

**COMMITTEE OF THE WHOLE
FISCAL YEAR 2023-2024 DEPARTMENTAL BUDGET REVIEWS**

MINUTES

The Fiscal Year 2023-2024 Departmental Budget Reviews of the Committee of the Whole of the Council of the County of Kaua'i, was called to order by Mel Rapozo, Chair, at the Council Chambers 4396 Rice Street, Suite 201, Lihu'e, Kaua'i, on Thursday, March 23, 2023 at 9:05 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 Bill DeCosta
Honorable Ross Kagawa
Honorable KipuKai Kualii
Honorable Mel Rapozo

Council Chair Rapozo: Good morning, everyone and welcome to Day 1 of the Budget process. I appreciate you folks all being here today. We are just going over the procedures before we get started, then we will take public testimony, as well. I am sorry, we used to have a screen here, but now that we do not have it, so now I have to look at the PowerPoint.

Committee Chair's Budgetary Comments

The following is a summary of budget procedures. For more details, please refer to the Budget Expectations. You folks all got that memo. The Departmental Budget Reviews will follow the written schedule. Everyone has that schedule as well. If a department's review concludes before its allotted time, the next scheduled review will begin immediately. The Administration is aware and on-call. We really do not want to use the callbacks if we do not have to. We know everyone's time is valuable.

Prior to each departmental review, and this is for our Councilmembers, please review all the materials and prepare any questions. If you have additional requests or questions, just let Council staff know. They will make sure the questions get sent across.

The Administration has been asked to be prepared with key personnel to answer questions. Council questioning will commence after the respective department has completed their presentation. This is just to keep it moving.

During all budget proceedings, the Council Rules will continue to be enforced, including our time limits, as well.

Decision-Making is scheduled for May 12th, Friday, and also Monday and Tuesday the 15th and 16th, if necessary. The Budget Staff will meet with each Councilmember between April 17th and May 11th to discuss Decision-Making amendments. I think Councilmember Bulosan is the only one... This is your first budget. Welcome.

Any proposal to add budget items should identify a source. If any one of you want to add items to the proposed budget, it has to come with an accompanying cut, because we obviously have to do a balanced budget. Anything that we cut requires (4) four votes of the Council. Anything that we add or increase amounts requires (5) five. That is by Charter.

Decisions will be made Department-by-Department. The Committee will then consider any revenue proposals, if applicable.

The Committee will not revisit items after they have been addressed unless deemed absolutely necessary. The message is, the Administration will be up, they will do their presentations, which we have all had the opportunity to review. We have had the Budget. Try to get in everything. We are not going to fast-pace this process. I will make sure everyone has adequate time to ask every question that they need, including myself. Then we will go from there. Is everyone okay with that? Awesome.

We will take public testimony prior to the presentations from the Mayor and the Administration. If there are members of the public who come in throughout the Budget Process, I know in passed Budget they limited public testimony to Day (1), but we are not going to follow that. If members of the public show up and want to testify, we will allow them. We will not deny anybody the opportunity to testify. The only thing is that if we are in the middle of a department's review, we are not going to stop the review. We are going to finish that department, and then we will take the public testimony. That is all I have. I want to say, "Thank you," to the Mayor. Prior to today, he has met with each and every one of you individually, and I really appreciated the opportunity to share any needs or wants that the Council may have had. I really appreciate that. I even appreciate more that you actually put it in your Budget. Thank you very much Mayor, and for the *lei*. The peace offering. I will give it back to you when the thing is done. Usually before budget, I take a teaspoon of gunpowder, just to get fired up, so I drank milk to offset the thing. Now I cannot be mean because I got the *lei*. With that, Mayor Kawakami.

Councilmember Cowden: I thought you said public testimony.

Council Chair Rapozo: I am sorry, Mayor Kawakami. I am so sorry. I just said we were going to take public testimony first. See, Mayor Kawakami, I need to give you the *lei* back. We will suspend the rules. If you will state your name. Again, the rules for the speaker is (3) three minutes, and after everybody has done their first round, you will have an opportunity for a second (3) three minutes.

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

BRUCE HART: Good morning, Council. For the record, Bruce Hart. I want to thank everybody. The whole Council for being here. I understand that this is one of, maybe the most, important function the Legislative body has. I want to thank the Mayor and his Administrative Staff for being here. I would like to offer a prayer to open these meetings. Those that want to join me, please do.

Council Chair Rapozo: Go ahead.

Mr. Hart: Heavenly Father, thank you so much for being here. Thank you for your mercies and your kindness, for your grace, Lord. And Lord, I just ask that... we are fallible, and You are not. We make errors and You never make errors. So, I ask Lord, that You would give us Your guidance, Your knowledge, Your wisdom, because You know the end from the beginning. You know all the things that are going on in this County and in our community, and even, Lord, the State, and the Nation, and throughout the world. We can put our trust in You, that knowing all these things and the love You have for us, that if we will but ask You, You will guide us through this process. You will guide us through this process in unity, and that, Lord, we will come out having achieved a victory over this Budget and over the world that has made it so difficult to afford the common necessities that we all have. You, Lord, can make us overcomers. So Lord, having spoken and asked You to join us, and to bring Your glory and Your understanding, we thank you in the name of the Lord, Jesus Christ. Amen. Thank you, Councilmembers.

Council Chair Rapozo: Thank you Mr. Hart. Is there anyone else wishing to testify? How many people are here wishing to testify today? Okay, just Mr. Rowe. You can take your 6 minutes.

RUPERT ROWE: *Aloha Kakahiaka* to all of you. My name is Rupert Rowe. I am the *Po'ō* of Kāneiolouma Heiau. I am here today to suggest that this Council and the Administration fund our project down there, because we ran into a problem. It has been going on for the last (5) five years, where (2) two departments are banging heads, are not cleaning the green waste, and getting us ready to restore that place before COVID-19 came. Now the whole place is totally out of control. We had drug dealings going on down there. We had prostitution going on down there. We had the homeless going on down there. We have the people catching the bus being harassed by the people in the bushes. All of these things were reported, but nothing was done. It became a personality conflict with this organization and, now, the community that supports us. We are well-known worldwide. We did (8) eight stories for (8) eight airlines that fly into Hawai'i. With each page on each airline, they did more than (6) six pages about Kāneiolouma and how it will improve the economic draw to a cultural site that we have never really understood what had taken place down there. When you have the department saying that Public Works cannot come there and clean the rubbish, and Parks cannot help Public Works because they are charging each other to do the cleanup down there on the government's property. It left this organization in limbo. There is a reason why I am here. Before I leave this earth, I must complete the mission that I started off with our previous Mayor and the community. Right now, we have people all the way through the summer. We have the University of Hawai'i and all the junior colleges will be coming to Kāneiolouma. We just had all the Charter schools there. We have people from around the world that gets in contact with me. Our goal is... what happened? Why is the place looking like a rubbish dump down there? I am asking every one of you in this room, besides the Council, and the Administration, and the public, take a ride down there and look at what happened. It is an impossible task to go and clean it right now. It is worse than we started off. Totally worse. You cannot even walk in there. I have (475) native trees planted in there,

and the rubbish and the bushes are killing these plants. We have some plants that are very rare that grow there. We never had any support. Everybody is worrying about what you have to do, but from the culture's point of view, this is your stand economically. Understand the culture, and understand there is a past, but there is also a future. In our present moment, I am here to correct everything. I believe that from Public Works and Parks we should for the next (3) three years, \$500,000 from each department. I do not know how I am going to clean that place. We only go there once a month, and we spend (4) four hours. I cannot clean it. I have to hire a private contractor, and you cannot bring just anybody in there and start cleaning it. There are rules and regulations that goes on in there. I want everybody to understand, the flooding down there was created by the County. They filled the fishpond up with mud to make an island in there. Then we have all the hurricane debris that is still there. Nobody brought it to your folks' attention, but now I am here. How are we going to remove the hurricane debris down there? How are we going to correct the flooding down there? So what happened, it was explained to an employee there was a problem going on. Instead they correct the problem, it became a monster of a problem. When you speak to the person that is in charge, I believe he was released and rehired. He created the monster down there. So when you have people parking on the side of the road and taking the rocks, they come and park their trucks and take the whole thing. We report this to the Department of Parks & Recreation, but no action.

Council Chair Rapozo: Mr. Rowe, I have to stop you there. It is your (6) six minutes. I do have one question, though.

Mr. Rowe: Sure.

Council Chair Rapozo: We will follow up. We will follow up, but if I remember correctly, there was a stewardship agreement between Kāneiolouma and the County years ago.

Mr. Rowe: Yes, it was extended for (25) twenty five years.

Council Chair Rapozo: Is that still in place today?

Mr. Rowe: No.

Council Chair Rapozo: It is not place?

Mr. Rowe: We had to rewrite the agreement. The reason they rewrote the agreement is because the Department of Parks & Recreation said we had no authority to be on that side of the park.

Council Chair Rapozo: Okay. We will follow up on this. I do not want to take away too much time from the Budget, but I understand, and there may be a funding opportunity. I am not sure. We will get the update.

Councilmember DeCosta: I have a question. Good morning, Mr. Rowe. Is that piece of property County, State, or Federal government?

Mr. Rowe: County.

Councilmember DeCosta: It is a County piece of property?

Mr. Rowe: Yes. I hope I never... what you call a chicken, you know when the feathers fly off. I hope I never do that right now.

Council Chair Rapozo: We appreciate your testimony.

Mr. Rowe: I *mālama* all you folks.

Council Chair Rapozo: Is there anyone else wishing to testify?

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

Council Chair Rapozo: Okay, Mayor Kawakami.

Administration's Budget Overview

DEREK S.K. KAWAKAMI, Mayor: Chair Rapozo and Councilmembers, we will follow up on that issue, too. With that being said, I, first and foremost, just want to say how excited I am to be working with this Council. When you think about it and you take a few steps back, to be in this moment in time, to have the opportunity to help shape the future for our island and our people, it is phenomenal how all our lives from beginning until this point in time, so many things have had to come together to get us here. This would be another great opportunity that I really look forward to working with all of you folks. I would be remiss if I did not thank my Budget team, that worked tirelessly, and pushed each other, and at times had to tell me take a step back and really think about some of the initiatives that we are moving forward on. I also cannot help but just know and be so thankful and grateful for the Council Services staff. I still feel at times as if I am a Councilmember, because I spent many a day sitting on those seats that you are sitting on, and witnessing firsthand the work that goes on behind the scenes. I want to congratulate Lyndon Yoshioka. It is pretty fantastic to see you up here. Please be gentle on us. I just wanted to say to the Council Services staff, to the Councilmembers, and to your families that sacrifice so much for the people, our Administration is eternally grateful. With that being said, I am going to try to just be brief, because our Budget team and the Department Heads are going to have their chance to go over all the fine details with all of you. Committee Chair Rapozo, I do not ever see you as being mean. I see you as always taking your job seriously. A healthy democracy is one that is built on the foundation of having a civil debate. It is a system of checks and balances, and you are doing your job. If there are questions that you have that we cannot answer, then we have to do our job, press our Budget team, push our Department Heads. You folks owe it to the people to really question and go over the Budget and be able to differentiate the many different needs and the growing needs of our public. We have a community that every year

seems to struggle even harder to make ends meet on their end. On our end, we try to do our best to meet people halfway. With that being said, as you folks have heard at the State of the County, our Budget this year is \$312,300,000, with a Capital Improvement Budget of \$90,000,000. I have to say, Committee Chair Rapozo, you and I have been through many budgets together. The first budget I saw was in 2008, and (15) fifteen years later, I have to say, this budget was probably one of the most challenging to put together for many different reasons. We are coming off the heels of COVID-19. For the last (3) three years, it feels as if the pandemic had consumed many of our thoughts and concerns, and mostly because of the uncertainty. We did not ever forecast that property values would have escalated so high because of the supply and demand for people moving here, and willing to pay cash at times, sight-unseen, which puts a burden of weight on our people's shoulders and the County and State to provide and meet the needs of our people. We also believe, fundamentally, that services should be carried by non-residents, and so 60% of our budget is allocated towards transient non-residents through property taxes, general excise tax, and now with our ability to have T.A.T. Additionally, and we all know there are unforeseen circumstances and unintended consequences that are born out of good intentions. With Ordinance 1146, by lowering the threshold for the Residential Investor, and not having a crystal ball to see how values would have just spiked through the skies, we had not forecasted that this many of our people would have their homes valued over that threshold. So we have roughly about \$5,000,000 in tax credits to homeowners who qualify from the reclassification from Residential Investor to Residential. Of course, our budget and our priority has always been infrastructure, infrastructure, and infrastructure, and for many different reasons, one, we just have a backlog of deferred maintenance. I have to say, our \$29,900,000 CIP Budget this year, over 90% is going to be dedicated to that backlog of deferred maintenance. That means all of our facilities that we have that we did not get a chance to, for whatever reason, whether it is a downturn in the economy or just different federal priorities, the stars are aligned to be able to start really moving the needle on deferred maintenance and stop kicking the can down the road. This year's General Excise Tax (G.E.T.) Budget appropriates about \$15,500,000 in road repaving, with another \$18,500,000 in CIP-related road costs. For us, we see CIP projects as a good economic stimulator, especially with inflation and rising interest rates. We are assuming that the building industry may see a slowdown in private sector building, and that is when government can come in to sort of flatten the curve and make sure our building industry, which is one of our biggest economies, that pays a good living wage, has some predictability and stability, and all of that money circulates through our economy. If you ask servers in restaurants, "Who are the best tippers?" they will usually say those blue-collar building industry workers. A lot of our focus has just been on building, resurfacing our roads, fixing our bridges that are categorized as needing critical work just done to keep people safe on this island. In line with that, we are looking to repay the State with our DURF Dwelling Unit Revolving Fund loan. We are appropriating \$13,000,000 to pay off our debt, make good with the State, and be able to just focus our efforts on getting Lima Ola built out and getting our families moved in. This year, our Housing Agency, along with our private development partners, as many of you folks have heard, is on track to break ground on a record amount of 400 new affordable housing units, building roofs over the heads of our local families. Paying that loan off allows our Housing Agency to really focus their efforts on just that. The realization of a predictable, at least predictable in the sense that it will not get taken away, annual County Transient Accommodations Tax (T.A.T.) revenue now allows us to make

targeted investments in areas that impact both community and our visitors alike. I think we have heard it clear. The visitor industry has heard it loud and clear. Hawai'i Tourism Authority has heard it loud and clear. Each one of us as elected officials have heard it loud and clear from our people that our economic "golden goose" is starting to erode our quality of life, so management of our visitors and management of the destination that people want to come and experience, which is our home and our backyard, needs to be managed much more appropriately. That T.A.T. will help us to partner with the Kaua'i Visitors Bureau to really start moving the needle on destination management. Last, but not least, just a big *mahalo*. I look forward to working with you folks. This budget is your budget. We tried to craft the budget with the Councilmembers in mind; I have never forgotten where I have come from, have not forgotten how hard Council Services work. We will respond with urgency to any of your questions. We are here to serve you folks. We are all one team. Thank you very much, God bless, and *aloha*.

Council Chair Rapozo: Thank you, Mayor Kawakami.

Mayor Kawakami: Thank you.

Council Chair Rapozo: Are there any questions or comments for the Mayor? Okay, thank you very much. You see what the *lei* does? Hopefully it lasts for the duration. All right, next up.

KEN M. SHIMONISHI, Budget Administrator: Hello Council Chair Rapozo and members of the Council. Ken Shimonishi, Budget Administrator. I have a brief PowerPoint presentation to go over the highlights of the 2024 Operating Budget. First off, the Budget submitted continues to adhere to the Structurally - Balanced Budget Resolution, where recurring expenditures should be covered by recurring revenues. Also, as far as a reserved fund goes, Reserve Fund Policy at Fiscal Year end June 30, 2022, we ended with reserves of \$65,200,000 or \$11,500,000 in excess of what the reserve target is set at for 30% of the previous year's annual certified revenues.

Council Chair Rapozo: Sorry, Mr. Shimonishi, I had to ask the Clerk something. Can you repeat that about the reserve?

