kaneshiro: Councilmember Carvalho.

Councilmember Carvalho: I have a clarifying question. The road and bridge repairs may not change from last year of thirty-six million three hundred thousand dollars (\$36,300,000).

Mr. Shimonishi: On that, all I am saying is that we continue to budget the same amount as last year, so another thirty-six million three hundred thousand dollars (\$36,300,000)—that is what we have in the budget currently.

Committee Chair Kaneshiro: Are there any further questions from the Members on the presentation? Councilmember Kualii.

Councilmember Kualii: I may just need to ask this of HR later, but Proviso Section 16 on the bottom of page 18, the change would be removing "consultation with exclusive representatives" language and it said that it is "unnecessary and deters use." Has it been worked out and agreed to by the different bargaining units? You can follow up later or HR can just address it later.

Councilmember Cowden: I have one (1) more. I appreciated the higher-level conversation and thank you Councilmember Holland for bringing up the global conflict and instability, and how it affects farming and food, as we have Supplement Nutrition Assistance Program (SNAP) closing, I mean a lot of our SNAP dollars are really going to continue to be

restricted. I just want to speak to that fuel increase when I...and just to anyone listening, seventy-five percent (75%) of this revenue-based, is largely non-resident owners, resorts, and transient vacation rentals (TVRs), so during this window, we have shifted to the non-residents to help to support things. I worry about the vulnerability of the visitor industry when we are likely to have higher fuel cost, higher everything, and those people at home are going to be paying less for food, so we do not have a magic ball, but my mind thinks that we might need to be able to be leaning on this Reserve a little bit because if we do not have the visitors, that is the TAT and that is more than likely what we would get claw back on that. I think we are in tenuous times. You certainly have been the Mayor through a number of tenuous times, so we will get through it but that is another element and I do not know...a lot of this has happened since the budget was written up, right? This is so immediate. But I think airplane flights, I have not tried to book a ticket since, but I would imagine they have gone up, I have not really even looked. Do you know?

Mayor Kawakami: I am not sure if it is going up or going down, because they have not paid Transportation Security Administration (TSA) workers in a while and they are quitting and it is causing a backlog of people waiting in line missing flights. It is just an over...it is never ending story...a never-ending challenge to be able to navigate. I will say we should all count our lucky stars that Kaua'i was relatively unscathed with the two (2) Kona low weather system. When we get out to Maui, Hawai'i Island, and especially O'ahu, those impacts are going to further cause some level of complications right down here on the little island of Kaua'i and Ni'ihau. We could raise one million questions of the uncertainty that we live in, but one thing that we feel confident and certain of is that this budget that we presented is responsible in regards to providing critical services, increasing housing, and you folks have done a fabulous job of making sure that we are being held accountable, and so as we go through the budget process, I can guarantee you, in fact there will be things out of our control that will continue to ebb and flow on where we are financially.

Councilmember Cowden: Thank you.

Committee Chair Kaneshiro: Are there any further questions from the Members? If not, thank you for that. Moving on.

Councilmember Kualii: I had a quick on. This is like the HR question, this one might be better asked of OED, but it was listed here regarding Grant In Aid, on page 7, the second to the last bullet. Grant In Aid one hundred nine thousand dollars (\$109,000) decrease, OED four hundred thirty-five thousand dollars (\$435,000) and OPA three hundred twenty thousand dollars (\$320,000), and it was explained as the grant for family violence and sexual assault being moved from OED to OPA, I just wanted to ask if the grant will primarily have all the same requirements, eligibility, and has there been any outreach to stakeholders and community on what this change might mean?

Mayor Kawakami: I do not know if I can answer that question but to the first part of it moving from OED to OPA, I think it was triggered, if I am not mistaken, you can correct me if I am wrong, through the Council's budgetary actions. It was placed in OED, which it does not fit in OED, it fits in OPA, so we just corrected that. As far as some

of the other details, I would not know if we are the right people to answer that, maybe the Young Women's Christian Association (YWCA) is or someone else in this room can, they will come up and answer it, but for me, I am not able to address it?

Councilmember Kualii: We will learn from OED later. I thought the change from last year was something new, like additional moneys, it was not about the moneys that was in OED. But we will look at it and will follow up with OED.

Committee Chair Kaneshiro: Are there any further questions from the Members? If not, we will move on to the Mayor's Budget. We will now begin our review of the Budget details, as we call up each department in the order listed on the posted agenda, I would like to allow each department to provide a brief overview, then we will entertain questions regarding the department's budget and operations synopsis submittal, followed by questions related to the...

(Councilmember Carvalho was noted as not present.)

Committee Chair Kaneshiro: ...Operating Budget details taken in order of division. Reiko, it looks like you are answering all of the questions.

Office of the Mayor (Administration)

REIKO MATSUYAMA, Managing Director: Good morning, Councilmembers. Reiko Matsuyama, Office of the Mayor. Our budget is declining this year. We are requesting Fiscal Year 2027 of just over four million dollars (\$4,000,000), which is a decrease of about one percent (1%), primarily due to reductions in Salaries and Wages and corresponding Benefits. We did have a little bit of change in just movement like redistribution of funds, and it was mainly in Boards & Commissions, and it was to fund advertising for Charter ballot questions. Those are basically the changes from the prior year. We are also short funding a position in the Office of the Mayor that we do not intend to fill for the first five (5) months of this Administration.

(Councilmember Holland was noted as not present.)

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: Thank you for your detailed description here and I went through the detail in the Budget here.

(Councilmember Carvalho was noted as present.)

Councilmember Cowden: It seems like there are a number of positions in the Office of the Mayor that may be really in the Department of Public Works or Information Technology (IT), they are scattered around, right? Can you estimate how many positions the Office of the Mayor has in the various departments?

Ms. Matsuyama: I would say there are about five (5) or six (6).

Councilmember Cowden: Okay.

Ms. Matsuyama: Just off the top of my head.

Councilmember Cowden: Okay.

Ms. Matsuyama: And you are correct, they are like executive assistants to the mayor, but they are embedded in the different departments. They report to those department heads.

Councilmember Cowden: They are in the Office of the Mayor because it is his way to be helping the Department of Public Works or having deep involvement in that.

Ms. Matsuyama: Correct.

Councilmember Cowden: On the Operational Highlights, we are about ready to open our early childhood center in this new building, right? That is a big...that is going to be this summer?

Ms. Matsuyama: Yes. The concession bid, I think, just closed, actually, so we are reviewing proposals.

(Councilmember Holland was noted as present.)

Councilmember Cowden: I am seeing under Operational Highlights in the first paragraph that the Pi'ikoi Youth Center decided to focus on providing on infant and toddler care, when I thought it was going to be preschool—why did we make that change?

Ms. Matsuyama: We are still open to everything but as we were going through the proposals and we did meetings and site visits at the location, it did not seem that those providers were as interested. They have established places already, so it was not necessarily...and with the initiatives of the state doing the free preschools at the elementary campuses, it appeared that the market was saturated, but the need was for sure with infant/toddler. That is not to say that if we do receive concessions to our proposals that come back that we would eliminate them.

Councilmember Cowden: So, with infant and toddler care, correct me if I am wrong, I believe it is a one to four (1:4) ratio caregivers to babies.

Ms. Matsuyama: Yes.

Councilmember Cowden: I would hope that those are probably mostly workers from our own team so they can go over midday and...

Ms. Matsuyama: I am not sure that they would be able to be counted in the ratio.

Councilmember Cowden: Oh, they would not be, but I mean the babies, it would be good for our staff if their babies were really close. When I am looking at that increase in that cost, I was not clear if it is the General Fund is somehow paying that or if it is a provider that is charging the parents to care for that newborn?

Ms. Matsuyama: The idea is that there would not be any General Funds of that would go to the provider. The provider would get the revenue sources through the parents, but we hope that offering the space for free and paying for a lot of the utilities, that the cost can be minimal or reduced for the parents.

Councilmember Cowden: I see the Mayor is here and I know this is a project of yours; do you have something you wanted to share?

Mayor Kawakami: The main goal was to create a facility where we could address some of the needs that were kind of identified through...we will take for example, Kaua'i Planning and Action Alliance, right? The Resiliency Project on where there are these *pukas* in our society that make single moms and young local families struggle. Childcare and youth service in general were a huge unmet need and so we wanted to create a facility on our campus that would address those needs, but to bring new life into our Civic Center. As beautiful and historic as it is, it is not a joyous place, so we wanted to create this community feeling and in doing so, this project went underway. The beautiful thing is taking a look at lessons learned from the Adolescent Treatment and Healing Center and how restrictive it was, our main goal was to self-fund it in a large part to allow us the flexibility, which came in handy because when we started this project, childcare needs that were identified were preschool, but with the State preschool program that offers free preschools and a lot of the regulations that are applied to private sector preschools that were waived off, the unintended consequences where some of these preschools that have existed forever are now very concerned about their own personal enrollment, so when we found out that there was a big concern, we took a look at, "where are the other big unmet needs," and it was for like little, little kids—infants and toddlers. Kaua'i is severely underserved in that demographic. I think when all is said and done and that project is completed, it will accomplish what we set out to accomplish to meet these needs for young families, it will be a safe place for our teens and youth to be able to go to after schools, and for parents it is going to help lower the cost of living, because we are bending those costs down by meeting these sectors half way and actually bringing something to the table, which is the facility and the utilities itself.