Mr. Shimonishi: Sure. So, Fiscal Year ended June 30, 2022. The reserves totaled \$65,200,000. That is \$11,500,00 more than what our Reserve Fund Policy states, so we got an excess of reserves. In Fiscal Year (FY) 2023, there was a money bill that passed that appropriated \$150,000 for the Real Property Assessment tiered system modifications. From that \$11.5 M excess, you would take off \$150,000. The revised excess is approximately \$11,400,000, of which \$11.1M is proposed in his Operating Budget for non-recurring expenditures. You heard the Mayor talk about funding or paying off the loan, the CIP, and whatnot, so we used \$11.1M in this Budget Submittal. Technically, you could say there is \$300,000 more still sitting in the excess portion of the reserves.

Councilmember Cowden: \$300,000?

Mr. Shimonishi: That can be, yes, appropriated or not. The reserve itself would then follow the reserve guidelines.

On Slide 3, this is a table showing the revenues by fund. You can see the column on the left, the fund number, the fund description, FY 2023 Budget numbers against the FY 2024 Budget numbers. In total, revenues increased \$45,200,000 or 16%. In that, the General Fund increased by \$36,300,000 or 16.9%, primarily attributable to Real Property Taxes of \$32,300,000 or 17.2%. The County's Transient Accommodations Tax increased by \$4,000,000 or 21.1%. The Highway Fund increased by \$710,000 due to Public Franchise Tax increase of \$375,000, Motor Vehicle Weight \$285,000, and Bus Fares of \$50,000. This is what the movement looked like. The G.E. Tax Fund increased by \$6,500,000 or 24.9%. Again, we based this on the Fiscal '22 actual collections. The Liquor Fund increased by \$508,000 or 55.2% and is based on supporting the proposed budget requirements of that fund. Sewer Fund increased by a little over \$1,000,000 or 10.4% based on the new rate structure. These are the large items that affected our revenue budget.

Looking at the expenditures side of the house, the overall elements by category, you can see that the salary-related increased by \$12,700,000. The total increase is \$52,066,000 or 20%. Of that, salaries and related increased by \$12,700,000 or 7.8%. Areas of note include the County Clerk—14.1%, the County Attorney—15.1%, Emergency Management—28.5%, Elderly Affairs—10%, the Housing Agency—12.8%, and the Liquor Fund at 13.3%. Utilities increased \$325,000 or 5.2%. In areas of electricity \$219,000, water—\$74,000, telephone—\$26,000 and that is spread amongst \$186,000 for Public Works and \$113,000 for Parks. Operations, overall, increased by \$20,900,000 or 26.6%. This involved areas of training, an increase by \$358,000 or 101.6%. \$200,000 of that is in Human Resources, \$60,000 in Police, and \$66,000 in Fire.

Other services increased by \$3,200,000 or 10%. \$1,100,000 in the County Clerk, \$1,200,000 in Public Works-Highways, \$500,000 in Public-Works Solid Waste, \$547,000 in the Housing Agency, which was spread amongst their housing revolving Kālepa and Pa'anau Funds.

Dues and Subscriptions increased by \$1,300,000 or 54.8%. \$680,000 of that came from the Department of Finance, \$430,000 from the Department of Human Resources. This is primarily due to \$393,000 related to the HRMS System that was previously budgeted under repair and maintenance, so under repair and maintenance side, you will see that offsetting decrease, and then \$79,000 in the Fire Department.

Special projects increased by \$1,700,000 or 26.4%. \$250,000 in the Housing Community Development Fund, \$1,400,000 in the Housing Revolving Fund, and this is related to the contribution set at 2% of certified Real Property Tax Revenues, which was passed via the Resolution, as well as the subsequent Ordinance. Last year, the contribution to the Housing Revolving Fund was \$3,000,000 and this year it is \$4,400,000 based on this 2% contribution rate. Grant-in-Aid increased by \$955,000 or 69.3%. \$1,000,000 of that was in the Prosecutor's Office, \$44,000 in Economic Development, offset by \$100,000 reduction in the Public Works-Solid Waste.

The next slide, continuing with our operations, repair and maintenance increased by \$1,500,000 or 21.3%. \$1,600,000 was in Public Works-Waste Water, \$202,000 in Public Works-Solid Waste, \$90,000 in Parks, and then here is the offset of \$392,000 decrease in the Human Resources, again due to the HR maintenance cost that was previously budgeted in (R & M,) Repairs and Maintenance now into Subscriptions. Fuels increased by \$860,000 or 32.2%. \$234,000 in Transportation G.E.T. Fund, \$229,000 in Public Works-Highways, \$136,000 Public Works-Solid Waste, \$91,000 in Police, as well as \$91,000 in Fire. On the Fuels, we actually provided an inflationary increase of approximately 30% across the board. I think Fire was a little bit higher just because their previous budget was lower. I should have said that overall the Departments were allowed a 6.5% inflationary increase for non-salary, non-large equipment items as a starting point. Vehicles increased by \$4,500,000 or 139.5% increase due to the movement to outright purchase the vehicles versus lease. I will just say now that if you use a roughly 5-year lease term at a 5% interest rate, then for every \$1,000,000 of lease you would save roughly \$150,000 in interest. Again, getting back to that \$4,500,000 increase, \$1,500,000 of that came from the Police, \$873,000 from Fire, \$708,000 from Public Works in the General Fund, \$326,000 from Parks, \$385,000 from Transportation, and that was \$1,500,000 from in G.E.T, which was offset by \$1,100,000 decrease in Highway. We just changed where the funding of the buses came from from last year and then the slight increase there. \$170,000 Public Works in the G.E.T. Fund, \$400,000 Public Works in Waste Water. Now the Equipment side, that increased by, and this would involve more of the heavy equipment pieces, \$4,700,000 or 80.3% due to, again, outright purchase versus previous lease options that were exercised. \$2,000,000 of that came from Public Works-Solid Waste, \$1,200,000 from Public Works-Waste Water, \$877,000 from Public Works Highway, \$299,000 from Parks-Golf, \$162,000 from the County Clerk, \$105,000 from Public Works Highways. In addition, we have areas that we identified, again, the \$12,500,000 Principal Loan pay off for the DURF Loan, as well as we have the Residential Investor Refunds of \$5,000,000 that is sitting in Finance General Fund.

On Slide (8,) this just presents a pie chart of the FY 2023 versus the FY 2024 Operating Budget. I think it is good to note that you look at the big piece of the pie which is the Salaries & Related, last year's budget the Salaries and Related represented 62.8% of the total budget versus this year. That has gone down to 56.4%. In theory, we are pushing more of the budget, as a percentage, towards Operations, as opposed to Salaries. You can see that slight increase in Operations going from 30.6% to 32.2%. Again, keep in mind that we also have those pieces of the \$12.5M payoff on the loan, and the \$5,000,000 refund component when looking at FY 2024 to FY 2023.

On Slide (9,) looking at the Departments from FY 2023 to FY 2024 there is not that much change in terms of the largest department is, again, obviously, Police.' Public Works is a close second, if you look at FY 2023. In FY 2024, that percentage is actually the same between Police and Public Works. When you combine the Public Works, it represents 23.7% of the Operation Budget, and Police 23.7%, followed by Fire, Parks, Finance, Transportation, and then all other departments included in that.

Comparing the General Fund, the largest fund of the County, again, FY 2023 versus FY 2024, the big blue piece of the pie, Salaries and Related, in FY 2023, that represented 82.3% of the General Fund Budget. In FY 2024, we are now at 77.1%, again, pushing more money towards our Operations, as well as having that \$5,000,000 credit in there.

Focusing in on the General Fund Salaries and Related, that big piece of the pie we were showing earlier, you can see that Police and Fire basically comprise 56% of the General Fund Resource for that area, followed by Parks, Finance, Public Works. That is where big dollars are, right?

On Slide (12,) I know this was something of interest. It is always something of interest how we expend the G.E. Tax Fund. You can see that in FY 2023, Public Works was roughly 71% of the Tax Fund. This includes the Operating Fund, as well as the contributions to our CIP Projects that come from this G.E. Tax Fund. In 2023, Public Works was 71%, Transportation 29%, and then in FY 2023 Public Works goes up to 77%, and Transportation 23%.

Again, challenges, and I am sure this is not anything new to the Council, are Solid Waste management and a new landfill, as well as the aging infrastructure in our request to continue funding sources, either through our County revenue streams or additional debt to address and prevent costly repairs. As shown, we must regularly replace aging heavy equipment and vehicles, and we saw significant dollars are being put there this year. The maintenance of our facilities, as well, presents on-going financial and operational challenges. The anticipated increase in collective bargaining relative to the revenue streams we are showing, as well as the tight competitive labor market I think is something that will come up going forward.

On Page (14,) just going over the Ordinance itself and the worksheets. On the lower right of the Ordinance worksheets, you see a page number, and it is actually referred to as master page number, but because we are combining several different sources of data to put this together, we retitled the page numbers on the bottom. That might be the best way to refer to a page when you are asking departments questions.

If you are looking at the soft copy of the Budget worksheets, there are bookmarks there to help you navigate your way, to jump to a particular department or fund, and so on. With that, that is the overview.

Council Chair Rapozo: Thank you, Ken. Are there any questions?
Councilmember Kagawa.

Councilmember Kagawa: Thank you, Ken. I just have a few questions, as there is a gap from when I was here before. The County T.A.T. was not here before. Could you explain that, since you said the T.A.T. went up \$4,000,000?

Mr. Shimonishi: Correct. We used to get a share from the State on the T.A.T, and then they took that away. They gave the County the authority to enact its

own T.A.T, and we did so at 3%. When we look at that increase from what was last year, that is what we expect to collect in this year, the \$4,000,000 increase. Keep in mind that it is also driven by the prior year, could have been affected by COVID, not having the full visitor count and whatnot, but as we look forward, that is what we are projecting. This is also driven by room rates, because it is what you pay on the total cost of your room, a percentage of that. That is what we are reflecting.

Councilmember Kagawa: What is the total amount for this year we are collecting for the County T.A.T?

Mr. Shimonishi: The total T.A.T. last year, I did not cover that in the revenue item, but I know last year's budget was at \$19,000,000. This year we are going to go to \$23,000,000. I think last year's ACFR was around \$16,000,000. Is that right? Just over \$16,000,000 in FY 2022.

Councilmember Kagawa: So, this is in addition to the 0.5%, right?

Mr. Shimonishi: Correct. The 0.5% is the G.E. Tax Surcharge. The T.A.T. is Transient Accommodations Tax of 3%.

Councilmember Kagawa: So this County T.A.T. that we collect, the \$23,000,000, is that earmarked for anything?

Mr. Shimonishi: That goes into the General Fund, and, again, you would see virtually all from non-resident or resident stays here.

Councilmember Kagawa: The State 0.5% that we did way back when Lyle Tabata said we would not fix any roads or bridges without approving it, you remember we went through that process. That was approved in 2018 or 2019?

Mr. Shimonishi: I think it was 2018. I want to say January.

Councilmember Kagawa: So, it has a 10-year sunset, right?

Mr. Shimonishi: I think it is 2030.

Councilmember Kagawa: It goes to 2030.

Mr. Shimonishi: December of 2030.

Councilmember Kagawa: After that, what is the expectation? That it may get extended or do we not know?

Mr. Shimonishi: I am not privy to any of that. Again, it is driven by the Legislature, so maybe the Mayor's Managing Director has more.

Councilmember Kagawa: For me, if 2030 comes and we do not have that source, do we have the County Engineer in 2030 say, "Okay, sunset. We do not have any money for roads and bridges anymore"? I am thinking we either need to get an extension, or from now we already start to put aside, so when we hit 2030, we have a source and can say, "We can continue fixing \$30,000,000 or whatnot of roads and bridges." Not just that, because some will go to help transportation, which lessens our burden on General Fund. It is a good thing.

Mr. Shimonishi: Correct. I am sure that you recall that Transportation was at one point fully funded out of the General Fund, and we began transitioning to part Highway Fund. Then once the G.E.T. kicked in, we also then started funding it from there. I will say that is a good point, Councilmember Kagawa, because the G.E.T. Fund is the second largest fund now in the County.

Council Chair Rapozo: I have a quick follow-up to the G.E. Tax. That fund, the G.E. Tax Revenues, they are restricted funds, right?

Mr. Shimonishi: Correct. It is restricted for the purpose of operating highways, repairs, and so on.

Council Chair Rapozo: Right. So, when I look at the contribution to CIP, because the G.E.T. Fund, including is the fund balance is \$27,000,000, but the net is \$3,200,000, and \$14,000,000 is going over to CIP. I am assuming that those funds are within the restrictions, right?

Mr. Shimonishi: So the G.E.T. Fund, the contribution to the CIP, I believe is \$18,000,000. That is going to a G.E.T. CIP Fund. That is the manner in which we restrict it.

Council Chair Rapozo: Got it. Councilmember Cowden.

Councilmember Cowden: If we look on Slide (8.) I think that you explained this, but I just want to make sure I am grasping it accurately. When we see Salaries & Related have gone down from almost 63% to 56.5%, it is not that we are paying people less, but that the new money we get we are investing in other areas?

Mr. Shimonishi: Correct. What I am saying is that the portion of the budget as a percentage is getting pushed more to operations.

Councilmember Cowden: But all that is new money? I know we have a pretty big gap in openings here. I had how many positions we need to be filling, so I am just wondering if some of the reason we have a lower amount of money is because we cannot get enough people to work, or is it just that we are getting more money and we pushing it in on operations? We are still spending as much on salaries or more?

Mr. Shimonishi: Right.

Councilmember Cowden: Okay. Very similarly, on slide (12.) We are still spending as much money on transportation, it just looks like less because we are putting more fresh money into Public Works? We are putting more fresh money into Public Works, but we are not taking money away from Transportation?

Mr. Shimonishi: Correct. Again, the budget is increasing, it is just what percentage is going to where. Also, I would say that on Transportation, and in the prior Budget there was additional Federal funding.

Councilmember Cowden: Oh, that is a lot. Yes.

Mr. Shimonishi: You have to keep that in mind as well.

Councilmember Cowden: Actually, for at least we got almost all of it from Federal, right?

Mr. Shimonishi: I think we funded virtually all of their operations.

Councilmember Cowden: Okay. I am just trying to anticipate when we get to these other departments that we are not starving any department, we are taking our fresh funds and putting it into operations. We are not giving up on being able to fill these positions, I hope. We have got a lot. I was looking at State, which is something like 42%.

Council Chair Rapozo: Yes.

Councilmember Cowden: It is crazy how many positions are not filled. Do we know the percentage of our positions that are not filled or is that HR?

Mr. Shimonishi: I think that would be covered by HR.

Councilmember Cowden: Alright. Thank you.

Council Chair Rapozo: That is a good point, and as the Department Heads come up for the different departments, we have the vacancy report. There are many, many positions that are vacant for many, many days. In the recruiting block there is no activity. I will ask, and I know Councilmember Kualii will probably get to this as it is usually his thing, but as Department Heads come up just be prepared to share with us the recruiting efforts and the estimated time it will be to fill the position. I think all of them are fully funded and they are vacant, and they have been vacant for a while. Just a warning to the Department Heads that when they come up, please share with us.

Councilmember Kualii: They are not all fully funded.

Council Chair Rapozo: Not all.

Councilmember Kualifi: Many are not.

Council Chair Rapozo: Yes, but some of the big ones are and that equates to a significant amount of money. Councilmember Kualifi.

Councilmember Kualifi: On Slide (7,) my two questions have to do with Repair and Maintenance, and then the DURF Loan Principle. Under Repair and Maintenance, the increase of \$1,500,000 or 21%, I am thinking about whether or not we are catching up on any deferred maintenance. Does this get us to a point where we are all caught up on our deferred maintenance? I would have anticipated that it might have even been more of an increase.

Mr. Shimonishi: I would, again, defer to the Departments where you are seeing these significant dollars put in as to their deferred maintenance needs and how much this actually addresses. I can tell you that for Public Works-Waste Water, that \$1,600,000, I think \$1,500,000 is related to one specific line item in the budget related to cleaning up wells or something. Again, I am not the Departmental Head.

Councilmember Kualifi: Can you tell me from the budget side, have any of these departments stated, "We have x amount of deferred maintenance needs, and we want x amount of dollars," and you were not able to give them the total fund?

Mr. Shimonishi: I do not have a consolidated overview of the full deferred maintenance needs County-wide.

Councilmember Kualifi: I am just wanting to know if we are taking advantage of this additional revenue to get fully caught up with our deferred maintenance. I know for many lean years or difficult years, especially with COVID and all, that we deferred some maintenance that we really should not have been deferring, but we did not have any other choice.