Councilmember Cowden: I support the vibrance of this area by embracing our kids and it helps them to feel...it is like what the Kaua'i Police Activities League (KPAL) is with KPD. Is Keala Foundation someone who might be interested? I saw they lost their CrossFit location.

Mayor Kawakami: We are considering them all at this point, yes.

Councilmember Cowden: Infant/toddler, you answered the question, it is not like the taxpayers are paying the one to four (1:4) ratio, it is still going to the parents and hopefully they get some type of support through social services or whatever is needed that way. Thank you for that. Since you are right here, I want to say thank you for designing a budget that is very conscious of the handoff so that all these amazing projects that are underway are going to be largely completed and ready to be handed to the next group. I was very pleased in general with the budget.

Mayor Kawakami: We work backwards and we have a wonderful team and the last thing we wanted to do was rush towards the end of our term to start something and really sort of shackle the next Administration to spending a lot of time and resources into something that they may or may not be as married to as we would, so we tried to get everything done upfront. We have a tremendous team. A lot of them work behind the scenes, people like Keith Perry, Michael Contrades, Todd Ozaki, Kelli-Ann Oku, Bryson, and I can go on and on, and for the folks I left out, I apologize. We really re-shifted the organization of the County to be able to be project-focused, and completion focused and on time and on budget, which has posed to be challenging at times, case and point Niumalu Bridge.

Committee Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: Along the lines of the Pi'ikoi Youth Center, it is listing KPAL here, so KPAL has a facility being built by Vidinha Stadium, and then potentially I guess it is out in the future, they are going to have space at Mahelona, in the master plan or they had space already, but it is more storage now, so potentially they have more space there too. I see KPAL as not just another organization in the community, but kind of a County organization, because it is directly tied to KPD, so I think it is really important we support them however we can. I love what you folks are doing. With these investments and advancements, will we then be moving out of the Kauai Philippine Cultural Center where we are now spending a significant amount for rent?

Mayor Kawakami: Yes, the intention is to phase out of the Philippine Cultural Center.

Councilmember Kualii: I am not sure where I thought I saw it but there is a mention of a new position, right, or not necessarily new, I think it was new last time, it was a Coordinator.

Ms. Matsuyama: Early Childhood Coordinator.

Councilmember Kualii: The Early Childhood Coordinator. Is that person already working and they are helping...

Ms. Matsuyama: Correct.

Councilmember Kualii: ...so that when it does open...when are we anticipating that it is going to be completed and open?

Mayor Kawakami: I have post-traumatic stress disorder (PTSD) from Niumalu Bridge, and I have had to go back to that community two (2) or three (3) times to apologize to everyone face-to-face.

Councilmember Kualii: I have that for the Anahola Bridge.

Mayor Kawakami: And so out of an abundance of caution, I will say that hopefully before we all exit stage left, there will be children running around there. I know that the entire team has been just grinding away to meet those deadlines, but like I said, sometimes there are unforeseen circumstances that are both within our control, but a lot of them outside of our control, so I do not want to give a date, and that is not because we are not transparent, it is because oh, my gosh.

Councilmember Kualii: I totally understand.

Mayor Kawakami: They scare me.

Council Chair Rapozo: Under-promise and over-deliver.

Mayor Kawakami: Absolutely.

Councilmember Kualii: I love what you said about bringing new life into the Civic Center, because it will matter to all of us, even over here.

Mayor Kawakami: Can you imagine if you are a young mom that works in this area and whether you live in Kekaha or Kēē, time with your child coming in is quality time, traveling back with your child is quality time, but in times of disasters, there is nothing more comforting than knowing that your child is a stone's throw away from you, so we really think it is going to be a service that we provide that is going to be greatly appreciated.

Councilmember Kualii: I heard this from a constituent, but obviously it is only so big and it can only serve so many and I thought I answered her that I was not sure but I think the intent is to help our employees or the people working here at the County Civic Center, but if there was space, they would open it to others working in the area. Is that the correct response?

Mayor Kawakami: We have an Early Childhood Educator Specialist, her name is Natasha, I am going to let her answer that question, because again, what comes out of my mouth, hard to take back sometimes.

Councilmember Kualii: I did say I was not sure.

Mayor Kawakami: Me too.

Councilmember Kualii: Thank you.

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I have follow-up on the "grinding away." When we are done with the building, is the halfpipe going to go back up?

Mayor Kawakami: I do not know. I hope so because that was kind of like symbolism for me and my youth growing up and being a feral kid that had no place to go. I always felt that government did not care about us and putting that little halfpipe there and all the skate things, we are telling those kids, the ones that when I look at, I see myself looking back when I was their age that, "we care about you," and we want to create these safe places for you where you feel like you belong. I cannot make that commitment. It depends holistically on how the program is going to work, especially if you have really young kids, but we are grinding away at other skate parks to meet those needs as well. In a perfect world, if I had another term, you bet your bottom dollar there would be a bunch of halfpipes and skate things around the campus somewhere because these kids need a place and they have to have that feeling that government cares about them too.

Councilmember Cowden: Yes, I would say it helps them to feel respected, so that is a population that I had high focus on earlier and I want to acknowledge when we talk about unintended consequences or just even goalpost, because when this vision began I remember that was...we did not have the emphasis on state funding preschool, so we got underway on this and then that happened. People are asking why. Well, there is a duality in how we do things. I am sure no matter what we will find a good way to support our youth in the building there.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: The CIP Coordinator right after salaries, there is an asterisk, it is one dollar (\$1), is that a position that you are using for a contract position? Is that what that is?

Ms. Matsuyama: Yes, that is a warm body, but he is funded through separate sources whether it be CIP or other grant funded sources.

Councilmember Kualii: In the same lines with Councilmember Cowden earlier about the positions that have "E" in front of them. I did notice that the one (1) position near the bottom, E-9051, seems extraordinarily high compared to all the others. I was just wondering what the function of that position was.

Ms. Matsuyama: That position operates as the Deputy Managing Director.

Councilmember Cowden: Which position are you talking about?

Councilmember Kualii: E-9051, Program Admin Officer II, page 3, at the bottom. It may be high because the current occupant is a senior type of person?

Ms. Matsuyama: I mean...

Councilmember Kualii: Oh, that is just what the Salary Resolution calls for position?

Ms. Matsuyama: No, it is not included in the Salary Resolution.

Councilmember Kualii: Just your prerogative?

Ms. Matsuyama: It is our discretion.

Council Chair Rapozo: Is that in place now?

Ms. Matsuyama: Correct.

Councilmember Kualii: Thank you.

Committee Chair Kaneshiro: Are there further questions from the Members on the Mayor's Budget?

Mayor Kawakami: Can I have a moment of personal privilege?

Committee Chair Kaneshiro: Yes.

Mayor Kawakami: This may or may not be the last time I get to address you at this Budget deliberation, but I want to tell you folks thank you very much because what you have been able to accomplish quite frankly has been monumental. You folks have taken our tax policy and re-shifted the burden off the backs of our local people and redistributed onto non-residents, which is huge. You folks have been apart for the first time to have insurance premiums go down when nationally for everyone under the sun, insurance companies are either pulling out of the market or increasing premiums to the point where people cannot pay their bills. You folks have helped create a Housing Development Fund that went from zero (0) to anywhere from fourteen million dollars (\$14,000,000) to twenty million dollar (\$20,000,000) and the visitor industry here on this island can proudly say when people yell at them that we are the single largest contributor to housing, whether it is affordable, workforce, or market. You folks have been able to do this through COVID-19, through natural disasters, through global uncertainty, supply chain disruptions, cost escalations, growing expectations from constituents, and every single challenge grown under the sun, and it has been an honor and privilege to have been working with a Council like this. We do not always have to agree, you folks have kept us sharp, you folks have kept us accountable, and yet at the end of the day, when the work needs to be done, we find a way to put aside our differences

and move this item forward. Council Chair Rapozo and to the Members of this Council and past councils, from the bottom of my heart and our entire Administration, we want to thank you and we want to thank the Council Services Division, and we want to thank the people from Kaua'i and Ni'ihau for entrusting us and for help us get through hard times, and that includes the general public—everyone had a hand in moving this island forward. It has been an honor and thank you very much.

Council Chair Rapozo: I want to add something. I appreciate the compliments. A lot of the ability of us now to move money or have money to move into Housing was from a very bold, and I will say it, with a very bold bill that was dropped last...two (2) years ago at this time by Councilmember DeCosta, who I do not know if anyone else would have had the courage to do that, because it was such a controversial move that really upset the hotel, resort, and TVR community. It was only after a lot of discussion and understanding that...and the reason why I bring this up is because you brought it up, and you said they are the largest contributor to housing as it currently stands as far as the dollars. I just wanted the public to understand. It was not this Council here. It was a lot of the councilmembers here, but it was a very controversial move that was done, so I wanted to make sure Councilmember DeCosta gets the credit. Had that bill not been dropped or the property tax rate been dropped at the decision-making process of this budget process, we would not have had that additional fifteen million dollars (\$15,000,000) or seventeen million dollars (\$17,000,000) that was generated. I appreciate you recognizing that and making that comments.

Councilmember Kualii: I want to add one (1) thing on that particular item, the folks at Real Property Tax and the Finance Department, over the years up to that point in working with us, different councils, the last few councils, in figuring out the entire tiering system, which made the mechanism, and I know when we originally were working on it, we had to be very clear that we were just working on the potential process, we were not necessarily saying anyone was using it in any particular way. But the fact that we even had tiers, is what made it possible, and Real Property Tax worked a lot on that, even with me personally. Thank you to people like Steve and the entire team, and you as well.

Councilmember Cowden: I have to follow up on that. I appreciate all the benefit that happened out of that, but I also had a real pain of seeing where Zone 2 and Zone 5, those tiers were credibly painful because any house is pretty much in the highest tier in those areas. That also is not just non-resident owners from somewhere else, it is our market rate rentals. Somehow I am hoping that we can still fix that because for the people who work for a living and then there is five (5) or six (6) working adults in the same house to pay that six-thousand-dollar (\$6,000) per month rent rate or more, it is incredible, so we have almost three (3) separate economies on this island. I would say from north of Anahola, including Anahola to the rest of the end of the island, least paid people and the highest property values. They also are carrying a little bit of that burden and that is the difficulty that we had when we have such dynamic changes across our island. But the big broadbrush stroke is, we just approved to buy another piece of land right here in Līhu'e and hopefully that we are able to really work to address our housing problem.

Committee Chair Kaneshiro: Is there anything else for the Office of the Mayor? If not, thank you. We will move to the Youth Work Program, which is unchanged. Are there any questions about the Youth Work Program? If not, we will move to the Boards & Commissions. Ellen, can you provide a quick overview, even if it was in the Mayor's presentation?

Office of the Mayor (Office of Boards & Commissions)

ELLEN CHING, Boards & Commissions Administrator: Good morning, Ellen Ching, Boards & Commissions Administrator. We are just a very small, small little sliver. Basically, the Office of the Boards & Commission provides administrative support to fourteen (14) Boards and Commissions, and three (3) Advisory Committees. We have a small office of six (6), which includes me. As you know the overall instructions we got regarding the budget is to maintain our budget within whatever we had agreed to for last year, which we did, pretty much. We did have some major changes and that is because in the upcoming year we have somethings that are not necessarily ordinary and that we do every year, and one of the things is that we need to, per the Charter, put in a publication explaining all of the Charter Amendments and the legal language regarding the ballot questions. We do that during an election year, as well as we also do a very dynamic public (inaudible 1:32:42) campaign regarding all of the budget questions, so those are the two (2) big changes that we had to shift moneys around in order to fund those two (2) things.

Committee Chair Kaneshiro: Do we have any questions for Boards & Commissions? Councilmember Cowden.

Councilmember Cowden: I wanted to talk about...it does not look like a very big training budget. The reason why I ask about that is when I think about the breath of issues that you deal with from getting Workday in, software, etcetera, do we have thirteen (13) or fourteen (14) Boards and Commissions?

Ms. Ching: Fourteen (14).

Councilmember Cowden: Fourteen (14). That is a real depth of knowledge and when I attend board meetings, which are pretty often, the staff provide so much help to the many volunteers doing a lot of work. What type of training do we provide the different staff members to be able to grasp that or do we have strong access to the subject matter experts in all of the divisions of the County, and that is part of it, too, right?

Ms. Ching: It depends on, as you said before, it is great, it is very dynamic, because there are breath and depth of different subject matter that all of the Boards and Commissions deal with. Of course, we lean heavily on the deputy county attorneys that staff the commissions, we lean heavily on department staff or the commissions that are connect with department staff. Each volunteer coming in is trained personally by me, one-on-one on the Sunshine Law, what the Charter requires, the Code of Ethics, Uniform Information Practice Act (UIPA), Robert's Rules of Order, and then if they are linked with a department, especially with the Planning Department, on Planning Commission, or Historic

Commission, or Open Space Commission, then an addition to my one (1) to two-hour orientation, they will have a commission-specific orientation with the department staff. They need to go through...even in that orientation, there is no way that they are really going to understand the substance of like the General Plan, but they have a sit down with the department head and they go through the commission-specific rules and policies that inform the duties of that commission. The Liquor Control Commission will sit down with the Liquor Director and the administrator there and go through the rules and laws 281 regarding Liquor Control Commission. It just depends on each commission and what the subject matter is.

Councilmember Cowden: If it is three (3) or four (4) months into an appointment and they do not understand, I was on three (3) different commissions at one (1) time, a long time ago, is there someone that if they needed help, do they get help?

Ms. Ching: Absolutely. I always let them know to contact me if they have any questions. If it is commission-specific, especially like Planning, which is so technical, they can lean on their staff, the Director, or the Deputy Director, a lot of times the applications that come up, the reports that are submitted are by the Planning Department's staff, they can talk directly with them about specific questions on the applications, they have that available.

Councilmember Cowden: It sounds like the "needed" training is largely just all folded in.

Ms. Ching: Yes.

Councilmember Cowden: My observation is that you do not have much turnover. Your people have a lot of on-the-job training.

Ms. Ching: Do not jinx me. We used to have quite a bit of turnover, and I did have two (2) individuals that are no longer with the office, but in consideration it is minimal and I have been very pleased with the staff that is there. I am hoping we have the two (2) new ones that was added are very young, so I am hoping to build that institutional knowledge, because that is so important when dealing with commissions.

Councilmember Cowden: I extend my gratitude to your staff, because attending as many meetings as I do, it is not (inaudible) on me at all how much work goes into it.

Ms. Ching: If I can say something, if you look at the Council Services Staff and all the administrative support that they provide to you, it is very similar, of course, not as in detail and to the depth, but it is very similar with the support that they provide in Boards & Commissions.

Committee Chair Kaneshiro: Councilmember Kualifi.

Councilmember Kualii: I appreciate you being here, and the work you do.
What are the three (3) Advisory Committees?

Ms. Ching: Arborist Advisory Committee, Committee on the
Status of Women, and the Elections Accessibility Needs Advisory Committee.

Councilmember Kualii: What was the first committee?

Ms. Ching: Arborist, exceptional trees.

Councilmember Kualii: So, everything else is called a board or a
commission and these three (3) are called a committee?

Ms. Ching: Correct.

Councilmember Kualii: In your narrative, you talked about the Salary
Commission and there were three (3) different years listed here where...what was approved
in the Salary Commission take effect on July 1, 2025, 2026, and 2027. You also mention the
commission is procuring a comprehensive compensation and classification study. How often
does the commission do this study and at what cost approximately?

Ms. Ching: The last time that the Salary Commission
commissioned the study was, I believe, back in the 1990s. It was called the Nash Study. The
Salary Commission took that and their recommendation was to look at the department heads
and create tiers and so that was done, which you see some of the department heads are at a
higher level...the impact of that is still felt today are at higher paid scales and other
department heads are at a lower paid scale. Two (2) Salary Commissions, City and County
of Honolulu and Maui County, did a comprehensive wage an hour study and the Salary
Commission looked at those two (2) studies because, quite frankly, the earlier study that was
done by the Kaua'i County Salary Commission, the commissioners did not feel that study was
really productive and HR concurred. When the two (2) other counties came out with the
studies, there was a lot of interest in it and in looking at it, they were really pleased with the
Maui County's study. They felt it was extremely detailed, included cost of living, in addition
to a real deep dive of review on what those positions encompassed and the responsibilities,
as well as a comparative statewide between all of the counties and the state regarding
salaries. Based on that, the Salary Commission actually...two (2) Salary Resolutions before
this had passed a motion to request a comprehensive wage an hour study. We were not able
to do it except for the current year, we worked with it, we did not fund it and so we are now
seriously now pursuing procuring it. We are at the end stages of being able to procure it. They
are projecting being able to have it done in about four (4) months and the Salary Commission
is very anxious to look at the study, because this last Salary Resolution that they passed, it
really was a placeholder. They know there are some serious issues like the inversion
situation. They know there are issues based from the last study of the tiering. They know
that there are serious retention issues and recruitment issues in the engineering part and in
some of the department heads, and so they want to do a deep dive on that. They want to make
some significant recommendations in a Salary Resolution and the plan was always that they

are going to do this initial Salary Resolution and then they are going to return to really look seriously at some of those issues with the following Salary Commission. This is the first step in them being able to do that and really getting that study and basing the resolution on that study.