MICHAEL DAHILIG, Managing Director: Michael Dahilig, Managing Director, for the record. I apologize for my lack of footwear. I had to wade through two inches of water to get here. Just to answer your question with what you are referring to and with what Ken had put up in the Slide is in the section that relates to just the Operations Budget. These are smaller, pick off items, but when you look at, and the folks that will be coming as part of the CIP presentation, that a lot of the CIP projects because you had these deferred maintenance items essentially rise to a level where a whole new construction element has to be added to that equation, that is where you will see the bulk of the General Fund revenues being pushed for those types of major CIP overhauls for certain types of items. As the Mayor mentioned in his presentation, 90% of the contribution to the CIP funds through the budget this year are going to be reflective of deferred maintenance-related items, but you are talking about things in excess of millions of dollars in deferred maintenance rather than what you see here. These are things like taking care of carpets, taking care of new lighting fixtures, et cetera. They also will be, through their CIP Budget Process discussion, they will also talk about how much they believe is in the books for deferred maintenance. I will say that the

contribution that we are giving this year in the overall CIP Budget is a fraction of what is estimated to be the overall deferred maintenance costs that have accrued over the many, many years. It becomes a question of balancing the amount of revenue we are pulling in versus the capacity to actually complete the overhauls. This particular item is just related to those minor things that are related to carpets, etcetera.

Councilmember Kualii: Thank you. That is very helpful. I am checking my notes, too, when the Mayor was speaking, and I think it is my fault for not even asking the Mayor. I thought I heard him say \$9,000,000 or \$90,000,000 or \$19,000,000, and I think that is the point where he was talking about the 90% of the deferred maintenance being addressed by the CIP. So that is really helpful. Thank you.

The other part of my question on Slide (7) was with the DURF Loan Principal, and I think you may have said it or I may have missed it. You said \$12,500,000 payoff. I am curious as to paying off the loan in this Budget, what does that mean? How many years early are we paying it off and how much interest are we saving? I know that this has kind of bugged me for a few years because it is a loan with the State. We are all trying to do housing and the fact that money is going to interest as opposed to vertical building is troubling to me, so I am really happy that we are paying it off and saving that interest from the State, but do you know how much that is? How many years early and how much interest is being saved?

Mr. Shimonishi: I did check with the Housing Agency, but I would ask that you verify this. According to the amortization schedule that I got, and if I read it correctly, it looks like the interest to be saved is somewhere north of \$6,300,000, maybe. Somewhere around there. That would be (10) ten years out, 2033 I believe it was the actual. Basically, (10) ten years early that we are paying it off, \$6,300,000 in interest.

Councilmember Kualii: I knew it was pretty significant, and I am really glad we are doing it. Thank you so much.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: Ken, I have a question for you. This might be a question our Chair can assist in answering. We are going into this new Budget with a \$65,200,000 reserve, from what I understand, but we are using \$11,000,000 of that. The excess is \$11,500,000 because we are keeping... How much do we need to keep in our Reserve? I put down here \$53,700,000. Is that the number that we need to have in our reserve or what is the number we need to have in our reserve?

Mr. Shimonishi: Back in February, we transmitted the calculation of the reserve. That would put the reserve at \$53,650,000. That \$11,000,000 number, less what we have used for this Budget, less the money bill, gives us space for about 300 something thousand dollars (\$300,000) remaining, but we still retain that \$53,600,000 in reserves.

Councilmember DeCosta: The question I am asking is, is that the number we want to be at – \$53,700,000?

Mr. Shimonishi: Correct, according to our Reserve Fund Policy.

Councilmember DeCosta: We have to create a balanced budget, so if we add something, we have got to find the money, but we have to cut somewhere else, right? If you want to add an item during Budget, we have got to find the money and cut someplace else. You have an excess of \$300,000 in the reserve. Is that something that is tangible to us, if we have a community project that can benefit the community, or is that money now tied into the Reserve and we cannot use that as an add?

Mr. Shimonishi: I would say that you could appropriate that money.

Councilmember DeCosta: So if we had a \$300,000 project, we would not have to go and cut \$300,000 from someplace else? We have something that we can take out of the Reserve?

Mr. Shimonishi: Correct. I would just say that it should probably be something that is not a recurring expenditure. On that same note, we have already used \$11,100,00 to fund contributing \$29,000,000 in CIP, which is not recurring. We are contributing an additional \$10,000,000 to the Housing Fund to pay off the loan, which is not recurring. That is really covered already, in terms of following our Policy. To answer your question, yes, \$300,000 remains available to appropriate, which you could draw down on without saying, "I need to cut \$300,000."

Councilmember DeCosta: You answered my question. Thank you, Ken. Thank you for that.

Council Chair Rapozo: Are there any other questions? Councilmember Carvalho.

Councilmember Carvalho: I just have a fast question, Ken, on the equipment part, and the shifting from lease to purchase, or purchase to lease, because that seems to be a lot.

Mr. Shimonishi: When I started back at the County in 2012, and the funds were really limited in term of what we could do, there was a shift to lease equipment and vehicles, so basically, you are taking out a loan. You are paying smaller payments over a period of time and you are paying interest on those payments. This year, we have opted to actually purchase those vehicles outright and, as I mentioned earlier, saving us some interest, but that is a philosophical decision, right? Now you are going to buy it outright and upfront, as opposed to financing it over (5) five years or (7) seven years.

Council Chair Rapozo: I have a follow-up on that. Yes, there was a time where we could not afford to buy, so we had to lease. We just did not have the money. I like this. My question, though, is are these new purchases or are we buying - out existing leases?

Mr. Shimonishi: This would be all replacement or new equipment, not paying off existing leases.

Council Chair Rapozo: So, the existing leases are going to ride their course?

Mr. Shimonishi: Correct.

Council Chair Rapozo: A couple questions here. Where is the Reserve Fund located in the Budget?

Mr. Shimonishi: The Reserve Fund is not actually in the Ordinance. If we draw from the Reserve Fund or if we contribute to the Reserve Fund, then you will see it under the General Fund column as a "in" or "out."

Council Chair Rapozo: So, it does not have its own line?

Mr. Shimonishi: Correct.

Council Chair Rapozo: I have a follow-up on Councilmember DeCosta's question. I had a brief discussion with Mr. Dahilig before the meeting about the 30%. That was in 2017 and I was here at the time. I questioned the 30%. I thought it was too high. I thought it was really high, and that was when we had a much smaller budget. Now we have a much larger budget. 30% of the much larger budget, is a lot of money that sits in an account. Yes, we can use it, and thanks to the Council of 2022, they added in affordable housing to be able to use that Reserve fund for. My question, and a discussion we need to have is, if in fact we need to be at 30%, and how many times have we actually even tapped the Reserve Fund, and basically, is 30% justified based on the historical use of that Fund? Do we have a Resolution that binds this County to have that Fund at 30%? I am asking the Administration, because we need to have the discussion, should we do that Resolution and drop it 25% and free up more money for Operations, or CIP, or whatever we want? I just cringe when I think about the amount of money that is being put aside for the Reserve. I am not sure if you are the right person to ask.

Mr. Shimonishi: I will add some background on that. When we were experiencing consecutive years of General Fund balance declines, the Council and the Mayor at the time got together and came up with a list of projects and what were the most important things. That was when long-term financial planning was identified as the most important thing that we need to try to focus on because clearly the County could not continue the path it was going down. Thus, we engaged with GFOA, Government Finance Officers Association. We brought on a consultant, looked at the County's history, did an analysis, and came up with this based on the risks, what you want to try to recover, how much your Reserve

are the folks who deal with bonds and those types of things, and so that the Policy matters that are balanced between the prospect of future should also be weighed into that equation of whether or not that has a bearing on it. I do not think there is a right answer. I think there is something that needs to be said on revisiting previous Policy, and we are ready to engage on that if that is the Council's pleasure.

Council Chair Rapozo: Yes. We can send something across and someday we can have that discussion. We have some time. Councilmember Kualii.

Councilmember Kualii: Just a quick follow-up. The 30% is for us based on the Reserve Policy, right? Are we aware of what the other (3) three Counties are at, what level? I am assuming they all have reserves.

Mr. Dahilig: I do not know off the top of my head, I am not sure if Ken knows, but we can definitely make calls over to our sister Counties on that.

Councilmember Kualii: The thing I know, too, in comparison to other counties, they are not all necessarily fully funding their retirement the way we are, right? It would be interesting just to compare. Thank you.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I have some follow-up. I want to shed a little bit of light on a couple of the points that were made on that 30% how much is too much, how much is too little, hiring consultants is it a waste of money, it is pro bono to have them do a study. Well, I want you folks to know that in the last (5) five years, we faced numerous storms on the westside, we had a bridge that collapsed in Waimea town that stopped a whole valley of folks coming in and out. We are lucky we had Reserves. A Reserve is like a checkbook in your whole family, right? How many of us here sit with a large reserve in our bank account? A lot of us wish we did though, because there are a lot of things that can happen in our own family where you need that money. I am not a big fan of lowering the Reserve. I think the Reserve allows our County workers to keep their jobs, our services in place, and we have access to that money if we need it. If we lower it any lower and we end up in a natural disaster of some sort, the Mayor mentioned this in this State of the County address speech: China, Russia, the whole world economy is on the brink of something happening. Is the large Reserve a good thing for our County if something happens? Is a small Reserve a good thing? I do not know. I just do not want to pull the trigger too quick. Thank you.

Council Chair Rapozo: Do we know how much we tapped out of the Reserve Fund last year?

Mr. Dahilig: Other than what Ken mentioned is the software purchase.

Council Chair Rapozo: Let me, and this is in response to Councilmember DeCosta's comments. During the flood and during the disasters that we had, how much did we tap the fund.

Mr. Dahilig: Specifically with the disaster on the westside with the hill coming down, that was actually done through reordering priorities within the G.E.T. Fund.

Council Chair Rapozo: Right. That is my point. When we get those disasters, we get funds from the Federal government, from FEMA. We get all these external funds that come in. I agree with Councilmember DeCosta. We should have a Reserve. I am not saying we wipe out the Reserve. What I am saying is, this is taxpayers' money and that when we put money aside it should be sufficient for what we believe we are going to need. I think as our budget increases at the level it is, and it will change, at some point we will not have as much. It is a cycle, but now, right in this moment, with the significant value of revenues, that 30% is relative to how much revenue you generate, so you end up with way more in the Reserve than you need. That is all I am saying. We need to determine what do we need-anticipating... disasters, anticipating whatever it may be, and I think we should relook at that Resolution and Policy and figure what is it that we need now. Should it even be a percentage? Should it be a fixed amount? Should it be a "not to exceed x amount"? There should be some flexibility in that Resolution, so the Administration and the Council can have a Reserve Fund that is actually positive, and that we are not basically taking taxpayers' money and putting it on the side because some Resolution said so. That is all I am suggesting.

Mr. Dahilig: Certainly, we will dust off the Resolution and take a look at it. As I mentioned previously in the side conversation, we have just been on auto-pilot with it. Stripping back and understanding the purpose of these numbers, we will do our homework on that.

Council Chair Rapozo: Councilmember Kualii.

Councilmember Kualii: The follow-up is you talked about the floods, but what about COVID? What was the dollar amount?

Mr. Dahilig: I believe there was a \$2,000,000 draw via Emergency Ordinance back in 2020. As Ken mentioned, the only other really big, significant draw, I believe, was when the State did not pay what was our deserved share of the T.A.T. That was, I believe, a \$13,000,000 plug we had to throw in.

Mr. Shimonishi: That actually had (2) two years of impact, right? The first year, they cut us off for half a year, and we came before the Council to get \$7,000,000, again, to balance the budget, because you clearly knew that the State was not going to give us that money. Then the subsequent year that we knew for sure that it would stop, then it was a \$15,000,000 number. Within (2) two years, you had the \$7,000,000 and the \$15,000,000. I am not here saying keep the 30%, I am just saying that that was...

Mr. Dahilig: I am not aware of there being a blanket Policy that the State abides by, but I do know that a part of their budgeting process, there are monies that are appropriated to that are considered part of the General Fund discussion, like the Hurricane Fund that you mentioned, those types of things. There is nothing that is a broad brush encompassing type of fund, like Ken mentioned, where we have it in our case.

Councilmember Kagawa I guess, because the federal government, they run at a deficit since 2001. They do not have a reserve. They have a deficit for 20-something twenty years. The State does not have a Reserve Policy. Why do the smallest branch of counties, in order for us to function and borrow money, why do we need to have a Reserve when the bigger folks that collect the most taxes not have one? This baffles me a little bit.

Mr. Dahilig: Again, it was a policy call by a previous Council years ago. There is wisdom in having a Reserve and having it defined. As the previous practice was, that the Reserve had just been earmarked as the lapse every year, and the lapse is going to go up, the lapse is going to go down. Whether money is being put aside by intention, that is a Policy call, financially, for the Council. I do not think we have gone through the process internally of forming an opinion, Administration-wise, of where the Mayor would stand on of our Policy change. As our homework, we should go back and take a look at it.

Council Chair Rapozo: In our days, we just called it a "surplus," but nobody wants to use the word "surplus." For example, "the State has the surplus. They took \$1,000,000,000.

Councilmember Kagawa: I guess the surplus is their reserve.

Council Chair Rapozo: If I remember correctly, and correct me if I am wrong, maybe Ken I think you were around in 2017, but I think it may have been a recommendation that came out of the audit. I do not recall. I am not sure how that discussion started at the Council level, but it started at the Council level and they decided to go with GFOA, which is really a non-profit organization, I think. It is not a government organization, which it appears to be, but it is not. It is private organization. They reviewed everything based on what the County's fiscal position we were in at that time. It has changed. That is a discussion. Councilmember Cowden.

Councilmember Cowden: I just have a little bit of clarification or follow-up. It was a very good point that you made. You folks both know probably about the Federal government, the reason that they have the deficit is because they create money. They have a credit, effectively. It seems the Federal deficit has literally doubled since 2019, which is crazy. You are saying there is a surplus at the State. It was a couple billion dollar surplus, and our County, we did a little bit better that we anticipated because they flushed so much money at us, right? From COVID, you had the Cares Act and ARPA.

Mr. Dahilig: I think that is a part of it, the fact that there has been Federal money coming in, too, and I am going to be careful not to use the word "supplant" because it is not allowed, but there has been things.

Councilmember Cowden: "Supply" is not allowed? "Money supply", we cannot say that word?

Mr. Dahilig: "Supplanting", that is not allowed with certain Federal funds. There certainly was, like you mentioned, money that came in from the Federal side. Also what to consider is that the previous two (2) Budgets were based off of revenue projections that were in a very volatile climate. You will notice, as Ken mentioned, that the G.E.T. appropriation is actually quite high simply because we had under-projected in FY2022 what exactly we were going to be pulling in, and that is when the gates opened and the tourists started coming back. That is where you see the revenue bump on that side. We have not hit the mark on some of these newer streams of revenue because of the way that COVID had interfered with the economic activity that it is drawn from. So, yes, it is part the Federal side, but it is also the fact that we were being very conservative in the revenue budgeting simply because we were not sure how COVID was impacting those new revenue streams that were coming in the picture.

Councilmember Cowden: What I mentioned yesterday, as I appreciated the Mayor's metaphor on surfing in the State of the County address because we are in this turbulent time where we do not know what is happening. The good news with all that inflationary pressure that came from increasing the money supply at the Federal level is we have more money than we anticipated. The downside is we have all this crazy inflation, and that is where we are having a hard time with our Real Property Taxes, scraping more people than we want out of stability. So I think that when we are looking at the abundance in the Reserve, is there room there to take a little bit of the pressure away, but I also know when you have a percentage, that is how much you feel like you need to have in case we have a problem, is to keep cutting our people. That is the main thing, since those are a big cost. So, if we dry it up for a while, because we are getting more visitors, but our own people are not making more money. That is what I see where the big difference is. The visitors have got the money, because we are getting the wealthiest of them, but our residents are not getting more money.

Mr. Dahilig: I know that later on in the schedule today that there is a discussion specifically on revenue and who should be bearing the cost of what contributes to the County Budget. Those levers you are talking about with how our residents are being impacted, those types of things. We are prepared to have that discussion as part of the revenue picture outlook that is on your folks' schedule today.