Councilmember Kualii: You projected four (4) months, have you projected the cost and is it in this budget?

Ms. Ching: It is not projected in this budget because again, that Salary Resolution...

Councilmember Kualii: You are talking about the study, correct?

Ms. Ching: When that study comes, it is going to be very comprehensive and it would not be for this current budget, it would be for the following year.

Councilmember Kualii: Okay, thank you. My last question is along the lines of the three (3) Advisory Committees. Has there been any community interest or any efforts by the Boards & Commissions to work on...because I know the County of Kauai Committee on the Status of Women is tied to the Hawaii State Commission on the Status of Women. Well, the Hawaii State also has an LGTQ+ (lesbian, gay, bisexual, transgender, or queer) Commission, and I know that we have people...we have at least one (1) person from Kauai that participates on that as the security, but have we been looking at having a County of Kauai committee like the Status of Women for the LGTQ+ to tie to the state entity? I know that the Kauai Community College (KCC) has couple of representatives that are tied to the University of Hawaii (UH) statewide entity.

Ms. Ching: We have not done that yet and it is interesting that you raised that because the newest executive director for the Status of Women, she is maybe about one (1) year in office, and she has been really trying to make more efforts to have more coordination between all of the counties as well as KCC and UH Manoa, in addition to that tying in or doing more things in collaboration with LGTQ, the newest committee that was formed.

Councilmember Kualii: Excellent. I wanted to say that my time on the Council is ending as I term out and potentially in my semi-retirement, I would like to help with that.

Ms. Ching: That would be lovely.

Councilmember Kualii: Thank you.

Committee Chair Kaneshiro: Are there any further questions for the Boards & Commission? If not, we will take a ten-minute caption break.

There being no objections, the Committee recessed at 10:53 a.m. for the caption break.

The meeting was called back to order at 11:08 a.m., and proceeded as follows:

Committee Chair Kaneshiro: Welcome back. Next up, we have Revenue Forecasting. Steve, do you want to go over the revenue overview, then we will ask questions after?

There being no objections, the rules were suspended.

Revenue Forecasting (including Real Property Taxes & Other Fees)

STEVEN A. HUNT, Executive Assistant to the Mayor: We are going to start with Ken, I come in about slide 5, I think. I will turn it over to Ken and I believe there is a PowerPoint presentation that will accompany this.

Mr. Shimonishi: Ken Shimonishi, Budget Administrator. Just a quick brief overview on the Revenue, big picture "stuff" before we get into the main source of revenue for the County, the real property tax revenue side. We provided a brief presentation handout. The revenues by fund, which was covered in the Budget overview, but twenty-five million five hundred thousand dollars (\$25,500,000) increase or six point nine percent (6.9%) across the various funds as noted. On slide, we provide a pie chart graph of the revenues coming by fund. General Fund is roughly three hundred seven million four hundred thousand dollars (\$307,400,000) or seventy-seven percent (77%) of the revenues generated. G.E.T. Fund is roughly forty-one million one hundred thousand dollars (\$41,100,000) or ten percent (10%). Highway Fund is roughly nineteen million four hundred thousand dollars (\$19,400,000) or five percent (5%), followed by Sewer Fund and Solid Waste Fund. These funds make up ninety-eight percent (98%) of the revenues generated in the Operating Budget Ordinance. If you look at the revenue from the General Fund, the largest fund, by activity, you will see that roughly two hundred sixty-one million four hundred thousand dollars (\$261,400,000) or eighty-five percent (85%) of the revenues come from real property tax revenues, another thirty-one million two hundred thousand dollars (\$31,200,000) or ten percent (10%) from the County TAT, and then interest earned is five million six hundred thousand dollars (\$5,600,000) or two percent (2%), so that accounts for ninety-seven percent (97%) of the funds generated from the General Fund. With that, I will hand it off to Megan.

MEGAN SHIMAMOTO, Real Property Valuation Analyst IV: Hi, Megan Shimamoto, Real Property Program Manager. Our gross projected value for Fiscal Year 2027 is about forty billion five hundred million dollars (\$40,500,000,000), which increased by two billion seven hundred million dollars (\$2,700,000,000) or seven point two four percent (7.24%) from FY 2026. Our FY 2027 net taxable is about thirty-five billion five hundred million dollars (\$35,500,000,000), which increased two billion five hundred million dollars (\$2,500,000,000) or about seven point seven two percent (7.72%) for FY 2026, our net taxable is our gross values less our exemptions and the allowance for appeals. We have a combined gross value of the Owner-Occupied and Long-Term Affordable Rental tax class, which increased by four hundred sixty-seven million five hundred thousand dollars (\$467,500,000) or four-point-five-nine percent (4.59%), and these are assessed values for the two (2) classes that exceeded the

three percent (3%) cap as they were either new uncapped properties entering into the programs or the properties which had fiscal character changes, which the added value was calculated on top of the three percent (3%) cap.

Councilmember Cowden: That went so fast, can you say the last couple sentences, but slower?

Ms. Shimamoto: The combined gross value of the Owner-Occupied and Long-Term Affordable Rental tax class increased by four hundred sixty-seven million five hundred thousand dollars (\$467,500,000) or four-point-five-nine percent (4.59%), and these are assessed values for the two (2) classes that exceeded the three percent (3%) cap due to either new uncapped properties entering into the tax relief programs or fiscal characteristic changes, which the added value was calculated on top of the three percent (3%) cap.

Councilmember Cowden: Okay.

Mr. Hunt: To clarify, there were six hundred eleven (611) new Owner-Occupied or Owner-Occupied Mixed Use that came into the category, so those properties are coming in at reestablished market values at the time, which is why there is an elevation above. If everyone was stagnant, there were no changes, you would have seen a three percent (3%), but in addition to new properties coming in, you also have existing properties doing additions, building Additional Dwelling Units (ADUs), those types of things that are not capped. They will be capped in the following year, but the first year, that cap should recapture values currently.

Councilmember Cowden: Do we have a sense of how many new buildings or new houses were built? How many new inventories have entered the market? Do we look at that?

Mr. Hunt: Specifically for the Owner-Occupied and Owner-Occupied Mixed Use?

Councilmember Cowden: Just into the inventory on the island.

Mr. Hunt: No, okay.

Ms. Shimamoto: The most growth and parcel count were from the Non-Owner Occupied Residential tax class and the Vacation Rental tax class, the Non-Owner Occupied increased by eighty-three (83), and the Vacation Rental increased by one hundred nine (109). I would like to clarify that the one hundred nine (109) new properties are not illegal or unpermitted structures, which are popping up, they come from either new construction or conversion of residences or condominiums within the Visitor Designation Area (VDA). The Owner-Occupied tax class was reduced by one thousand seventy (1,070) parcels but most of them went into a newly created Long-Term Affordable Rental tax class, which has one thousand one hundred nineteen (1,119) parcels. For the average property

value, the increase has ranged from two point five seven percent (2.57%) for our Conservation tax class to eight point five six percent (8.56%) for the Vacation Rental tax class.

Committee Chair Kaneshiro: Let us get through the presentation, and then we will take questions.

Council Chair Rapozo: Okay.

Committee Chair Kaneshiro: Just remember the page number.

Council Chair Rapozo: Got it.

Ms. Shimamoto: Slide 6 are for our appeals. The total appeal count for Fiscal Year 2027 is five hundred thirty-eight (538) increasing by one hundred fifty-one (151) appeals and one hundred forty-five million dollars (\$145,000,000). Even though the appeals increased from Fiscal Year 2026, it is still much lower than our Fiscal Year 2025, which we had one thousand three hundred thirty-five (1,335) appeals totaling seven hundred forty-four million eight hundred thousand dollars (\$744,800,000).

The total five hundred ten million three hundred thousand dollars (\$510,300,000) contested value is only one point two six percent (1.26%) of the gross value and one point four three percent (1.43%) of the net taxable values, which is well under the two percent (2%) expected appeal level set for (inaudible). Likewise, the five hundred thirty-eight (538) appeal count is only one point five five percent (1.55%) of the total number of tax parcels of thirty-four thousand six hundred twenty-nine (34,629). The top three (3) appeal increases were for the Hotel & Resort tax class which increased by one hundred thirteen (113) appeals, the Non-Owner-Occupied Residential, which increased by fifty-four (54) appeals, and the Vacation Rental tax class, which increased by forty-three (43). On the flipside, the top three (3) appeal decreases were Agricultural, which decreased by eighty-two (82), Conservation decreased by four (4), and Industrial by three (3).

Mr. Hunt: Moving on to slide 7. Although the net taxable value, which were after appeals increased by seven point seven two percent (7.72%), the projected property taxes for Fiscal Year 2027 increased slightly more at eight point six percent (8.6%). This is due to proportional increases in those tax classes which are subject to the higher tax rates. The total projected real property tax revenue increase is estimated at twenty million seven hundred eighty thousand dollars (\$20,780,000), bringing the total to two hundred sixty-one million eight hundred thirty-six thousand seven hundred twenty-nine dollars (\$261,836,729), and that is before applying the Home Preservation limit or Very Low-Income tax credits. Excluding the changes to the Owner-Occupied and Long-Term Affordable Rental tax classes, which were previously combined in Fiscal Year 2026, the largest tax increases were to the Vacation Rental class at eleven point seven percent (11.7%) and the Non-Owner-Occupied Residential class at ten point two percent (10.2%). Slide 8 illustrates the balance or sometimes imbalanced, depending how you are looking at it between the assessed value and the tax revenues. The bars represent the net taxable values where the red dots on this chart represent the proportional taxes as a percentage paid by

each class and we are comparing it year over year, Fiscal Year 2026 to Fiscal Year 2027. The Non-Owner-Occupied Residential class represents our largest concentration in net taxable value with twenty-seven point four percent (27.4%) of our total tax based. This is followed by the Owner-Occupied tax class. However, taxes are predominantly garnered from three (3) classes: Vacation Rental, which is slightly over thirty percent (30%), Non-Owner-Occupied Residential at twenty-six point seven percent (26.7%), and Hotel & Resort at nineteen point two percent (19.2%). Collectively, these three (3) tax classes bring in about seventy-six percent (76%) of our total real property taxes, though they only account for about fifty-five percent (55%) of our assessment base. I should note though that these charts were only showing the net taxable values, not the actual market values, because tax classifications such as Owner-Occupied, Owner-Occupied Mixed Use, Long-Term Affordable Rental, and Agricultural all benefit from various tax relief measures including assessment caps, exemptions, and Ag Dedications. For instance, the market value—properties in the Owner-Occupied class is actually thirteen billion dollars (\$13,000,000,000), which equates to a discount of about six billion five hundred sixty million dollars (\$6,560,000,000), or if you look at an effective tax rate, which would be taking the taxes garnered from this class, divided by the gross values or the market values, the effective tax rate would be about one dollar and twenty-eight cents (\$1.28) for this class.

Councilmember Cowden: Can you explain that again?

Mr. Hunt: The values that are posted here are net taxable values, so the cap and exemptions have already been taken into account reducing that...

Councilmember Cowden: Is this Owner-Occupied?

Mr. Hunt: Correct.

Councilmember Cowden: Oh, okay.

Mr. Hunt: We are only talking Owner-Occupied and if we were to release the caps, release the exemptions and put them at their market value, if we were to take the same level of taxes that are paying today with all those tax relief measures, the actual tax rate...we have a stated tax rate of two dollars and fifty-nine cents (\$2.59), the actual tax rate or effective tax rate, if we were to do the same one, gross values at market would be about one dollar and twenty-eight cents (\$1.28).

Councilmember Cowden: Okay.

Mr. Hunt: For Agricultural, the market value is about three billion fifty million dollars (\$3,050,000,000) which equates to discounts for the Ag Dedications in that class, primarily there are some exemptions as well, but primarily the Ag Dedications, of about one billion two hundred million dollars (\$1,200,000,000), and if we were to take the effective tax rate for that category, instead of the six dollars and seventy-five cents (\$6.75) stated rate, it would be roughly four dollars and seven cents (\$4.07). For the Owner-Occupied Mixed Use, the market value is just under three billion dollars (\$3,000,000,000), and that

equates to one billion three hundred twenty million dollars (\$1,320,000,000) and discounts through the caps and exemptions, and that would be an effective rate of about two dollars and seventy-nine cents (\$2.79) versus the stated rate of five dollars and five cents (\$5.05). Finally, the gross market value for the Long-Term Affordable Rental class is about one billion two hundred million dollars (\$1,200,000,000), this equates to about one hundred sixty-eight million dollars (\$186,000,000) in relief or an effective rate of two dollars and twenty-two cents (\$2.22) as opposed to two dollars and fifty-nine cents (\$2.59). Those are the relationships between taxes and values.

Committee Chair Kaneshiro: Can you state the Owner-Occupied value again?

Mr. Hunt: The Owner-Occupied value without the tax relief measures, the market value would roughly be thirteen billion dollars (\$13,000,000,000).

Committee Chair Kaneshiro: Okay, thank you.

Councilmember Cowden: Can you send us a copy of that? What you were just reading?

Mr. Hunt: Oh, sure. Ken, do you have any more detailed tax sheets?

Committee Chair Kaneshiro: With that, do we have any questions on the presentation? Councilmember Cowden.

Councilmember Cowden: My questions are all surrounding Non-Owner-Occupied Residential, because that collects both the long-term market rate rentals, which I would categorize as the gap people, who cannot qualify as low-income, so it might be a police officer married to a teacher. They cannot afford a house and they cannot get on the low-cost rentals, so they are in that Non-Owner-Occupied Residential. A little bit of background as I stated on Wednesday, on another piece that we receive recently, Zone 1 which is the Westside. I am looking on page 6, on appeals. This is by category, but we had another page that came to us, on the Westside there were three (3) appeals for a total of five hundred thousand dollars (\$500,000). In Zone 2, which is Kalāheo, Lāwa'i, and Kōloa, there were sixty (60) and I cannot remember offhand, because I am not looking at it, the total value. In Zone 5, which is north of Anahola to the end of the road, there were eighty (80) appeals, for a total of eighty-seven million dollars (\$87,000,000). What we see is just a chronic and extreme challenge for where it does not fit together, is that being looked at in any meaningful way? Can you guess how many people in the category, because we no longer separate out Residential Investor from just long-term rental. Do you have any guess how many are...seventy million dollars (\$70,000,000) worth of tax revenue is the people who truly have an empty second-home versus a long-term market rate rental? Are you trying to track that in any way at all?

Mr. Hunt: This is not on the presentation; you are coming with additional information.

Councilmember Cowden: I am coming with additional information that I got off what was in our Wednesday meeting, which I called attention to. It is absolutely in this is that we are taxing out our gap market rate rentals. We are taxing them out of their homes in Zone 2 and Zone 5. I am wondering if we are looking at that in any way?

Mr. Hunt: I do not have information at-hand right now on Zone 2 and Zone 5, however in terms of the tiers, we can look at the property counts by tiers. Properties that are one million three hundred thousand dollars (\$1,300,000) or under, represent about seventy-five percent (75%) of the inventory in that Non-Owner-Occupied Residential.

Councilmember Cowden: Do we have that broken down by zones?

Mr. Hunt: Right now, I do not think it is provided by zone.

Councilmember Cowden: And almost nothing is below that rate in Zone 5.

Mr. Hunt: The reason I do not think we are breaking it down by zone is because we do not have tax rates by zone. We have tax rates by category. If you were to come up with tax rates by category, by zone, then it would be something to look into, but when policies are made, it is made at the category level. Having that information while germane to you is somewhat not important in terms of setting a universal rate, because we are doing it by category and not by zone.

Councilmember Cowden: We had that conversation last year extensively working with the worksheets, all of that, but I just want to call to the attention to all of us is that even a twenty-five-year-old public/private workforce house—those are selling for one million four hundred thousand dollars (\$1,400,000). They are being bought in cash. We are basically taxing away our housing for rentals for people who do not qualify for the lowest rate.

Mr. Hunt: To that end, if something is selling for one million four hundred thousand dollars (\$1,400,000), they are paying the lowest tier up to the one million three hundred thousand dollars (\$1,300,000), so it is only that portion that is above the one million three hundred thousand dollars (\$1,300,000) that the “kick up” to the six dollars and five cents (\$6.05) rate, which formally was the rate for the entire category.

Councilmember Cowden: That is correct, but that is the very bottom of the tiers of houses. You can have a very basic house and it is high, and so I just wanted to really call to our attention that this is a gap, that we need to be able to handle, because people do not drive the long distance to work those jobs. It is not just about jobs, we are driving the working population out of these zones and it is a problem. We need to fix this. I want to fix it this time.

Committee Chair Kaneshiro: Can you send them a specific question on the zones to get the information you need?

Councilmember Cowden: Yes, I can do that, and we spent months looking at this, and I have not been able to get any type of effective relief. The problem is that it drives people out of the housing, so when I asked earlier with being able to get the module and Tyler Technologies to be able to do this, we need to do that.

Council Chair Rapozo: I am not sure what is being proposed. Are you proposing tax by zone, different rates for different zones?

Councilmember Cowden: Yes, I proposed that last year. I proposed different tiers per zone.

Councilmember Holland: Different tax rates for different zone...

Committee Chair Kaneshiro: I do not remember that last year.

Councilmember Cowden: Different tiers. I proposed that last year, I tired very hard to do...

Councilmember Holland: So, the North Shore would get a lower rate in taxes than the west side?