Council Chair Rapozo: Thank you. Are there any other questions? Having this unanticipated increase in revenue is not a bad thing, but like the Mayor said, it makes it difficult. It was so much easier, right, former Mayor Carvalho, when we did not have money? We pay what you have got to pay. I truly appreciate the efforts to pay down debt, to get away from leases. These things will benefit us long-term. We have the

opportunity in this moment in time that we do not have to worry about hoping the conditions stay the same next year so we can pay for what we budgeted next year. These are "one and done's," and I think we can all justify that to the taxpayers, saying, "Yes, we got more money. We spent more money, but we are doing it for long-term benefit." That makes it easy. Again, to what Councilmember Cowden is saying, we also need to think about the taxpayers, as well, and because we are in this position that we need to make sure that we do everything we can to put as least amount of burden on them as possible. I am excited with the next session with Real Property Tax. Are there any other questions? Councilmember Kualii.

Councilmember Kualii: Mike, when you said earlier the practice had been to rely on lapses. Those lapses, that is the surplus, yes? What actual is versus what was budgeted?

Mr. Dahilig: Right.

Councilmember Kualii: I would think, as far as I have been involved with the Budget, that basically this Council has been doing a better job and trying to tighten the Budget, and by tightening the Budget that did not give the Administration as much leeway to rely on those lapses. Having the Reserve is important. You need that insurance in place for when things happen, like a hurricane or what have you.

Mr. Dahilig: It is a benchmark for, I will use the phrase, "self-discipline," in that sense where you know that that is the first thing you need to pay before you start looking at the surplus or the lapses as live moneys for expenditure. Not to suggest that there is one correct answer on what is that threshold, but the function of that Reserve does provide at least the guidepost to take care of a priority first before we start looking at and spending down the lapse surplus or whatever is in the Auditor's Report as live cash for the next Budget.

Councilmember Kualii: The last question I have is on Slide 13. Ken, maybe you can answer it, or maybe Mike. On Slide 13, your second bullet and your fourth bullet talk about aging infrastructure and the maintenance of aging infrastructure, and about the funding sources, County revenue streams or debt, and that it continues to present financial and operation challenges. My interest, and I know you make a lot of these graphs and they are cool to see the big picture, but they are just the Operational Budget, right? When you are addressing some of these big ticket items that have to be done over years, it would be interesting to see how we are taking a stab at it each year, whether it is through the Operating Budget, the CIP, and then bond or other debt that we go after to achieve that. Even for this year, I am curious to know, because with the repair and maintenance you talked about 90% was CIP, that the Mayor had mentioned, is that what it is for all of this? We have existing debt, but is there any new debt?

Mr. Dahilig: That is correct. We are essentially using the moneys in place of issuing municipal bonds to pay down some of these items. The bullet points 2 and 4, as you mentioned, a lot of that is more pivoted toward the CIP side of the ledger, rather than the Operational side of the ledger. That consequence, as Ken is

mentioning, is that if we do not take care of those things, then the Operational side will continue to increase if we do not overhaul some of these facilities that we have that are aging.

Councilmember Kualii: Thank you. Thank you, Chair.

Council Chair Rapozo: The Residential Investor refund, is that an estimate? All of those applications should have been in already, and this question is more for Reiko. She is nodding "no." Is that a good estimate or is that something that we expect will change?

Mr. Dahilig: I know that as part of the revenue discussion, Steven Hunt will be coming in and providing a potent breakdown of how he arrived at that number. I probably could not with confidence explain how we came up with that estimate, but there are inputs as to why it is at that figure. I know that the application window is still open until April 21st. The universe of the total liability, we probably would have a better handle on it going into the Supplemental. At least for the March Submittal, we have to use a placeholder.

Council Chair Rapozo: The other thing I just wanted to say was, you know, we talk about the surplus. I think the politically correct term is changed to "fund balance." Every term, every Budget, we end up with a fund balance, right? At the end of this Fiscal Year, what do we estimate the fund balance to be?

Mr. Shimonishi: We try to stay away from doing that, but I would not just say that every year we end up with an increase in the fund balance. Clearly, I believe it was Fiscal Year 2021, when the State did not give us the T.A.T, we actually saw a decrease in the fund balance.

Council Chair Rapozo: Right. Barring any event like that, that is an anomaly, that does not happen often. You could get a hurricane, COVID, or whatever, where tourism drops, T.A.T. drops, but generally speaking, when we budget, we budget safe. I mean, we do it here in Council Services. You have safety nets built in. My point was, at the end of the year it is not like we spend every dollar we budget. Sometimes we do, but rarely. There is a surplus or a fund balance, or whatever you want to call it, and this is in addition to the Reserve. The Reserve is different. That's 30%, boom. That goes to the Reserve. We still understand that at the end of the Fiscal Year and we know, that is when everybody starts to spend the money, or everybody runs around and says, "Hey, you know, we have some extra money in the budget, let us go pick up what we need." We see it and sometimes it is oftentimes beneficial because, for instance, the Fire Department will come in and will ask for equipment that we have extra money for, and that takes it off the next year's requirement. We buy now, we save next year. That is just how business works. I just want to make that comment, that we typically end up with a fund balance.

Mr. Dahilig: I would generally agree with that characterization, Chair. I will say that, though, because we ultimately, throughout the fiscal year, are required to make sure we are operating at balance. The situation that Ken is

mentioning is that when we know a piece of a revenue is not coming in, we have to do hiring freezes, restrictions, and come back to the Council to actually fill what we suspected what going to be a deficit at that time. It is an anomaly, like you mentioned, but typically, we look at previous fund balances and see if there is any kind of trend we can extrapolate from that.

Council Chair Rapozo: No, I am just saying that is something we need to recognize. I will just use one example, and I mentioned it earlier, is the unfilled positions. Fully-funded, unfilled positions. That money is extra. That is one example. We estimate fuel costs. If fuel prices go down, we get a surplus. That is all I am suggesting. This Budget is not so finite and tight that if we overspend in one, we are County-pro, we need to run to the Reserve. Councilmember DeCosta.

Councilmember DeCosta: I have a follow-up to Chair, and I like the fruitful conversation. This is great. Ken, having that Reserve allows us to float our bonds easier, correct? Our borrowing power becomes more recognized, and then we can pay our debt back by having a fruitful Reserve. Yes or no?

Mr. Shimonishi: Yes, it puts the County in a better position.

Councilmember DeCosta: Next question. If we had some shovel-ready projects-Lima Ola, Waimea 400, our Kīlauea housing development-are we able to take that surplus and apply it, like this \$11,100,000 that we are going to put in our CIP? Could we have put that to a shovel-ready project and pump it out? Is that a possibility or is that our plan going forward? Right now, I believe Lima Ola might be ready or getting close. I think Waimea 400 is in a consulting stage, and Kīlauea is in the developmental stage. Can we appropriate some of those surplus funds coming up for our shovel-ready projects to benefit our community housing development?

Council Chair Rapozo: Let me answer that. The Policy is quite clear. Disaster response, self-insurance provision, revenue volatility, like what you mentioned when the State cuts you off, unfunded mandates and legal claims, and affordable housing infrastructure and land acquisition alone. It is limited, and this is the deal. This is where my mind is set. If we want to put more money into affordable housing, then we do that. We do not put it in a Reserve, to tell the public this is for emergencies, and then move it over. You call it how you want to call it. If you want to put more in affordable housing, then you take it out of the Budget, not out of the Reserve. The whole idea of the Reserve is exactly that. Again, I commend the Council for adding affordable housing land acquisition, because opportunities come up. Land becomes available, or that Waimea 400, something happens in the middle of the Budget, boom, we need some infrastructure money. Then we can hit the Reserve. It is unexpected. If you know we want to spend that today in this Budget, then it needs to be put there. We do not put that in there to, basically, deceive the public, saying, "Oh, we are going to put it in for security and safety," and knowing the intent is to tap that for affordable housing. No. We just put it where we are calling it. I know this because we had an intense discussion when we devised this Policy about the need. This was a Reserve Policy for events that were unexpected. That is basically what we told the public.

Councilmember DeCosta: The question that I asked, though, Chair, was not about the Reserve. I asked about the slush extra, the part that does not have to be the 30%.

Council Chair Rapozo: Oh, the overage?

Councilmember DeCosta: The overage. I am saying that instead of putting it in different CIP projects, is it possible that if we had a shovel-ready housing project ready to go, we could dump that money into that project. That is possible, right?

Mr. Shimonishi: Absolutely.

Councilmember DeCosta: Thank you.

Council Chair Rapozo: That is perfect. Good question. Are there any other questions?

Councilmember Kualii: Yes. When you were talking about fully-funded, unfilled positions, that is the use of the vacancy report, right? That is why over the years, I made specific motions, that mostly failed, to reduce that surplus. My question is, and it would be interesting to go back to the prior years, and maybe staff can help from our side, is how much of the surplus, or lapse, or fund balance each year for the last couple of years actually come from unfilled positions? Being that in the Operating Budget, well over 50%, 62.8% last year and 56.4% in this Budget is for salaries. I would guess most of the lapse comes from unfilled positions, but maybe you can come back with that.

Mr. Dahilig: I know that the ACFR is still before you folks. It will be coming up, but we can take a look at what was the actual spend-down on the salary elements for FY 2022 as compared to the Budget items and use that as a way to deductively extrapolate what you are getting at. Let me go back with our Team and see if there are other elements other than looking at what the ACFR number is for that as a way to shape how much we are not spending out of the salary line items as a bulk estimate of what the difference is.

Councilmember Kualii: Thank you. Thank you, Chair.

Council Chair Rapozo: Again, when we get through the departments, we have to identify those positions. The Council, in all fairness, is guilty.

Councilmember Kualii: Yes, it is our job.

Council Chair Rapozo: No, no. In this department, we have an auditor position, we have auditor staff that has been vacant for 3,000, almost 4,000 days. This Council is going to have to make a decision. Are we going to move towards an auditor or are we going to do a Charter Amendment to remove that requirement? I am criticizing ourselves, as well.

Councilmember Cowden: It is \$0 funded.

Council Chair Rapozo: Right, for 3,700 days. We need to make a decision, that is all.

Councilmember Cowden: Okay, so at least we are not wasting money.

Council Chair Rapozo: Yes, we are not wasting money. Go ahead.

Councilmember Kagawa: Yes, just one final question. This might come up during Parks or CIP. The one thing I have heard from the time I got elected was that Līhu'e has no community gym. I guess Waimea High School has always been sympathetic to the community and they try and share. Kapa'a High School said they try to work with the community. They said only the school here has no community events whatsoever. This is from way back and continues to today. They said we need a gym, whether it be an old gym that maybe the church does not want to rent out, but perhaps we can purchase. Has the up, in terms of the gap in facility with this area without a gym. When we got through those discussions, we are aware that in a lot of cases there are other State activities that go on. For example, Kaua'i High School is building a brand new facility, but our understanding is they are also keeping the existing facility there. Whether or not money is going to be given to renovate that facility for broader community usage or how the Department of Education would want to allow community usage of now (2) two gyms on their property is something that, at least as a step forward, we should be engaged in conversation with Kaua'i High School and their Principal on more community usage, just like we did with the pool and those types of things in the past. We may not have a shovel-ready project to go vertical on that, but that is something the Mayor can also speak on.

Council Chair Rapozo: You know, something told me the Mayor was not going to be able to sit back there with this discussion because we just had a discussion about this.

Mayor Kawakami: Councilmember Kagawa, Chair, and Councilmembers, there is much need for a covered gym in the Līhu'e area. We are hoping we can work with the schools because there is a covered court at Chiefess Kamakahelei, there is a gym at Kaua'i High School, and we share. We share our stadiums with the State for our community purpose. That stadium is shared with Pop Warner, with other leagues. I think it is more complicated than the average person would think. I think we would have to get the Attorneys General involved. It has not been the easiest, but when we talk about efficiency and redundancy, when we already have (2) two facilities that could serve the community with the covered gym, there are two of them in the area. Just looking at the cost of the Kaua'i High School gym, if we were to go down that road, we would certainly want to invest to make sure that the structure is hardened for emergency purposes and shelter purposes, as well. Those things can escalate the cost. We are trying to look at the low hanging fruit and see where we can get with the existing gyms. We have really looked at it, and this area would need one.

Council Chair Rapozo: How much do we charge the State for the stadium? I know it is hard for you.

Mayor Kawakami: We pick up the cost of maintenance and the clean-up.

Council Chair Rapozo: You know, because you mentioned Kapa'a High School gym, I was shocked, and this is where I get frustrated, and I do not expect you to respond, because you are the Mayor, but I can. Pop Warner, we use the stadium, Hanapēpē, Līhu'e. Your staff over there is amazing. We do not pay. Kapa'a High School, which now, again, the high schools use County stadiums. If not for the County stadiums, there is no Kaua'i Interscholastic Federation (KIF) football. I guess you could play at the practice fields in Waimea and probably squeeze them into Kapa'a someplace, but it would not be the same. Kapa'a High School charges Pop Warner \$1,500 to use the gym for a cheer competition for kids. No exemptions, no discounts. It is just, "Sorry, you want to use the gym, this is it." It is not fair. Again, I do not expect you to respond because you have to work with those folks. I am just saying we, in reciprocity, because we take care of the same kids, you use our stadiums, let us use your gym. We cannot say, "You cannot use our stadium," because then we would shut down football, soccer, baseball. I think for people like you folks that get along with the Legislature and the Governor, we need your folks' help in getting them to say, "Hey, let us share. You can use our facilities, let us use yours." Go ahead.

Councilmember DeCosta: I am going to ask my colleague, Councilmember Kagawa, if he would like to join me in a conversation piece with the Principal at Kapa'a High School and our District Superintendent Daniel Hamada. I think they would be very open to have a discussion, and I know Ross, you are a past employee of Kapa'a and I am a present employee. I think Ross and I could lead the march, and I think that is a fair thing. If we were here talking about covered buildings, then why do we not just go out on the wishlist and say let us get a covered Vidinha stadium so we can host KIF Championship Division II, Division I State football games and not worry about the birds.

Council Chair Rapozo: And we can take it out of the Reserve.

Mayor Kawakami: Just to be clear, we are not proposing that, just for the general public. You know, Chair, we do it with great honor. Our stadium workers, our workers that take care of the baseball diamonds and softball fields, they do it with pride because we do not look at State constituents and County constituents. It is all our kids. I do not want to leave a perception that we keep score on these things, but we take great honor. Parks will come up to talk about the challenges, but with every new youth league that comes out, it does pose more challenges to get the fields ready, more often to find appropriate practice fields for more leagues. Those are things that most times the general public does not get to see, but we get to see it every day. Thank you, Chair.

Council Chair Rapozo: Thank you, Mayor. We will cover that in detail when we get to Parks. Are there any other questions or discussion? If not, it is a good time

Mr. Dahilig: Right, so in a lot of cases, before you get to a point where Temporary Disability Insurance (TDI) does kick in, they have the option of burning down vacation and sick leave to maintain their own income during that period. That is where it starts to get some of the Human Resources (HR) questions that I am not...I would say qualified to answer why and how the Federal law works in these things, but in this situation, that is what is happening is that there is still a continuation of built-up sick leave that is being burned down.

Councilmember Cowden: In the private sector, you get what we call a "temp." Can we get an 89-day hire? What I understand is that aside from the cost, is that you have the need for the job to get completed, right? You have the need for the functions, not like that person did not do something important, so can an 89-day hire...where that gets stretched out a little bit. Can we do that? Can we borrow from another...

Mr. Dahilig: We have done that in boutique situations where we brought in, I believe, twice, an 89-day hire for a short stint, but for someone to cover the unique length of the situation, we have not gone that far to be able to bring in a longer term temp. We have actually touched the 89-day twice to be able to backfill some of the work that was needed.

Councilmember Cowden: So, this happened twice?

Ms. Ching: It has happened twice in the past, especially during COVID-19 where we were called into assist with the Kaua'i Emergency Management Agency (KEMA) operations and our backlog of work was at one point approaching two (2) years of minutes. Unfortunately, in this situation we are in, due to someone's personal health condition is that this individual has been out, it is quite tenuous. We are only notified basically in a two-week period, so every two (2) weeks, they will notify us, but it has gone on for a long period.

Councilmember Cowden: I want to say I hope that person does well. I do not know who I am speaking of, but lifting that person up for swift and complete healing. How do we look at typing software? Does that help?