Councilmember Cowden: The tier would be higher. The rate would not be different, but what is a low-cost home, like a very modest home could be a mansion in a different area. A "mansion" is a little extreme, but you could double the square footage and have a new house for the same rate, so we have a very disproportionate tax burden on the market rate rentals. I either want to find a way to get our market rate long-term rentals back...we could not do that because it puts them back to the work of having to observe the leases, which is why we got rid of it in the first place. Having to sit there and look at all those leases was such a difficult problem, so if we just had a different tier for different areas, the tier was higher, it would be more of a reflection of what those houses are. We have nine-thousand-dollar per month rentals for houses that are not that extraordinary, and it is because of the tax.

Committee Chair Kaneshiro: Council Chair Rapozo.

Council Chair Rapozo: I have a different question. On page 5, on the parcel counts, I am curious that we are showing an increase of one hundred nine (109) TVR units, are we synchronized with the Planning Department or is this that some people are paying TAT and they register for TVR? Are we making sure these are legal TVRs? I do not know how we could get one hundred nine (109) new ones when no new TVRs are allowed outside of the VDA.

Mr. Hunt: That is the last part of the statement is the correct. These are occurring within the VDA, so we have new construction coming up and projects that are in the VDA zone and as the new projects are completed, people are choosing

to put them into vacation rentals rather than Owner-Occupied or even second-homes, in some cases.

Council Chair Rapozo: Last year we had one hundred nine (109) new TVR homes constructed in the VDA?

Mr. Hunt: Constructed and/or converted. If you had a condominium in Princeville, which is in the VDA, and it was a long-term tenant and the long-term tenant leaves, and the owner decides to put it into Vacation Rental or it is a new owner, comes in, buys it, and long-term tenant expires and they turn it into Vacation Rental, that would be another example.

Council Chair Rapozo: Okay.

Mr. Hunt: So, either new construction or conversion existing within the VDA.

Council Chair Rapozo: Is it on your checklist to make sure they are legal TVRs or nonconforming use? I mean, it could not be a nonconforming use, it would have to in the VDA.

Mr. Hunt: The compliance section is still falling on the Planning Department to say cease and desist if something were to happen outside the VDA where they tried to put it into Vacation Rental, for us...

Council Chair Rapozo: I guess my question is how would the Planning Department know? Do you folks communicate? When someone applies for a TVR designation, are we crosschecking with the Planning Department to make sure they are eligible to be a TVR?

Ms. Shimamoto: We do not necessarily check with the Planning Department.

Council Chair Rapozo: Yes, and that is...it says for tax use only not necessarily for zoning or something like that. Is it possible to get a list of that one hundred nine (109)? Not now, but is that something we can send over in a request?

Ms. Shimamoto: We can work on that.

Council Chair Rapozo: Okay, I will write it down on my list. Thank you.

Councilmember Cowden: I have a follow-up.

Committee Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I know of a parcel in Anahola that does not really have a house, I would say they have some violations on it, but they certainly own a vacation rental, and that has been converted...it is an Ag parcel and converted to a TVR when it is clearly not a TVR. I am curious how those choices are made, too. It is a punitive tax, not arguing if they deserve it or not, but it is not a vacation rental and it is an empty parcel without a housing structure on it. I wondered how those choices are made also.

Mr. Hunt: Just to clarify, is it a residential structure that is being used as TVR?

Councilmember Cowden: It is not at all.

Mr. Hunt: Okay, but you are saying that it is classed as TVR?

Councilmember Cowden: It is being charged, it is being taxed as TVR.

Committee Chair Kaneshiro: Are they appealing it?

Councilmember Cowden: Yes, and I had a very strong conversation with those people yesterday. I have gone out and looked at the property. They are trying to go to court, but I am just wondering...when I went out to look, I just looked on the sheet, because they did not even bring that issue up. I looked at the sheet and I said, "Well, you are not a TVR" and that has been reclassified, I would guess it have been the last couple of years, because I do not think they have owned it very long. I think it can be used as a form of a punishment...it is definitely not a TVR.

Ms. Shimamoto: Our office would not assign the parcel a Vacation Rental tax class if he did not have evidence. We check online.

Councilmember Cowden: I can work with you. I can do that individually, because I do not want to get lost in that particular thing, but I did pull out and looked for the other planning violations that they had.

Committee Chair Kaneshiro: Yes, we do not need to talk about the individual parcel here, but send them the information over, send them the tax map key (TMK) number, the address, and we can get it straightened out.

Councilmember Cowden: Yes, okay.

Committee Chair Kaneshiro: Or...they can get it straightened out.
Councilmember Kualii'i.

Councilmember Kualii'i: Just to confirm, because I want to do further analysis later, but we have Exhibit 1 that gives us the summary of all the different categories and the revenue by class, the tax revenue, and the tax rate. What is done in here is the Fiscal Year 2027 parcel count and perhaps the plus and minus, but I can just take that from the

real property taxes chart here and those are the same exact numbers that we tie it to, because this is adding up to two million eight hundred thousand dollars (\$2,800,000), right? So, I can just do that? Okay.

Mr. Hunt: I believe also when the budget was submitted, you should have also received a copy of the comprehensive spreadsheet where you can change tiers, change rates...

Councilmember Kualifi: And we have this in Excel also.

Mr. Hunt: Yes. If you look at the tabs as you go over on the tabs, you will see more details on if you wanted to parcel counts or you wanted more breakdown, it would be that on the tabs.

Councilmember Kualifi: The thing I wanted to do, which has to do with some of the questions from even earlier today, the broader questions were, and I do know if it is even possible because I do not know if you can tell one versus the other. We were trying to know of this twenty million eight hundred thousand dollar (\$20,800,000) increase in real property taxes, how much came from higher assessed values, how much of it came from new inventory, and how much of it came from higher rates because we added tiers? Obviously, one happens on top of the other, so you do not know if it is because of that or because of this, necessarily, because why would you have that separate data, right? I know Committee Chair Kaneshiro that the majority of it is likely from the higher assessed values, but because we did these tiers and tax changes, it would be good to know how much that actually helped in the sense of growing revenues for particulars like housing. Obviously, we are going to have to relook at this, maybe not me, because I will not be on the next council, but for future, if the G.E. tax ends, there is a lot of expenditures that will have to continue, so the potential for really looking at revenue and trying to understand what actually happens when we move these levers so that we know in the future what we can do.

Mr. Hunt: Bottom line is it is a very dynamic situation with multiple things going on in terms of value changes, new construction, and changes within classes. One property can move to a different class, the other one can move into the old class, so it is not always a snapshot of the same set of properties year after year. They are increasing. When condominium property regimes (CPRs) get canceled, they can actually potentially decrease and count and the classification is on annual basis so that can change from year to year, too. You are right, it is very difficult to point a finger to one lever to say, "This is how much of it is based on new construction, how much is based on growth, and how much of it is based on changes in classification."

Councilmember Kualifi: Thank you.

Committee Chair Kaneshiro: Are there any further questions from the Members? If not, do you want to move to the detailed revenue worksheet?

Councilmember Kualii: I have one (1) more. In the past, there is this master spreadsheet that we worked with to play with numbers and look at tiers, obviously between now and the next few months before Decision-Making in May, that will be available from you folks again, too?

Mr. Hunt: I thought it was already sent over with the Budget, to be honest.

Councilmember Cowden: Yes, we do.

Councilmember Kualii: Not just having it, but maybe if I am working with it, if I wanted to have your support and obviously we have all this time now.

Mr. Hunt: Oh, for sure.

Committee Chair Kaneshiro: Are there any further questions on this revenue overview? This is the bulk of our income. We will go through this other spreadsheet page-by-page, if we want. It is all of our other revenue sources. The easiest way is going page-by-page, if anyone has a question on any of the revenue sources, what it is, or why any variance, and then we will look at it.

Councilmember Kualii: We do have the variance analysis from staff, right?

Committee Chair Kaneshiro: Yes.

Councilmember Kualii: I have not had a chance to take that and tie it to this, and so I will just ask it off of that. I think I only have one (1) question. I will try to just tie it as we go.

Committee Chair Kaneshiro: I think it goes hand in hand.

Councilmember Kualii: Okay.

Committee Chair Kaneshiro: Are there any questions on the first page of the Detail Revenue Worksheets? It goes from Real Property Taxes down to Licenses.

Councilmember Cowden: I have a question. When I am looking at these Delinquent Real Property numbers and we have one, two, three, four, five; I am trying to understand what the difference is from each of those rows.

Council Chair Rapozo: They are blank. There are no values in those.

Councilmember Cowden: Oh, yes, there are no values, okay, never mind.

Committee Chair Kaneshiro: I do not want to go too fast for you Councilmember Kualii, I see you looking at your notes.

Councilmember Kualii: I think I am okay.

Committee Chair Kaneshiro: We will move to the next page. We are on page 2. Starts with Licenses and it goes down to Indirect Cost.

(Council Chair Rapozo was noted as not present.)

Councilmember Kualii: I am okay.