Ms. Ching: Yes and no. We have looked at transcription services and we have a contract for that. We use that in contested cases, we also use the recording captioning as well to try to assist, but what we found in using all of those services, is that it still requires a lot of review for the entire amount of meeting. Because of the words that are commonly used in Kaua'i, Hawai'i, the Hawaiian words, the Japanese words, the pidgin, etcetera, it has to be reviewed for accuracy. I think a good example is Donna Apisa of the Planning Commission, typically her name will come out "Peaca." Commissioner Otsuka, we actually get a lot of laughs out of how it is translated in the transcription or even the captioning, because it is always a surprise.

Councilmember Cowden: Sometimes that can speed up, right? You can go through and listen, so just trying to look for a few solutions. That was my question.

Council Chair Rapozo: Are there further questions? Do we still maintain the D.C. Lobbyists?

Mr. Dahilig: Yes, we do.

Council Chair Rapozo: Who are our Lobbyists now?

Mr. Dahilig: Smith Dawson & Andrews.

Council Chair Rapozo: And they are D.C.- based?

Mr. Dahilig: Yes.

Council Chair Rapozo: Got it.

Councilmember Cowden: I have a question on Smith Dawson & Andrews, but I was not sure we were going into that yet.

Council Chair Rapozo: Go ahead.

Councilmember Cowden: Is that in your wheelhouse right now? Should I wait?

Council Chair Rapozo: I am sorry, what was the question?

Councilmember Cowden: I had a question about Smith Dawson & Andrews, but I was not sure if we were ready for that or not.

Council Chair Rapozo: It is in their budget, so go ahead.

Councilmember Cowden: Something that I had put in as a request to the Office of the Mayor—based on something that Brian Schatz said is just funding a County position that has expertise on understanding and complying with Federal funding opportunities for both our County departments and community non-profits, so at some level that is Smith Dawson & Andrews' job, right?

Mr. Dahilig: Yes, that is what we primarily rely on them for, and I will say that...I know this may sound simple, but what helps is the fact that they wake up at 8:00 a.m. eastern. Having them be on the ground for us by the time our business hours set up, it is already one o'clock/two o'clock in east coast time at Hawai'i time when we start, helps us already front a lot of the items or questions that our Congressional Delegation will have or any type of agency may have, so having that point of contact does allow us to catch it a lot quicker.

Councilmember Cowden: I want to recognize that many departments, the Office of the Prosecuting Attorney is one that comes to mind, but many departments find these Federal dollars. When we attend the National Association of Counties (NACo), like we just came back from Washington, and as they describe it, "the waterfall of money coming at us," but it is so hard to know how to grab each little piece. How often do we hear from Smith Dawson & Andrews, because it seems like, at least when we go there, it seems like there are so many dollars available that we do not necessarily pick up here.

Mr. Dahilig: I would say that our policy is always to stay in contact with the D.C. consultant almost daily relating to those Federal streams. The catch with the Federal streams is a lot of them are competitive in nature and not necessarily done by a formula, so just like with the RAISE grant or the SAFER grants that you see come before the Council for apply, receive, and expend authority, those are flagged by the D.C. consultants to say, "We expect a notice of funding availability that is coming down the pipeline and you may want to get your folks ready." That is how we utilize them to tee up when there is a fit, because we only have so much of our oxygen to be able to compete for these funds. They already know what our capacity is to compete for certain programs and they flag that knowing that it will be coming down the pipeline. That is how we communicate back to them. We do a survey with all of our departments and all the funds available, so between the Infrastructure Investment and Jobs Act (IIGA) and the Inflation Reduction Act (IRA) funding streams that came through the Federal government the past couple years, all of our department heads are asked to take a look at those funding opportunities, but be selective in terms of what they know they can compete for, because a lot of those funds are competitive. We front those over to the D.C. consultants who monitor when those funds will come down the pipeline.

Councilmember Cowden: Do we have a position, and maybe like in the Office of Economic Development, where these moneys are coming through that can go out to the non-profits, because when we are there, it seems like some of these moneys might be appropriate for our community development non-profits. I hear about it over there and I tell them, but it is really hard to make that connection and even standing there seems like even the President said..."oh, this can go to your non-profits", and it seems like we have a whole array of non-profits that are wanting to do things. Do we have a vector between Smith Dawson & Andrews and how we can reach our non-profit community?

Mr. Dahilig: We do not have anything established. I know anytime something comes up that may be a better fit for Yoshito L'Hole in Kilauea or those types of situations, what we tend to find is that they are actually on it a lot quicker than we are. As part of their operations, they know that some of these things are coming down the pipeline and they ask us to actually provide support letters to the agency for their application. We do not necessarily screen the process, but we do understand that just like in our case, the non-profit sector is also a very lawkish at, I am trying to get as much resources as possible, so we use OED and Smith Dawson & Andrews to try to support their applications when they ask us for our support.

Councilmember Cowden: Just where I am finding it is in social services that I am having a hard time bridging the connections. I really do not have that training and so I wing it, but it would be easier if...

Council Chair Rapozo: I have a follow-up. Our D.C. Lobbyists track bills that impact our County and they will lobby our delegation to make sure that we get represented, or is their function to go out and find funds?

Mr. Dahilig: It has migrated more to the latter, Chair, simply because of the way the Federal cadence has shifted to more localized effort on grants and moneys versus actual policy. The policy element even though we still kind of turned to the lobbyists, they tend to be more agency-touching versus congress-touching, in that sense.

Council Chair Rapozo: I do not know if you can answer this, but how successful were they, as far as getting funding opportunities to our County over the last year, two(2), three(3)? Are they responsible for us getting grants or are our departments... is the Housing Agency researching grants and finding them or are we being handed these opportunities by our lobbyists?

Mr. Dahilig: It is kind of a little bit of both.

Council Chair Rapozo: Yes, so I guess comparing what we are paying them to what we receive. Because if we are doing better without them, then you know...

Mr. Dahilig: We are definitely doing pretty well when it comes to being competitive on certain things. I think the RAISE grant is an example of something that was ahead for them and us to be able to work with U.S. D.O.T. on winning an application. What we have seen migrate though has been a lot of the focus on earmarks and congressionally-directed spending, so that is where a lot of our bulk work elements that the lobbyists have been handling has been working with the D.C. offices directly on our applications.

Council Chair Rapozo: The reason I bring it up is because, like Councilmember Cowden said, we just came back from D.C. and we heard from Brian Schatz, Mazie Hirono, and of course President Biden, and the resounding message was funds can come directly to counties and not go through states and so forth—that there are more opportunities. But in our meetings with the delegation and I speak for myself, because I am hard of hearing on my left side and I might have missed it, I did not hear a connection to our lobbyist. In fact, what Brian Schatz said, as Councilmember Cowden just mentioned, we should consider getting a person, obviously not at the legislative side, but at the administrative side, that would be able to have this direct communication with our legislative Congressional Delegation. I do not know this. I forgot we had a D.C. Lobbyist, I would have asked him, but it did not sound like he had a contact person for Kaua'i. When was the last time we had an update here at the County Council from our D.C. Lobbyists?

Councilmember Cowden: This year.

Council Chair Rapozo: When?

Councilmember Cowden: This year, months ago.

Council Chair Rapozo: Not this year, because I was here this year.

Councilmember Cowden: Before you were here.

Council Chair Rapozo: Last year? Was it last year?

Councilmember Cowden: Yes.

Mr. Dahilig: It was within the past...

Councilmember Cowden: They were on the screen.

Council Chair Rapozo: That is fine, okay. But that would be the question, are they actively pursuing grant opportunities or funding opportunities for the County? It did not sound like we had that connection, but again, I could be wrong. Maybe I missed it.

Mr. Dahilig: I would say that it is a lot heavier on the agencies' direct work, like with Department of Energy, Army Corps of Engineers, those types of agencies, so it is things that we flag with the Congressional Delegation that is going on, but they may not necessarily be the interface with the Congressional Delegation office.

Council Chair Rapozo: Senator Schatz is in a good position now. He has a lot of influence, so I would ask our D.C. relationship...and that is per his request. He wants a contact person for his office and Kaua'i, so that is an opportunity there. Thank you.
Councilmember DeCosta.

Councilmember DeCosta: Can you explain on page (3) and page (7), you folks have Grant In Aid in both spots: one for \$100,000 and one for \$10,000. I believe the one on page 3 says, "Competitive grant for social services support," but the one on page (7) does not have a definition of the Grant-in-Aid. I want you to explain what the \$100,000 in the competitive grant section is for.

Mr. Dahilig: This is an evolution of how Grants-in-Aid have been allocated and the Office of the Mayor, as well as OED, both have these public interfaces for Grants-in-Aid and what was done was an attempt to clean the types of ask, so that the Ag asks, the OED asks, those things that are germane to OED get pushed in their budget for grant-in-aid, but we understand that there were a lot of things that did not necessarily fit that category, potentially grants to the YWCA, grants to Hale 'Ōpio, etcetera. That is why we turned it into "social services support," so that there would still be a stream where they were able to apply for those grants, but it was still within the Office of the Mayor, because some of those items are necessarily germane to OED's mission. That is where...if you go back a few

budgets, this number actually used to be a lot bigger, but then those items were then pushed over to OED and then what was left was the social services items. When you look at page (7), that is a long-time recurring Grant-in-Aid for the summer work program. This is, again, to support our *keiki* and this is just how these items have been budgeted. That is for a specific purpose and not necessarily competitive like the \$100,000 in page (3).

Councilmember DeCosta: But it seems like by your definition that we are making it available to more entities now. I like that.

Mr. Dahilig: Yes, and it is also a way for us...we felt if OED had a Grant-in-Aid solicitation and the Office of the Mayor had a Grant-in-Aid solicitation, sometimes things would be double-funded, and we made a very clear attempt to ensure that the type of ask was funneled the right way, so that we would not end up with double-awarding or overlapping awards, because that then would not spread the resources properly.

Councilmember DeCosta: Are we back with our filming industry since COVID-19? I noticed we have that position in here. I know that things took a nosedive during COVID-19. Are we up and running? How much of this position that we have is working with the film industry now? Are we back up and running?

Mr. Dahilig: There were a number of factors and I would just caveat with the reason why it is in our budget, the specific position, is because there is a relationship between the OED Director and that person, and so for HR purposes we have to have a separate chain of command for the film office, but the function still rests directly with OED. I would also ask that those questions be deferred to OED. I would say anecdotally, film has been uneven and a lot of it relates to the hotel availability, because they do require a lot of hotel rooms and sometimes, so that becomes a factor. The relationship between the location stewards, like if you have a large landowner and that company or that owner, how they interact with the film agency also comes into play. It would probably be best to have that be articulated...

Councilmember DeCosta: I will ask that to OED.

Mr. Dahilig: Just to answer where we are with that. We constantly get hits on, "Can we film on Kaua'i," but the nuts and bolts of being able to have a match, largely depends on other factors and sometimes the timing does not work out.

Councilmember DeCosta: Thank you, Mike. I am done.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: I know that we have, this week, decided not to do hybrid meetings, but I do have on my list budget equipment for Boards & Commissions to be able to do that. We have received a lot of letters and certainly personal calls, people unhappy about the decision to stop doing that. How permanent is the decision to stop doing it and would extra equipment be helpful?

Mr. Dahilig: We have taken the stance that we left the decorum questions of all the different Boards & Commissions up to the Chairs and the bodies of those commissions to determine. Some have decided to maintain hybrid, others have decided to go all in-person. Largely it is related to the type of work that they do whether it is transactional or it is community discussion points, so we do not have anything that has been a directive to all eighteen (18) Boards & Commissions on to how they need to operate. We are simply there to support what their choices are within the bounds of the law to actually conduct business. We have budgeted from this past year, equipment allocations that are currently going through procurement to support technology. Whether a Board or Commission decides to use it or not is going to be their call, but we are working towards having the capability that if they would like to do so, that we have it.

Councilmember Cowden: Okay. That is what I thought was important so that it does not become an issue, especially if you are short-staffed, people running around and moving a big television screen that might fall or break. I am sorry that people are misbehaving in some of the meetings, probably most in the Planning Commission, but it seems like it should be a no-brainer to have equipment there, so it is available. I think if we are able to make things work, it is ideal that we do.

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: Is the funding for Project Grad for each of the three (3) public high schools? Yes? Okay. Thank you.

Council Chair Rapozo: Did you get a response?

Councilmember Kagawa: Yes, they said it is inside.

Council Chair Rapozo: Oh, I am sorry, I did not hear.

Councilmember DeCosta: Ellen, I want to ask you something. I am looking at this Budget and there is a lot of...on both sides, Administration, and the Council, we have traveling expenses, we have education expenses, we have a lot of outside of the administrative duties, we have an account to take care of traveling. You deal with Commissioners who do not get paid. Have we ever thought of rewarding them at the end of a year, all the Commissioners and Board members, with a dinner provided by the County? Have you ever thought about springing for that? These men and women work tirelessly throughout the year, they do not get paid, it is volunteer, I do not know why I do not see something in the Budget where we can take them to a nice dinner at some nice restaurant and reward them for doing their service. Has that ever crossed your mind to ask the Council?

Ms. Ching: Ellen Ching, Boards & Commissions Administrator. Thank you for that question and thank you for the acknowledgement of all the volunteers, because they do...it has been an amazing experience for me to get to know these people, and they really care about Kaua'i and they really pour a lot of work into it.

Prior to COVID-19, in discussion with the staff, one of the things that we had thought about was not as lavish as a dinner, but a get-together for all the Commissioners, just a very light refreshments type of thing, so that other Commissions could see the volunteers from the other Commissions. Just to have some type of simple get-together for the Commissions and the Commissioners to be able to see that, and that was prior to COVID-19. Of course, we got blown out by COVID-19 and the impacts of that. We certainly can revisit that, yes.

Councilmember DeCosta: Can you get me the total number of Commissioners that you have, and I will work the food and refreshment part of it, and we will get a number together. Thank you.

Ms. Ching: Thank you.

Council Chair Rapozo: Is there anyone else?

Councilmember Kualii: Some of my questions are just more for confirmation. For the Office of the Mayor, do we have any vacancies?

Mr. Dahilig: No vacancies.

Councilmember Kualii: And then for the Boards & Commissions, no vacancies?

Mr. Dahilig: No vacancies.

Councilmember Kualii: On Master page 2, with the regular salaries, for all of the salaries combined, the line item has an increase of \$116,000. Does that increase primarily represent whatever increase is set to happen based on either the Salary Commission and maybe step increases that are aligned with bargaining unit raises and also include cost of living adjustments?

Mr. Dahilig: Yes, all of the above.

Councilmember Kualii: So, that is the case for the Mayor and also the case for the Boards & Commissions?

Mr. Dahilig: Yes.

Councilmember Kualii: I might have missed it, but Chair Rapozo talked about the D.C. Lobbyists, but connected to that is something called "Legislative Web Tracking." Is that something that just the lobbyists use or is that some type of software or access that other people in the County use. What is that?

Mr. Dahilig: It is a system that assists all of the different directors and the departments use? to track legislation that they are keeping tabs on. You know there is a function that if you just subscribe to the Capitol website, you get a "ping,"

but this is actually a lot more robust in terms of assisting departments in being able to track these bills as they move through the Legislature.

Councilmember Kualii: Did you say, "All the directors of the departments have access to that"?

Mr. Dahilig: Or someone who is designated...

Councilmember Kualii: Someone from...

Mr. Dahilig: There is an annual training before they go into the Legislative session in January on how to use it, specifically they will send someone from their office to actually take a look at how to run the system, and then that is where they feed us the testimony in our office to send over for approval and that type of thing.

Councilmember Kualii: Is there someone from this department?

Mr. Dahilig: Let me double-check on that.

Councilmember Kualii: I would want that...if it is a valuable tool, more robust than others...because I know for each of us, we make requests to our staff and they have to track down things for us, but if it is fairly easy.

Council Chair Rapozo: Real quick. We use the website, right? We use the capitol website, so if it is a license that would cost extra to have one more license for Council Services, we would definitely appreciate to be included.

Mr. Dahilig: Okay, sure thing.

Councilmember Kualii: Probably have x amount of users based on...

Council Chair Rapozo: I would assume we are maxed out.

Mr. Dahilig: Let me take a look at and if it is at no adjustment, we will make that connection.

Council Chair Rapozo: Thank you.

Councilmember Kualii: In a few different places, I think one is Airfare, one is...oh, okay, I was going to ask what is this category Continuing Education, but it is basically to go somewhere to get continued education. How is that different from Training?

Mr. Dahilig: I think it is synonymous.

Councilmember Kualii: It is just words?

Mr. Dahilig: Yes.

Councilmember Kualii: Thank you.

Council Chair Rapozo: Continued education is a requirement for certain professions, right, like lawyers?

Mr. Dahilig: Just to be clear, I do not keep my license active.

Council Chair Rapozo: I was not talking about you. I was just saying, I think maybe there was a time in the Budget when someone from the Office of the Mayor required continuing education.

Mr. Dahilig: I have utilized it to go to the International City and County Managers Association.

Council Chair Rapozo: Oh, okay.

Councilmember Carvalho: Just for clarification on the Leadership Development and Training—that is for...

Mr. Dahilig: Same situation where there are obviously evolving best practices that need to be looked at.

Council Chair Rapozo: Are there further questions? If not, thank you. Next up, is Revenues. I know Councilmember Kagawa has to leave at 11:45 a.m., but he will be back, he has a lunch appointment to attend. Do you want to take a lunch break now?

Councilmember Cowden: Be back when?

Council Chair Rapozo: 1:00 p.m.

Councilmember Cowden: 1:00 p.m., an hour and one-half lunch? Okay.

Council Chair Rapozo: Let us be back at 12:30 p.m. I want to make sure our staff gets to eat.

There being no objections, the meeting recessed at 11:36 a.m.

The meeting reconvened at 12:33 p.m., and proceeded as follows:

Revenue Forecasting (including Real Property Taxes & Other Fees)

(Councilmember Kagawa was noted as excused.)

Council Chair Rapozo: Councilmember Kagawa is running a little late, but he will be in shortly. Next up is Revenues. I believe that would be Reiko or Ken. We are one-hour ahead of schedule, folks. We will catch up during this session, I can promise you.

KEN SHIMONISHI, Budget Administrator: *Aloha*, Chair and Councilmembers. Ken Shimonishi, Budget Administrator. If you do not mind, I will go through a couple of slides that we have. I will jump ahead a little, so we can come back and do the Real Property after some of the less exciting things. On the presentation, for Fiscal Year 2024, Revenue Overview, on page 2. This is just the table that was presented in the Budget overview, just because this was the revenue we included this year as well. No changes. On slide 3, this is to show how we calculated that more than 60% or in this case 63.4% of the General Fund revenue is being derived from non-resident sources, right, our Vacation Rental, Hotel & Resort, Residential Investor, on the Real Property side, our County Transient Accommodations Tax (T.A.T) for a total of \$159,300,000 over the total General Fund revenue of \$251,300,000, so that percentage calculated is 63.4%. for your information, for last FY, the same calculated would yield 58.9% for non-resident, but we are pushing that over at the sixty (60%) percentage threshold. If you do not mind, we will skip to page 9. This is a chart that we shared last year as far as our T.A.T revenue base. This is pulled from the State's website and basically leaves out the total sales, so to speak, of what would be subject to the 3% T.A.T. As you can see how we fall off in April of calendar year 2020, when we shut down for the pandemic and how it bounces back in June of 2021, and you can see the rebound. The chart looks rather random or erratic with up and down peaks and valleys, but if you lay that year-over-year, which is on the next slide, page 10, you can see that there is actually pretty reasonable seasonality to that transient accommodations revenue base. We basically look at this and try to figure out what really makes sense or does it seem reasonable at what we are doing. Some could argue that you could probably go a little higher on the revenue side, possibly, but I would point out that basically on the twelve-month period, at least on the State's revenue base, you can see that if calendar year 2018—the total revenue came out at \$636,000,000. In calendar year 2019, that was \$650,000,000, almost \$651,000,000, and then it drops off to the pandemic, and we only have partial year for the calendar year 2022, from the State's website. In Budget 2024, you can see that we are using \$766,000,000 as the revenue base to get to \$23,000,000 in County T.A.T revenue. So, it seems within the ballpark, right? We are not going low, we are not going too high. Some might want to push it more, but basically this just outlines each year and then the red dotted line would be oneway of visualizing how our County T.A.T budget revenue could look like. Again, it is just an assumption that if we follow the same type of historical patterns, how would \$23,000,000 in County T.A.T revenue line up with historical data.

On page 11, this shows the same type of linear chart for our fuel tax collections, so actual collections to the County. Again, from January 2018 through December 2021, I think that should be updated though, I apologize for that. Again, you will see the dip and then the rebound and unfortunately based on fuel cost as well, this would be percentage of that. On slide 12, the same type of analysis in looking year after year, how do the fuel tax collections come in, so you can see that in calendar year 2018, it was \$5,700,000. In calendar year 2019, \$5,693,000, so just under the same number, and then it decreases in calendar year 2020, and rebounds in calendar years 2021, 2022. So, calendar year 2022 reported over the

twelve-month period of \$5,337,000 and our budget is \$5,400,000 for this proposal that we sent forth, and then again, a visualization based on historical trends—how that could look in terms of the budget being the red dotted line. Slide 13 represents our General Excise Tax (GET) surcharge collections. In May of 2020, we see the drop off due to the pandemic and then pick up in June of 2021, and the upswing going forward.

Slide 14 shows the County's surcharges collections by month and where you can see that in 2019, we were \$23,000,000, it dipped to \$21,000,000, and then bounced back to \$26,000,000 in the calendar year 2021 and in the calendar year 2022, actually hit \$34,100,000, and our Budget being proposed in the GE Tax for this FY is \$34,275,000. The red dotted line basically mirrors what it was for calendar year 2022, the twelve-month period. Those are the largest components that we have in the Budget, as far as the revenue goes. Aside from the Real Property Tax, this is just giving you a visual of how the Budget was laid out. Would you like me to take questions now or go to Real Property?

Council Chair Rapozo: We can take questions on the presentation. On the fuel tax, I remember Maui County a year or two ago, said they were going to drop the County fuel tax because the prices were so high and then they realized the impact it would be to the County. What is the impact on revenue per penny drop in the fuel tax?

Mr. Shimonishi: I do not have the rates in front of me, but that is something we can easily get, because I remember seeing it on the State's report. That showed the comparative—\$0.16 per gallon or whatever it was...I do not have that number.

Council Chair Rapozo: I know because we are talking pennies and then when you actually figure out the amount of gallons, it is quite a financial impact to the County. I was just curious.

Mr. Shimonishi: We can get that.

Council Chair Rapozo: Are there further questions on the presentation?

Councilmember Cowden: My questions are centered around Real Property Tax, so I should wait, correct?

Council Chair Rapozo: Yes.

Councilmember DeCosta: What troubles me is that you show...page 9, on the TAT, you showed how it drastically dropped off, I am looking at the line graph, possibly in January 2020, COVID-19, correct?

Mr. Shimonishi: Correct.

Councilmember DeCosta: Drastically dropping. But for almost a year, there were still people in that T.A.T building. It did not drop off completely, we still had a little bit of revenue. If you look all the way from 2021 of May, when it started to climb back up. For

almost a year and a couple months, we still drew some revenue from them. Do you think these people extended their stay? Do they come here every year? I am just dumbfounded that it was not a zero across, because there was no traveling at one-time—no one was allowed in our State, but these people drew revenue. Somehow something either went wrong or went right, but I do not know. That is what I am looking at here.

Mr. Shimonishi: I am just pulling these numbers off of the State, Department of Taxation that report. "Staycations"? What is it?

Council Chair Rapozo: I was going to say we had residents visiting. Remember, we had cheap rates for local people to stay in their hotels.

Councilmember Bulosan: Staycations.

Councilmember DeCosta: So, this could easily be locals booking staycations? Okay, thank you for that clarification, Steve and Reiko. I see you folks helping out in the audience. Thank you.

Councilmember Cowden: If I can add to that. On the North Shore, people came and stayed on vacation for a year. People who came in December never went home for a year or a year and one-half, they could afford it. They probably got a good deal, but they stayed. There was a whole population of people who stayed a long time.

Councilmember DeCosta: I am thinking that we should create a new tax class for vacation rentals who want to give locals a free week to stay in their beachfront property, and we will give them a tax break, and then we do a lottery system, because I never stayed in a vacation rental in Hanalei. I would love to do that.

Councilmember Cowden: People stayed a year.

Council Chair Rapozo: Council Vice Chair Kualii and I met this person that does prefabricated homes on O'ahu, we met with him. He came on vacation and could not go home, stayed in his home, he is rich, eventually ended up buying a place and now he lives here, on O'ahu. But, yes, I think there were a bunch of those that could not go back home, and they were forced to stay, but I think a lot of it was the local residents that were "staycations," I guess, is the word. Are there any further questions for Ken? If not, thank you very much.

Mr. Shimonishi: With that, I will turn it over to Reiko and Steve.

Council Chair Rapozo: Yes, they will be here for a while.

REIKO MATSUYAMA, Director of Finance: Okay, we are going to dive right in.

Council Chair Rapozo: Do you have a PowerPoint?

Ms. Matsuyama: It is the same...what Ken was going through, but Ken skipped a bunch of slides, so we are going to go back to slide 4 of the presentation that Ken was just doing. Before we get into all of this, I just want to remind you that the numbers that you are seeing are the certified numbers per the tax roll, so it is pre-the Residential Investor tax credit. A lot of these parcels will be moved out of Residential Investor and the revenue will be reduced, but as of the certified date, this is what we have. Slide 4, basically you are going to get right into the heart of property taxes as our primary source of General Fund revenue. It is no secret that values have gone up and that is what we are seeing directly on this slide. The values—like, we are not excluded from the rest of the State and the rest of the nation, we are in the same boat as everyone else. Our assessed value in total went up by \$4,800,000,000 or 16% to \$34,700,000,000 in FY 2024. There was a slight increase in parcel count, eighty-five (85), but most of the value increases are due to just market swings. You will see that of the eighty-five (85), that middle part there, we gained eighty-five (85) parcels, but there were movements between tax classes. We see Vacation Rental went down by 200. Primarily, most of them went into Hotel & Resort, so they turned into timeshares or there were some kind of misclassification, so they went into timeshare and Hotel & Resort tax class. The other big swing would be Residential, obviously to Residential Investor, so their values went from below \$1,300,000 to above \$1,300,000 and that moved them from Residential to Residential Investor, so those are the big swings in the movements of the parcels through the different tax classes.

Ms. Matsuyama: This slide is evidence of how much a 3% cap shelters the owner-occupied properties... In this increasing market, you see nearly all the tax classes are showing double-digit percentage increases, but our owner-occupied tax classes are showing only modest increases. The cap is the reason for that.

Council Chair Rapozo: Real quick. It is the net? When you are looking at the assessments, this is for the Homestead, this is after the cap?

Ms. Matsuyama: That is correct.

Council Chair Rapozo: Okay.

Ms. Matsuyama: It is important to note that I know there is a 3% cap, but you see increases of 5.4 and 8.7 for the two (2) owner-occupied classes. That is because there are resets, there are new people coming into owner-occupied tax classes and any kind of additions like improvements to your house, that resets the cap too. It is not subject to the old cap, but it is a new cap. Just on this line, on an overall basis, Residential Investor and Hotel & Resort—they still have the largest value increases, but they also had the largest parcel increases as well. If you look all the way to the right side to the last part of the chart, on an individual property level, we saw the largest average increase in Vacation Rentals, which is over 25%. Next slide. The next slide, you can see the drastic number...this slide is on appeals, right. So you can see the drastic number of increase in appeals that we received this year. We isolated those down to like two (2) or three (3) appellants, like they are bulk, they send in a bunch of...all their properties are condominium property regime (CPR) and so they send in a bunch of appeals and they have to do that individually, so that is why the

count in Hotel & Resort, even the count in Commercial is high because of that. We obviously expected the Residential Investor appeal number to be high, because we did those direct mailers right after the assessment notices went out. Anyone that received those notices called our office. We did get a bunch more appeals because of that and probably those 335 appeals, most of them are tax classification appeals, not necessarily value. Really what you expect to see is about 2% to 3% of appeals that come in, that is kind of the national average of what you would like to see in a Real Property Tax Office. Any less than that, you would really think you are undervalued and any more, the opposite. If we take out the 335 Residential Investor appeals, we are at 3.17 % and that does still includes those bulk appealers, so we are still within the normal range of what we would expect for appeals.

Councilmember Cowden: One more time on that Hotel & Resort, when we see 634 appeals, at 2.086%, you said that is because they are changing from Vacation Rental condo being purchased up by the whole property?

Ms. Matsuyama: That, what you are talking about, is just a change from the parcels being classified as Vacation Rental and now they are being classified as Hotel & Resort. The number of appeals, though, increased because we had two or three...I do not want to mention names, but basically hotels that are all individually CPRd, they come in and they appeal the value for every single one.

Councilmember Cowden: Okay.

Ms. Matsuyama: That is why the count looks really high, but it is like one appellant.

Council Chair Rapozo: How many individual appeals did we have for the Hotel & Resort? That is the significant increase. I can see if one hotel had 300 units, but how many individual parcels, I guess?

STEVE N. HUNT, Executive Assistant to the Mayor: For the record, Steve Hunt, Executive Assistant to the Mayor. We do not track it by appellant names, so I could not tell you the count of appellants. But what I can tell you is that two appellants represent over 95% of the count in that category.

Council Chair Rapozo: Okay. Thank you.

Ms. Matsuyama: Next slide. Based on the established tax rates for Fiscal Year 2023 and the proposed tax rates for Fiscal Year 2024, we are seeing an increase of \$32,000,000, or 17%. Again, with most of the increase coming from Residential Investor, Hotel & Resort, and Vacation Rental. The Residential Investor increase will not be that high once the credits are processed. Expect a change in...it would not be in the revenue, it is going to be in the expense side and supplemental will go through that when we get to my Budget, but there will definitely be a change to that number. The decrease in taxes for Residential and Homestead are due to the tax rate decreases, but the decreases in tax for Conservation

is due to the value decreases, so fewer parcels are being classified as Conservation and so you see a decrease there.

Councilmember Cowden: Is this the right time to ask about Residential?

Council Chair Rapozo: For this session, I would suggest we do the questions after the slide.

Councilmember Cowden: Okay.

Council Chair Rapozo: Go ahead. Do you have questions on the slide?

Councilmember Cowden: I do, but it is about Residential Investor. That is the group that makes me the most uncomfortable because it would have gone up about \$30,000,000 in two years. Two years ago, it was \$16,000,000. If we fixed \$5,000,000 worth, okay, that is good, but I am just wondering if we did not get a whole new group of people who crossed the threshold over \$1,300,000. I think I asked it yesterday, but I am just going to restate it, I would like to see an account of how many properties went over that threshold of \$1,300,000 and so now they are Residential Investor. I think that this is a really problematic category because we have properties that are long-time owned with a family in short of shared houses. I am not sure if we want to force those sales and I am just worried that we are throwing the baby out with the bath water. We want to be getting money from people who have it to give. I have no problem with that. Especially if they are just using this as their safehouse to go to or just truly an investment house, but I am really worried that we get people in the wrong category. Even yesterday, I received another call from someone who I tried to help and I see that they have been taxed wrong for four (4) years. They do not understand and they have a mortgage that is out of a bank in the continental United States. They do not seem to catch it. It was really hard for me to explain it to them, and his professional background, to think it would be easier, no judgment, yes, a little judgment, but it is not that easy for people. When I see them having a \$25,000 change last year, and in those years—two of those years they have been 100% living in that house, they really should be at Homestead. It just jumps around. We have a difficulty in how the policy works for Residential Investor, really, any of these things. Banks do not know how to turn in the paperwork right, I think we have to make sure it is not the banks that are actually getting the paperwork.

Ms. Matsuyama: Let me just make a few comments. There were 450 parcels that moved from Residential to Residential Investor. I would assume that...

Councilmember Cowden: 450?

Ms. Matsuyama: 450 this year that went from Residential to Residential Investor. All of those people would have gotten those direct mailer letters that went out to notify them, "Hey, you better come and appeal," but that is a significant number. On the flipside, there were...and this is outside of your question, but it is somewhat related. If there is a silver lining in this Residential Investor thing, it is that people realized that they

should have been in Homestead and they did not really know what Homestead meant. They saw Residential and they thought, "I am a resident" and then they got something that says, "Residential Investor," and they said, "I am not an investor." From last year to this year, there were 94 people that went from Residential Investor to Homestead, so they were like, "Oh, my gosh," and they filed their Home Exemption and got into the Homestead class, so that is good. The bill that we are working on to eliminate Residential Investor, that Steve worked on, will help that problem more, because we are going to change the names of the tax classes.