Councilmember Cowden: I am still going through mine. Okay.

Committee Chair Kaneshiro: Okay, we will move on. Page 3.

Councilmember Kualii: I know it is in the Highway Fund and I know that the Fund Balance from previous years, for Fiscal Year 2025-2026 was two million eight hundred thousand dollars (\$2,800,000), and then for Fiscal Year 2026-2027, it is four million eight hundred thousand dollars (\$4,800,000), but a difference of two million dollars (\$2,000,000). Was it that we did not spend the money that we thought we were going to spend last year and now we are pushing it to this new year? It is a significant amount. Where would it be in here?

Committee Chair Kaneshiro: Are you looking at the Fund Balance?

Councilmember Kualii: In the Highway Fund.

Committee Chair Kaneshiro: Fund Balance from previous year versus current budget submittal.

Councilmember Kualii: Yes. So, it was two million eight hundred thousand dollars (\$2,800,000) for Fiscal Year 2025-2026, and four million eight hundred thousand dollars (\$4,800,000) for Fiscal Year 2026-2027, I am just going off of the variance sheet.

Councilmember Cowden: Which page are you on?

Councilmember Kualii: I am assuming it is on page 3, because it is the only page the Highway Fund is, and then I am on page 2 of our variance analysis. I have a lot more work to do this weekend.

Committee Chair Kaneshiro: It is just on the Fund Balance, so it is not on the revenue sheet.

Councilmember Cowden: Oh, okay. He is on another sheet.

Councilmember Kualii: So, it is basically going go in with our...it will add to our revenues for next year's use, but it would not be on here.

Committee Chair Kaneshiro: We will move to page 4.

Councilmember Cowden: I am looking at what he was just looking at, we see G.E.Tax...

Councilmember Kualii: Now it gets out of order a little bit. I had a question about the Liquor Fund.

Committee Chair Kaneshiro: Yes, that is on page 4.

Councilmember Kualii: In Liquor Fund, not in our variance analysis or this do I see...we are projecting from one million four hundred thousand dollars (\$1,400,000) to one million five hundred thousand dollars (\$1,500,000), so increase of one hundred thirty-seven thousand two hundred forty-nine dollars (\$137,249). I am just wondering is that from a number of new licenses anticipated or do we know...or just higher rates?

Mr. Shimonishi: The Liquor Fund will charge the required revenue in order to support the budget, so whatever their budget is, I believe the formula is one hundred twenty percent (120%) is what they charge out to get that recovery. That is how we estimated the revenue.

Councilmember Kualii: Oh, okay. What is making up the increase on the Sanitation from twelve million dollars (\$12,000,000) to twelve million six hundred thousand dollars (\$12,600,000)? It is over six hundred thousand dollars (\$600,000) increase, is that anticipated new users and additional fees? We are instituting new rates too, right?

Mr. Shimonishi: Are you looking at page 4?

Councilmember Kualii: I think I am because that is the only place the Solid Waste Fund is. Oh, it is different from the Sewer Fund. Are the Solid Waste Fund and the Sewer Fund the same thing?

Mr. Shimonishi: No.

Committee Chair Kaneshiro: Separate.

Councilmember Kualii: Sorry.

Committee Chair Kaneshiro: We are on Solid Waste Fund, Councilmember Cowden, go ahead.

Councilmember Cowden: On our variance report here, we are showing a two-million-dollar (\$2,000,000) increase in revenue.

Committee Chair Kaneshiro: For Solid Waste Disposal Fund, we show an increase of one hundred forty-seven thousand dollars (\$147,000) in revenue, we also show a loss of interest, seven hundred ninety thousand dollars (\$790,000).

Councilmember Cowden: Oh, okay.

Councilmember Kualii: Page 3.

Committee Chair Kaneshiro: And we show an increase contribution for the General Fund to subsidize the Solid Waste Fund of an additional of two million eight hundred thousand dollars (\$2,800,000). Are there any further questions on page 4? We can move to page 5. Page 5 has the Sewer Fund.

Councilmember Kualii: What is the increase for...

Committee Chair Kaneshiro: The Residential Charges...

Councilmember Kualii: Sanitation line item from twelve million dollars (\$12,000,000) to twelve million six hundred seventy dollars (\$12,670,000), so over six hundred thousand dollars (\$600,000). I am wondering where that is coming from. I see it. Thank you, got it. Moving on.

Committee Chair Kaneshiro: Are there any further questions on Sewer Fund or this page?

Councilmember Kualii: Next is the Golf Fund, right?

Committee Chair Kaneshiro: Page 5.

Councilmember Kualii: The one million four hundred thousand dollars (\$1,400,000) that remains the same level from last budget to this budget, is that actually fees collected or is that subsidy from the General Fund.

(Council Chair Rapozo was noted as present.)

Committee Chair Kaneshiro: Those are the estimated fees collected. The subsidy from the General Fund, the total is one million nine hundred thousand dollars (\$1,900,000), almost two million dollars (\$2,000,000).

Councilmember Kualii: Okay, so we actually get more subsidy than we do fees.

Committee Chair Kaneshiro: Are there further questions on page 5? If not, we will move to page 6. Are there any questions on anything we missed? I know we went through it fast. I do not want anyone to feel like we missed a question they have.

Councilmember Cowden: When I am looking at the Housing Fund, it looks like...am I reading this correctly? We are basically getting paid what we are supposed to be getting paid, we do not have a lot of delinquencies or people not making their payments, right? They are paying their rents. It looks like everyone is paid.

Mr. Shimonishi: Correct. There is a vacancy or some type of factor that the Housing Agency uses in determining the rent revenue, and if you look in the back of the Operating Budget, there is the consolidated worksheets from the Housing Agency, which provides greater details on their revenue line items and it will show you what that allowance that they are using, not realizing one hundred percent (100%) of revenue.

Councilmember Cowden: Okay, what was curious for me, I know when a unit opens up, it does not typically refill very quickly because we have lists, so they have to go through the lists. Sometimes it might take...

Mr. Shimonishi: Yes, I would...

Councilmember Cowden: ...months to actually re-rent something. But I guess that is not a delinquency, but there will be gaps and it looks like for the most part people are paying their rent.

Mr. Shimonishi: I would assume so, but I would ask that you pose that question to the Housing Agency.

Councilmember Cowden: Okay. Can I just send that over in a written communication, right?

Councilmember Kualii: Can I jump back?

Committee Chair Kaneshiro: Yes.

Councilmember Kualii: Now that I look at all of the columns.

Committee Chair Kaneshiro: Yes. Just state the page number.

Councilmember Kualii: Page 5, in the Golf Fund, the charges for services, so the line item is green & locker fees. The column show Fiscal Years 2023, 2024, and 2025, and it says, "Budget FY 2026," "Budget FY 2027." In FY 2023, it was one million two hundred thousand dollars (\$1,200,000) and then to FY 2024, it went up to one million four hundred thousand dollars (\$1,400,000), so maybe there was a fee increase there, but then it is just relatively flat. I am wondering if this is what we are budgeting and forecasting as revenue,

do we have data when the year is *pau*, even if it is a year later or six (6) months later of what the actual collections were for green & locker fees?

Committee Chair Kaneshiro: You can see the Fiscal Years 2023, 2024, and 2025 actual...

Councilmember Kualii: Those are actuals?

Mr. Shimonishi: Yes.

Committee Chair Kaneshiro: Yes.

Councilmember Kualii: So, Fiscal Years 2024 and 2025 were exactly the same?

Committee Chair Kaneshiro: Oh, maybe there is...

Councilmember Kualii: That seems odd.

Council Chair Rapozo: There is no way.

Mr. Shimonishi: I can double-check that.

Councilmember Kualii: To the dollar. I want to have a sense of that and then maybe do some type of comparison to what the subsidy is each year, so, side-by-side.

Committee Chair Kaneshiro: Are there any further questions from the Members on this? If not, we are going to move onto HR, which is our final department for today. With that, thank you, Ken. Next up, we have HR and the Vacancy Report.

Department of Human Resources and Human Resources Reports:

ANNETTE L. ANDERSON, Director of Human Resources: Annette Anderson, Director of HR. We have four (4) areas of increase that we have included in our exception and request. The first one is the Vacation Credit Payout, increase of one hundred thirty thousand dollars (\$130,000). That is because of the change of Administration, a number of the appointees probably will have vacation payout and clearly it is for multiple departments, it is not just for HR. The second one is in Internship, increase of fifty thousand dollars (\$50,000) and that is to be able to maintain the minimum wage actually pay one dollar (\$1) more, and then expansion of the number of high-quality interns for use by the departments as needed. The third one is Regular Salaries, zero (\$0) funded, it would be a new position for Payroll, and we expect the Department of Water (DOW) to fund it. There was an increase to the IT Arrangement (SBITA) account by sixty-five thousand dollars (\$65,000) and that is for a subscription called Workday Success Plan (WSP). It will be used as a resource to improve Workday's functionality for the end-users and reduce our need for the implementer, Accenture, that we use. Minor Other Operations Accounts Adjustments—and then on the

synopsis various highlights that have taken place, and I can elaborate, if you would like me to.

Committee Chair Kaneshiro: I think we read it, so...

Councilmember Cowden: I have a question.

Committee Chair Kaneshiro: Council Chair Rapozo first, followed by Councilmember Cowden.

Council Chair Rapozo: Thank you for being here. The SBITA—you said you are increasing that, but I notice year-to-date you have five hundred ninety-two thousand dollars (\$592,000) and the Mayor's request is for four hundred sixty-three thousand dollars (\$463,000), was there a lump sum procurement that we did that is not going to recur, is that why there is a significant decrease from where we are at year-to-date? We have not even finished out the year.

Ms. Anderson: Are you asking about the sixty-five thousand dollars (\$65,000)?

Council Chair Rapozo: No, I am asking for that line IT Arrangement, which is an SBITA that includes the annual subscription, etcetera. Year-to-date for that line item, you are at five hundred ninety-two thousand dollars (\$592,000) and we are halfway, but the request is for four hundred sixty-three thousand dollars (\$463,000). You are budgeted at five hundred ninety-six thousand dollars (\$596,000), you are probably going to run out of money, and you are cutting down the request for next year. I am actually here to say if you need more money, you need to let us know. You are going over budget and you are asking for less.

Ms. Anderson: I am going to have Janine speak to that.

JANINE RAPOZO, HR Manager: Hi, Janine Rapozo, HR Manager. When we pay for the Workday subscription, we pay at the frontend and that is where that large amount is already encumbered.

Council Chair Rapozo: Okay. So, you will do the same next fiscal year...

Ms. Rapozo: Yes.

Council Chair Rapozo: If we do everything the same, you are not going to have enough money, is what I am saying.

Ms. Rapozo: I see that...I am not sure what we took out.

CHITA GRACE P. PASION, Accountant III: Hi, Chita Pasion, Accountant from HR. I believe the changes was from the Accenture, that they are planning to use more on

Workday now and Accenture is going to use more on the CIP side...whatever money we have left.

Council Chair Rapozo: Okay, I do not know how that works because we are just going to transfer money...I do not know how you are going to have the money in the account.

Ms. Rapozo: Perhaps you can send that question over, I think that would be better.

Council Chair Rapozo: Okay.

Ms. Anderson: Apologies. Our Human Resources Management System (HRMS) expert could not be here today, but he handles most of those things.

Council Chair Rapozo: I just wanted to make sure you folks have what you need.

Committee Chair Kaneshiro: Councilmember Cowden and then Councilmember Kualii.

Councilmember Cowden: Is minimum wage eleven dollars and eleven cents (\$11.11)?

Ms. Rapozo: No, it has gone up to sixteen dollars (\$16) as of January 1st...for the interns, we still pay sixteen dollars (\$16) for some of the summer hires for the Summer Fun Program.

Councilmember Cowden: Are we having success attracting people at that rate?

Ms. Rapozo: Our internship program has definitely spiked from last year.

Councilmember Cowden: In a good way?

Ms. Rapozo: Yes. We received a lot of interests for college students coming back. The Summer Fun program, because they redesigned how they run the program now with pods ever since COVID-19, they do not need as many workers, but they still have challenges at that level, but you might want to ask the Department of Parks & Recreation that question when they come up.

Councilmember Cowden: Okay. My main thing is that I was hoping that we were not paying them twelve dollars (\$12) an hour, but seventeen dollars (\$17)...it is still low, but it is definitely better.

Councilmember Kualii: My questions were along those lines, also, so you basically have a pot and you are increasing it by fifty thousand dollars (\$50,000) because you have high-quality internship program that has been successful and you foresee using it more?

Ms. Rapozo: Yes, actually I think Councilmember Bulosan added some money last year and we actually was able to expand six (6) weeks to eight (8) weeks, and aside from that the minimum wage went up. We have departments, now, that are really doing a good job with actually working with our interns. We have interns coming back to work for us. That is the hope that we can attract them even more, place them into the various departments, and then when they finally graduate, they might come back to us. Our internship program also, speaking of minimum wage, if they do return to us, it goes seventeen dollars (\$17), eighteen dollars (\$18), and nineteen dollars (\$19), so it is not like they are going to stay at seventeen dollars (\$17) every year. If they return to us the next summer, we do increase their amount.

Councilmember Kualii: Do you have a summary report of how it went last year or the year before?

Ms. Rapozo: Yes, we do have a report.

Councilmember Kualii: Okay, maybe we can share that. Along the line of the new position, Payroll Specialist II, zero dollars (\$0) funded. The narrative says you will be requesting funding and then you just said you expect DOW to be able to fund. Are you trying to get this done before July 1st and so are you approaching DOW?

Ms. Anderson: I have asked Mr. Tait a number of times if he would agree. I believe it took him some time to get back to me on email. His email did indicate that it would be presented to the Board of Water, but their budget schedule is a little bit later than ours here. I also think that he talked to others in HR and somewhat indicated, I do not want to speak for him, but that it would occur.

Councilmember Kualii: Thank you.

Committee Chair Kaneshiro: Councilmember Carvalho.

Councilmember Carvalho: For the Consultant Services, First Responder, three hundred nineteen thousand dollars (\$319,000).

Ms. Anderson: I am sorry, what are you looking at?

Councilmember Carvalho: Consultant Services, Employee Assistance program (with First Responder Supp).

Ms. Anderson: Consultant Services. You are looking at Employee Assistance, then there are Third-Party Administrators, which is a big chunk of the moneys...okay, what about it?

Ms. Rapozo: We added that in because we are going to also focus on giving more employee assistance to our first responders, like to KFD and KPD.

Councilmember Carvalho: That is the entire (inaudible).

Ms. Rapozo: Yes, so there is regular employee assistance for all employees, successions a year, but we also wanted to focus more on first responders. KFD came to us to see whether or not we could add that into the budget.

Committee Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: It might be too soon to tell because you just started on January 1st, a few months ago, the pilot sick leave buyback program—how is that going?

Ms. Anderson: It is going extremely well. As you indicated, we are still in the first quarter so it will end March 31st, then the employees have thirty (30) days thereafter, so basically until the end of April to request to participate, but we did run numbers as to how many people are eligible, and not quite but almost doubled, and that is a good sign that we would hope that a lot of people are going to participate and get the three hundred dollars (\$300). We did comparisons from 12-31-25 versus what we have so far through March, and then we even went back to do a comparison of the same period of January to March in 2025, and both showed the extreme, a lot more people are eligible and did not take as much sick leave in those comparison quarters. We think it will be good, but obviously it is still a pilot and we have to look at it for more than just one (1) quarter.

Councilmember Kualii: You mentioned a challenge of addressing and remedying areas made by workers improving managers during the time entry process that has resulted in over and under payments, which then needs to be remedied. Obviously, you are trying to address mistakes made in the first place with improvements with the Workday system, but I am curious as to what type of dollar amounts have been involved in and how long has it taken you to make corrections? How are you finding the mistakes and whether employees are being asked to do self-reporting?

Ms. Anderson: The mistakes are generally found through the auditing process or in the, for instance, with DOW, when our payroll folks meet with the time entry people with DOW, some discussions show that they were not doing things correctly or the employees were not doing things correctly, or they did an audit before it got over to central payroll. When that occurs, as you may know, we are obligated under Hawai'i Revised Statutes (HRS) to collect back, even if it was not an employee's fault. It could be something else. We are obligated to collect back and HRS provides different scenarios for how much you can collect back, so basically what happens is there is a meeting with the employee, this is assuming there has been overpayment, and working out a repayment plan with the employee, so that we can collect back. The other side of the coin is if there had been an underpayment, obviously we would be paying the employee for the amount that was underpaid. As part of our overall goal of having the additional payroll person so we can "nip it in the bud" and also so that we are pretty much assured the types of errors that we have seen will not happen,

and it also will involve training. Central payroll, right now, does a whole lot of training when they pick up the fact that mistakes are being made, whether that be with employees and then another session with the managers, so the people really understand how it works, because it is very complicated. Because of the collective bargaining agreement, especially for the United Public Workers (UPW), the blue-collar workers, there is a lot of little moneys here and there that you have to understand how it works. It is complicated.

Councilmember Kualif'i: I see that you are fully staffed, so congratulations.

Ms. Anderson: Yes, yes.

Councilmember Kualif'i: No vacancies. Thank you.

Committee Chair Kaneshiro: Are there any further questions from the Members on HR? If not, this is our last department for today. Thank you HR, Office of the Mayor, and the Department of Finance for all your presentations. At this time, I would like to recess the Departmental Budget Reviews. We will reconvene at 9:00 a.m. on Monday, March 30, 2026 where we will hear from the Department of Public Works on their Operating and CIP Budgets.

There being no objections, the Committee recessed at 12:14 p.m.