Councilmember Cowden: When are we going to see that?

Ms. Matsuyama: Again, I do not know when we are going to drop it, but it is going to...we are meeting with the Committee Chair and the Committee Vice Chair of the Finance & Economic Development Committee next week, so we will decide on timing together.

Councilmember Cowden: Are we going to change the name of Homestead also, because I think it is all confusing for people.

Ms. Matsuyama: Yes, that is exactly why.

Councilmember Cowden: They are not paying good attention until they are in scalding water.

Ms. Matsuyama: Yes, that is exactly why. If I may, on Ordinance No. 1146, the residential tax credit, I think the Bill that you folks approved on first reading is drastically different from the Bill that was finally approved. In the first reading, I think we told you that Bill was going to cost us under \$500,000 because we had not captured the people that we needed to capture. That is the reason why our \$5,000,000 estimate is ten (10) times more than what it initially was on first reading...because it captures more people. I think as long as they file by April 21st and they do not yet again miss another deadline, we have captured nearly everyone that needs to be out of Residential Investor. The definition of Residential Investor becomes true with the passing of that tax credit.

Councilmember Cowden: Are you familiar with Maui's 'Āina Kūpuna Bill?

Ms. Matsuyama: Vaguely.

Councilmember Cowden: That is like legacy land, might be a better name for it, because I am working on one of those. Am I allowed to say that?

Council Chair Rapozo: Well, I mean when that bill comes across, we will be able to discuss different options.

Councilmember Cowden: I am just giving you a heads-up on that one, because even if we call it something else, "second home," which is probably a better name or

something like that, for Residential Investor, it is still...what we learned with Bill No. 2891, we did not resolve all of the problems that were there.

Ms. Matsuyama: Just to clarify, the Bill...I am going to call it "Steve's Bill." Steve's Bill does not change the name of Residential Investor. It changes the name of Homestead and Residential. It eliminates Residential Investor completely. Just to clarify that the 'Āina Kūpuna Bill is not a separate tax classification, we are not going to replace Residential Investor.

Councilmember Cowden: It is an exemption. I just wanted to warn you, because I am trying to fix the problem, that this has not been resolved yet.

Mr. Hunt: You had mentioned too that we are putting aside \$5,000,000 but it increased \$17,000,000, it actually did not go up \$17,000,000 because most of those properties did not come out of thin air, they came out of another category, so it is the differential between...

Councilmember Cowden: Oh, yes.

Mr. Hunt: ...which is why, if you are looking at the tax rate differential for...we can go back to 2022 of \$3.35, it is that differential that we are crediting back to move them into the category and not the entire \$9.40, right.

Councilmember Cowden: Thank you. That is an important distinction and I had not given it good enough thought.

Councilmember Carvalho: Can you explain the difference between Residential and Homestead, you said they were a different class of people?

Ms. Matsuyama: Yes. Homestead is the owner-occupied class, but you have to file a Home Exemption, because that is basically notifying us that you live there—you are an owner-occupant. In Steve's bill, it changes the name of Homestead to Owner-Occupied, so it better clarifies what you actually are. Residential tax class is, I own a second home and I long-term rent that home, or I own a second home and I long-term rent it and it is over \$1,300,000. It is basically an occupied home that is not lived in by an owner.

Council Chair Rapozo: Go ahead.

Councilmember Kagawa: What would be the right classification for a second home that you own that you let your daughter and her family live in for free? Is that Homestead?

Mr. Hunt: It honestly depends. If it is on the same property and you have a...

Councilmember Kagawa: No, different property.

Mr. Hunt: It is a separate property and...

Councilmember Kagawa: Not a property that you bought from having a lot of money and buying the property, possibly you inherited, but you are not ready to turn it over to that daughter.

Mr. Hunt: So, I guess the question is...currently under the current system it depends on the value. If it is a home that is not occupied by a family member full-time as a long-term rental and you are not classified as an owner-occupant and it is basically a home that you use occasionally, and if it is over \$1,300,000 under the current system, that is where it would be moved to Residential Investor. If it is under \$1,300,000, it would be in the Residential classification. If it were rented long-term and it was rented at the affordable rental rate, it could actually go into the Homestead class without an exemption.

Councilmember Kagawa: So, if it is free, it would be Homestead class, right?

Mr. Hunt: What was that? If it is free.

Councilmember Kagawa: Yes.

Mr. Hunt: You would actually have to create a lease for a dollar a year or whatever it is. You would have to create that and log that and apply for that.

Councilmember Kagawa: Okay. Getting the paperwork done.

Ms. Matsuyama: Yes.

Mr. Hunt: But the key is that they reside there full-time, so if it is free, but occasional use, then it is not going to qualify. But if it is free and that is where they file their taxes and where they live, then it would qualify for that Homestead, correct.

Ms. Matsuyama: In addition, the affordable lease rental program is an annual filing, right. By September 30th you must come every year. There is 15-year lease that you could do and you could just do it for fifteen years. Basically you and the child would be "in the office," would be acknowledged as the owner and you would get the Homestead rate.

Councilmember Kagawa: Right.

Ms. Matsuyama: There are lots of different options.

Councilmember Kagawa: Alright.

Ms. Matsuyama: Our clerks can tell you all the different options, so call the office.

Council Chair Rapozo: Do they answer the phone?

Ms. Matsuyama: Yes, we answer the phone.

Council Chair Rapozo: Just checking.

Ms. Matsuyama: At Real Property.

Council Chair Rapozo: We will get to Department Motor Vehicles (DMV) shortly.

Ms. Matsuyama: I know, I know.

Councilmember Kualii: Maybe it is over-simplifying it, but then are you saying that it is Residential owner-occupied and Residential non-owner-occupied? Is that what the two new categories would be basically?

Mr. Hunt: That is, but we are going to even make it easier, we are going to rename them, the proposed name will be Owner-Occupied, replacing Homestead, and the Residential will be replaced with Non-Owner-Occupied Residential.

Council Chair Rapozo: Bingo!

Councilmember Kualii: And Residential Investor goes into that...

Council Chair Rapozo: Goes away.

Councilmember Kualii: The people that are in that category now, will go into that Non-Owner-Occupied...

Mr. Hunt: For the most part, they will go into the Non-Owner-Occupied. There are some that have other uses, so we will have to see which category, if there are multiple uses on the property.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: The Non-Owner-Occupied Residential still qualifies for a tax break if they have a long-term lease on that building with the County, correct?

Mr. Hunt: With the County?

Councilmember DeCosta: We have a lot of local families.

Mr. Hunt: Yes.

Councilmember DeCosta: ...on this island who have worked hard to set their children up and maybe have two or three homes. They can only live in one home if all the homes are not on the same property. They have two homes on two different properties. The kids are still in high school or in elementary, so the homes are not ready to be given to them. Can they still qualify for tax breaks if they have a long-term County lease with you, the affordable rental program and that home is to a family on Kaua'i for a year lease?

Mr. Hunt: Thank you for clarifying. I was not sure, you said County lease, I thought you were leasing it to the County. Just filing it within the County but a long-term local family renting it, right?

Councilmember DeCosta: Correct.

Mr. Hunt: If they are under the affordable rates, yes, they can file it annually and apply for that and they will be treated as Homestead. The only thing they would not get is the exemption. They will get the cap and they will get the rate.

Councilmember DeCosta: I am all about helping the ones who cannot buy a house, but I am not penalizing the locals that work two or three jobs to set their children up for the future and then we say, "you are only allowed one house, you cannot have rentals on other properties." I can look in this room and tell you some of these people in this room have that scenario going on.

Mr. Hunt: I will clarify if those two homes are on the same property and one of them is just being held for future and not occupied long-term and not filed with the County, then that property is going to be classified as Commercialized Home Use—resident on one and vacant or available on the other, it does not qualify for Homestead until you get a tenant in there.

Councilmember DeCosta: Correct.

Mr. Hunt: Or a long-term lease...

Councilmember DeCosta: What is the difference in that tax class?

Mr. Hunt: The tax rates?

Councilmember DeCosta: The tax rate, what is the difference?

Mr. Hunt: You folks set that. The proposed rates right now, I believe is \$2.75 versus \$5.05.

Councilmember DeCosta: Steve, you always explain things really well and I am glad that we may have a "Steve Bill," but I would like a "Bill Bill" one day.

Councilmember Cowden: For clarification, when someone has an empty house next to them that is used for family or whatever else, I am hoping these people are listening, it gets Commercial Home Use, but the good news is there is a cap on it. Even if they are paying just a little bit...\$2.00 more, it is still going to have the valuation (inaudible), so that is a big piece, which is good.

Mr. Hunt: Yes.

Councilmember Cowden: Okay. What if there are three houses on that property?

Mr. Hunt: Each house has to have a qualifier. If you want to stay in Homestead, and stay in that category, you have to have a qualified owner-occupant or a qualified affordable rental and/or a qualified long-term 15-year recorded lease...

Councilmember Cowden: Based on one-house?

Mr. Hunt: On each of those.

Councilmember Cowden: On each of those.

Mr. Hunt: To stay in Homestead. Commercialized Home Use would still benefit from the cap and at a moderately lower rate, you only need an owner exemption on one of those.

Councilmember Cowden: Okay.

Councilmember DeCosta: I am getting all these ideas off you and Councilmember Kagawa. I know we set the affordable rental assistance program at a set amount, so that our local families can get in and rent, but do you know the cost to being a landlord has gone up? You have two categories, utilities paid by landlord, utilities paid by tenant. Now, that landlord will absorb that "utilities paid by landlord," your electricity has gone up, water, etcetera, and now you have to do repairs, everything has gone up. When do we revisit that to make sure that with the rate of inflation rising, how do we make sure that our local landlords are not operating their rental units below than what they can actually pay on their property tax, on their repairs, and still pay on the mortgage, if they still have one?

Mr. Hunt: The United States Department of Housing and Urban Development (HUD) is the agency that provides those figures to us annually. They also incorporate the utilities annually, so they are doing the studies on the rates and that information. The Real Property Division gets that information from our Housing Agency, in which we update our records as to what those rent levels that would-qualify, by type: studio,

one-bedroom, two-bedroom, up to four-plus bedrooms. It is a balancing act, because the market rents are so much higher, you get pressure from landlords trying to increase that 90% of the area median income (AMI), up higher because there is so much below market, but at the same time if that 90% AMI really represents what the tenants can afford, raising that puts pressure on the tenants and they are no longer... their third of their income that is going towards housing cost goes higher and that puts pressure on the housing. It is a balancing act of trying to keep both the tenants and the landlords in the same arena where they both can do this well.

Ms. Matsuyama: Just to add, the landlords that participate in the affordable program get the cap, so in our rising value market, that is very lucrative. If someone has been in there for a long time and they decide it is too cheap, I must rent it at market rates and they get out of the program, their value resets. That will not be just the rate differential, that is going to be a value differential as well, so these landlords must think about business decisions.

Mr. Hunt: I do not have the figures in front of me, but I know the number of participants in that long-term affordable program has actually increased. If it was so bad that we cannot charge enough, you would see an exit of that, but the benefit of having the cap and all these other things seems to be enough to not only maintain the number of participants but we have actually increased.

Ms. Matsuyama: Those numbers were provided in that other presentation we did.

Council Chair Rapozo: That is actually a good sign. I am surprised to hear that actually. I know there was a window that it made sense to take your house out of affordable and go market, because people were willing to pay \$3,500 to \$4,000 per month, which was more than enough to pay your increase tax and still make a lot more money. That window obviously will not last forever, so I think if people were business smart, they will understand. The cap—the resetting of that cap or that value is dangerous. It affects your tax.

Ms. Matsuyama: Big time.

Mr. Hunt: I think you were here at the time when there was the inversion.

Council Chair Rapozo: Yes.

Mr. Hunt: Where rents actually... markets were going up but the rents were coming down and we went from that 80% AMI to the 90% AMI because of that and we were holding that, could not go below that for the next year.

Council Chair Rapozo: Right.

Mr. Hunt: It was a HUD calculation issue more than anything else and once they resolved that, it has been continually rising.

Council Chair Rapozo: That is good. Councilmember Cowden.

Councilmember Cowden: I am going to loosely frame a question and it sounds like I need to wait until we see your Bill where we have the Non-Owner-Occupied...because I brought it up yesterday when there are rental rates that can happen on the house where people can rent for below market rate and save \$2,800 or \$3,000 per month, which is a lot for most people who live here to pay. Like, I could not afford that. It is a lot more most people can pay but when they put it on Craigslist and get a much broader market, the Continental United States, they might be able to rent it for double or triple that. We were talking about this yesterday if there is a way of...because whatever replaces Residential Investor, how we deal with that reasonable rate for renting versus an extraordinary rate for renting. I am not asking if you totally have that solved, but I am saying please think about it because I think what we are losing is the rental market and as you all know and I am constantly saying, I have a high focus on people who have lost housing. In this past year, I have seen more and more people move away from having had stable houses and they are in the parks and they are out, unsheltered at this point. I hope that we find a way to be benevolent to residential owners that have tenants in it. Have you folks thought about that?

Mr. Hunt: That is a challenging scenario to deal with. I think what the Bill that will come before you will also include is a threshold and a tiering system for taxes and what that prevents is the cliff. If you are just over the \$1,300,000, you get the full brunt of the tax rate whereas now you can feather it where everyone pays the same amount for the first threshold and again, these will be determined by this body, what those thresholds could be. And we are allowing up to three (3) tax rates, which will be tw(2) thresholds per category and then you can decide over a certain amount of a premium tax and that is how you recoup and blend back that Residential Investor revenue, but possibly with fewer properties as opposed to a more broad-based that brought in ones that were marginally over that value.

Councilmember Cowden: My instinct is it is not going to solve the problem, so again just wanting to...I am looking at a number of faces in here who are younger than me. I think people who are in that "bellyband" or the professional workforce anymore are renting and they are renting at market rate. We are "gutting" this layer that is in this room, if we are...so, we really need to think that through. I know the tiering and I think it is not going to solve a problem, but it might help a little bit, we will look at it when that bill comes up.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I want to understand what you just said. That threshold of \$1,300,000, everyone will get assessed based on their market value of up to

\$1,300,000. If that home is now worth \$1,500,000, you only get taxed on the extra \$200,000 at the higher rate?

Mr. Hunt: That is correct.

Councilmember DeCosta: You are not getting taxed on the entire \$1,500,000?

Mr. Hunt: That is correct.

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: Steve, especially the Residential and Homestead, which county would be most similar with us?

Mr. Hunt: The one that would be least similar would be the City & Council of Honolulu, they do not have a Homeowners class.

Councilmember Kagawa: They do not have a Homestead class.

Mr. Hunt: They do not have it.

Councilmember Kagawa: That is all Residential. What was that rate?

Mr. Hunt: Three something.

Ms. Matsuyama: I do not remember.

Mr. Hunt: It is in the threes.

Councilmember Kagawa: Okay.

Mr. Hunt: And then Maui County is probably—with the proposed rate of the two seventy-five, we are probably closest to Maui County.

Ms. Matsuyama: But Maui does not have the cap.

Mr. Hunt: They do not have the cap and I believe a larger exemption.

Ms. Matsuyama: \$300,000, I believe is their exemption.

Councilmember Kagawa: If Maui is probably the closest...

Mr. Hunt: In tax rate and exemption, they just do not have the cap. Hawai'i Island has the cap of 3% so they kind of following...or we follow them and they following us...I think they were first.

Councilmember Kagawa: That was who did that. The 3% cap, does that apply only to Homestead?

Mr. Hunt: Homestead and Commercialized Home Use.

Councilmember Kagawa: No other category has that 3% cap?

Mr. Hunt: Correct. And it is a cap on value and not on taxes. At one time we had a cap on taxes and that was problematic.

Councilmember Kagawa: Does Maui County have the cap, the 3%?

Mr. Hunt: No.

Ms. Matsuyama: For any tax...

Councilmember Kagawa: No 3% caps. How long have we had the 3% cap?

Ms. Matsuyama: 2014.

Councilmember Kagawa: I was here.

Council Chair Rapozo: When did the cap change from tax to value?

Mr. Hunt: 2014. We had the tax cap all the way up until we went to the cap on value.

Councilmember Cowden: I personally have not gotten many complaints about Commercial, but I am sure it matters when people have businesses. Are you getting any complaints on the Commercial tax rate? Are people struggling? Do we have any way to have a cap on length of ownership? We lost so many small businesses, but usually it is a tenant business and not the landlord. How is that going?

Ms. Matsuyama: I personally have not heard anything. The number of appeals went up, so maybe there is something on value there, but again, some of those appeals are bulk appeals too. We have not had any that I know of.

Councilmember Cowden: What about these empty commercial locations, you see places where Foodland was in Kapa'a, you can go around the industrial park and see some empty...what happens with those empty commercial and industrial sites? Do they get taxed at full "pop" and they do not complain?

Mr. Hunt: Often it is the business decision that the owners do not rent for below a certain amount even though they may get offers. If it comes to a point where they need to pay their taxes then maybe they will accept lower offers and it is the cost of business because certainly in most cases they are passing it along in terms of a common area maintenance (CAM) charge. If it is an operator and they have vacancies and their occupancy rate goes down, then it is the owner that pays out-of-pocket for the property taxes, but if there is a tenant there, usually the tenants pay. Obviously when you are increasing taxes and increasing CAM charges, those are then passed along so the cost of your plate lunches are a little more because the operator has to pass that along. If it is a cost-of-living decision then that is part of that mix, but you also have owner-operators too or mainland people who are investors and they do not care about the taxes because they are passing it on. You have others who absorb it because they are an owner-operator in their own business, so it is a big broad mix.

Councilmember Cowden: Okay. Most of those plate lunches are at least \$20.

Council Chair Rapozo: Councilmember DeCosta, followed by Councilmember Kagawa.

Councilmember DeCosta: You mentioned Commercial tax rate, "mom and pop" stores going out of business, I do not think we can separate Commercial by being Commercial/Ishihara and Commercial/Walmart, so we have to watch that, right. You have big box stores that will fall into a tax bracket that we are going to create, and yet the mom and pop might benefit, but there are huge commercial industries that make good revenue, which will also benefit. I am just putting it out there.

Mr. Hunt: Often some of the tax breaks are not necessarily passed along to the tenants. For example, if my rent does not go down because I got a tax break, and now their margins and profitability went up on their rentals because they do not absorb the tax, so it is a mixed bag. You cannot make a stereotype.

Council Chair Rapozo: A Walmart on O'ahu is shutting down. It is like you said it is a business decision. Councilmember Kagawa.

Councilmember Kagawa: I feel like me, Councilmember Cowden, and Councilmember DeCosta do not want to go home. We keep going in circles. Let us sleep here tonight. When you want to increase something, a lot of times the justification is, "Well, even if we increase it, we are still below Maui." I was wondering about the non-Residential and Homestead, take them out because I am comfortable with those rates and our policies there, but for the other ones, such as Commercial, for the same reasons like Councilmember DeCosta, to try to look at our rates compared to the other islands. If we can get a quick comparison at a later time.

Mr. Hunt: Hawai'i Island's rates are all higher, because their values are all lower, as a generalization.

Councilmember Kagawa: Okay, so you put an asterisk by that one and say that. What about Maui and City and County of Honolulu?

Mr. Hunt: Maui's values are probably a little bit higher on average. Their rates are probably more comparable. There might be some hit or miss. We do not have a Timeshare rate—that gets absorbed into our Hotel & Resort, which is Maui's big, big rate—they have the highest by far. O'ahu has so much concentration in Residential, I think something like 85% of their values are in that.

Ms. Matsuyama: They do not have a Vacation Rental class too.

Mr. Hunt: Yes.

Councilmember Kagawa: So, the vacation rentals are just Residential?

Mr. Hunt: Yes.

Councilmember Kagawa: Wow. Thank you.

Council Chair Rapozo: Councilmember Bulosan.

Councilmember Bulosan: Circling back around commercial property and property tax rates in there, understanding the point that Councilmember DeCosta shared, but as a business owner, that increase does get passed on and we wish that the relief would come down, but I am sure when you folks consider the 10% reduction in Homestead and Residential, you folks looked at Commercial and Agriculture (Ag). Just noticing...because if you look at all our average property values there, it jumped up so much higher and that translates to just the cost of living. What is the consideration or was there consideration for reducing Commercial and Ag property rates?

Ms. Matsuyama: In the budget team discussions, obviously we considered all of them, we looked across the board and looked at all the rates. The policy decision was more concentrated on someone's roof over their head, right? We wanted to make sure we take care the local residents, so that was the reason for just focusing the tax reductions on the Residential and Homestead tax classes.

Councilmember Bulosan: Have you considered also looking at our Vacation Rental matching the Hotel rates?

Ms. Matsuyama: That has been discussed for a number of years. I will say that is a policy discussion...yes, they are the same usage, so there is an argument there. When Steve's bill comes through and we tier that, that might be a good opportunity to get there.

Council Chair Rapozo: I was going to say that you learn fast, because I was waiting for my time to ask questions—move Vacation Rental to Hotel & Resort. If you

have that software, we discussed the software, on Commercial, can you try to show us what a 5% or a 10% decrease in Commercial and Ag would equate to? Also, what is the impact if we put Vacation Rental with Hotel & Resort? Not now, but if you can get that to us.

Ms. Matsuyama: You are not talking about combining the tax classes, you are just trying to make the rates the same, correct?

Council Chair Rapozo: Not combined, individually.

Ms. Matsuyama: Okay.

Council Chair Rapozo: Two columns—5%, 10% decrease, same with the Ag, and then with the Vacation Rental, just moving them up \$1. Not joking, it is right here.
Councilmember DeCosta.

Councilmember DeCosta: Be really careful with Residential Investor, they are not a large three or four story building with over several hundred employees who have large parking structures and who make a very detrimental impact on our environmental resources at the beach. Just remember that they are not the same. I am not saying that I am not going to support what you brought up, but the conversation has to happen, because just to pull the trigger we are going to have some unintended consequences. Big unintended consequences. Reiko, you said Maui does not have a cap and they are allowed to...from what I gathered now, because Steve is not only the sharpest tool in the shed in Finance, you are also, tell us about that “no cap” and how Maui does it to manipulate the numbers to get the revenue they want and the revenue they do not want. I want to learn because what I heard through the financial grapevine here in the legislative body across the counties is that Maui's Finance Director is your mentor. It seems like Maui has it going on. They tax who they want to tax at a higher tax, they are relieving tax relief to who they want to tax relief, and I want you to give us a short briefing, is it possible with this body?

Ms. Matsuyama: I am sorry.

Councilmember Cowden: Why are you giggling?

Ms. Matsuyama: I am laughing at your “mentor” statement.

Council Chair Rapozo: Real quick, before the public starts spinning. This is information gathering, the fact that I am asking for these numbers does not mean we are changing, I am just trying to get a better picture of the landscape.

Mr. Hunt: I am working as you go...

Council Chair Rapozo: No, do not answer it now, you can send them in later.

Mr. Hunt: I can.

Council Chair Rapozo: Okay.

Mr. Hunt: For Commercial, you wanted a 10% decrease.

Council Chair Rapozo: 5% and 10%.

Mr. Hunt: 5% and 10%, okay. So, I did the 10%. If you were to drop Commercial down to \$7.29 instead of \$8.10, you would be losing roughly \$1,349,000.

Council Chair Rapozo: At what percentage?

Mr. Hunt: 10%. Dropping it \$0.81.

Council Chair Rapozo: \$1,700,000?

Mr. Hunt: \$1,349,000. And if you were to increase the Vacation Rental class to what the Hotel & Resort is paying, you would generate \$5,388,000 in additional revenue.

Councilmember Kagawa: \$5,380,000?

Council Chair Rapozo: \$5,388,000.

Councilmember Bulosan: Did you do the Ag also?

Mr. Hunt: I did not do the Ag yet, so that was the other one.

Ms. Matsuyama: Do not worry, he is working on it while I answer
Councilmember DeCosta.

Councilmember DeCosta: The largest Ag owners on Kaua'i, possibly belong to the Big-5, just remember that. The large Ag owners on Kaua'i are the large landowners from the plantation days. So, if you give an Ag break, we might hit a few Wailua, Kalāheo, Lāwa'i Valley people, but we are going hit the largest people that can afford to pay that Ag rate, and they already have an Ag rate.

Council Chair Rapozo: Let me just share my rationale, as Steve said, on Hawai'i Island tax rates are high, because values are low. There is a relationship between tax rate and the value. When a county, in my opinion and this is just in my opinion, non-scientific, is when you have this enormous increase in revenues, there should be a correlation in rates to equalize and benefit the tax bill. What Councilmember DeCosta is saying is right, even with Commercial, because yes, Walmart would benefit, Target would benefit, but so would Ishihara, so would Sueoka, so would all these other small chiropractic offices and so forth. When we do a reduction in tax rates, like we just did, and thanks to the Mayor for the 10% tax cut, we are benefiting people that do not need a tax cut as well.

Millionaires and billionaires that live here, we are benefiting them too. My focus is how are we going to protect the local...and we cannot say, "big box, this does not apply to you, because you are a Big box," so it is what it is, you need to take the good and the bad. But at the end of the day, our local farmers, our local Ag ranchers and so forth who own their properties and pay property tax will see a benefit. That is what I am trying to gauge what the fiscal impact would be and can we...as far as the TVR and Resort, the impact to me is...for the neighbor, I know, because I have two in my neighborhood, probably illegal. They impact my life. Not as much as the hotel down the road, actually, because I live far away.

Mr. Hunt: If you were to drop 10% on the Ag rate going to \$6.07, you would lose roughly \$1,067,000 in revenue. Since I did both of those at 10%, you can cut that in half at 5%.

Council Chair Rapozo: That I can do.

Ms. Matsuyama: Going back to Councilmember DeCosta's question. It goes back to Council Chair's point on value and rates, right. Yes, Maui County does not have the cap, but they manipulate that rate every year, every year they adjust that rate up or down as they need.

Councilmember DeCosta: Go deeper for me. What I am trying to ask you is, they manipulate it, can be good for the community, if you have a good Finance Director who has conscience for our community, but if you have a Finance Director who does not have that ethics and values, they can manipulate that to now people pay higher, correct?

Ms. Matsuyama: Well, the Finance Directors are not going to manipulate value and, it is going to be the Council that sets rates and manipulates the rates. The values are going to be what the values are depending on the market, depending on all the sales around you, and all their comps. That is how it is going to be. Whatever the Mayor proposes and what the Council decides on what the rates are, that is the part that can change.

Councilmember DeCosta: So, this body right here, I am looking around because Council Chair Rapozo said it earlier today, this is about the best body of Councilmembers he has ever worked with. So, the community is in good hands with this body, but if this body changes, right, and we have that manipulation process, then those numbers can change?

Ms. Matsuyama: Yes, you set the tax rates every single year. Next year, your job is going to be even harder when you must set the thresholds of the tiers. So, there are going to be a lot of...more tools in your toolbox.

Council Chair Rapozo: The threshold of the tiers, and I hate to burn up Budget time for that because we will discuss it when the Bill comes, but one of the things I was thinking was rather than set a number—\$1,300,000 or \$1,500,000 or \$2,000,000, set a percentage of the average median cost of a home. The Council could revisit it every six months or every year or whatever. I am just thinking out loud here. Because when you see an

unexpected spike in the value, people went to sleep in Residential and woke up in Residential Investor. If you had a flexible scale based on a percentage of average home value, home sale, you are not going to see it that quick. That is just a thought.

Ms. Matsuyama: I think Steve's Bill will provide that, while it might come down to a dollar amount instead of a percentage, it will act the same way. You could set it based on that. You could set the dollar...and because we do not change...October 1st is our assessment date, we do not change the value between October 1st and October 1st, that number will be set.

Council Chair Rapozo: Okay. Councilmember Cowden.

Councilmember Cowden: Just for clarity, Steve's Bill, since we are calling it that, is not going to affect this Budget, so I am not going to get lost on all what the change is, because I can sit there and do that. I want to set that aside, because I have a lot of ideas and I have counter arguments for what has already been said. Before I asked if there was...we will not use the word modeling, we will say analysis software, I am sure they have it. I really want that. Part of ESRI, to be able to look, because right now when we are adjusting, it is just on a simple spreadsheet looking at the totals, but when we are formulating tax policy, I want to be able to not have happened what happened and that is when we get too many small fish caught in our net, meant for big fish. I do not want to get caught by surprise that we are making unintended mistakes. Have you looked at that further? I was hoping they would be there when we went to NACo, but they were not. I am sure Tyler Technologies has it, have you looked?

Mr. Hunt: There are a number of scenarios that can be "what ifs" and I think I hesitate to say we should not be making tax policy for individual taxpayers, so we should not be looking at names, we should not be looking at individual properties, necessarily, we should be looking at property characteristics. When we get into counts, what we can provide you, and I have done this for Reiko already, is I sort of modeled the 2023 as a "what if." "What if" we had tiers this year, how would that look? How many properties at different rates and again, this will be something we will share with the Committee Chair and Committee Vice Chair of the Finance & Economic Development Committee next week, but it will give you counts. If we set the threshold, how many properties are over or below that amount? How many are above or below the next amount, and what if we set the rates, what kinds of differences in taxes are we talking about? So, you will have tools like that, but we are not going to provide that drill-down to say which parcel is affected by it and "I want to know the name..." That to me is not tax policy.

Councilmember Cowden: Okay, I get where we do not want to make that mistake. But what I want to be able to see, like if we were to go, "Alright, let us move it to this dollar amount," what is that going to look like on the end of that equation? In most computer uses, when it is database driven, you can sit there and check it and find that out, and so if you were to see that it disproportionately hits this zip code and that zip code, that might not be fair to those two (2) zip codes right? You have to look at what you are doing and

have some sort of...it is a mistake to crank a lever and see where we end up. The County can end up in trouble or the taxpayers end up losing their homes.

Ms. Matsuyama: I think if the scenarios are based on value, we have all the data that we need already. I think what you are alluding to is use, right? Basically, it is good data in and good data out, right? If we do not know you live in your house, you have not filed your Home Exemption, even if we had the best software in the world, we cannot guess what your correct use is. I think that is where you are going. If we get rid of Residential Investor, that tax class is...

Councilmember Cowden: The most problematic.

Ms. Matsuyama: Yes.

Councilmember Cowden: One of the things that we see is that so many houses do not have a contract on them, people just have someone living in their house and they pay some money, but they do not have the paperwork. Anyway, I do not want to take too much more time, but we have to be careful.

Council Chair Rapozo: Yes, you do.

Councilmember Cowden: I appreciate your patience. I will not keep asking, but yes, it is a big deal. We will work on it when we get the bill.

Council Chair Rapozo: Councilmember Bulosan, Councilmember Kualii, and then Councilmember Carvalho.

Councilmember Bulosan: Circling back on the appeals, it is a large jump in appeals that you folks had to handle. Do you feel like with what is going on and the systems you have in place, do you feel that it is going down this round and with the potential Steve's Bill, will that also help with that? Ultimately, I do not want this to be a regular practice for our Committee and you folks to have to deal with 1,400 appeals a year.

Mr. Hunt: If I were to categorize again the two on the Hotel side. One is 259, I think, and the other is three hundred and something.

Councilmember Bulosan: Okay.

Mr. Hunt: If I take those two appellants out, not that many in that sector.

Councilmember Bulosan: Okay.

Mr. Hunt: If I take on the Residential Investor side and the majority of the 335 appeals are based on use and not value, and we are addressing them and reclassifying them, those get resolved fairly quickly too, so we are moving that big chunk that

is almost nine hundred and something. We really did not have that big of an appeal year aside from that.

Councilmember Bulosan: Oh, okay.

Ms. Matsuyama: Not saying that is not going to cause more work...

Council Chair Rapozo: Oh, yes, you will get the appeals. Councilmember Kualii'i.

Councilmember Kualii'i: Can you remind me again, in the beginning when you said the certified numbers are based on the tax role, what was the cutoff date?

Ms. Matsuyama: October 1st is our assessment date.

Councilmember Kualii'i: Are these numbers from October 1st?

Ms. Matsuyama: Basically, I mean, there have been changes since October 1st for the people who have come in and saw their assessment notice and corrected it, and that type of thing.

Councilmember Kualii'i: But like all those numbers in the parcel counts for Residential Investor, you already said that 94 of them went from Residential Investor to Homestead.

Ms. Matsuyama: Yes.

Councilmember Kualii'i: And the deadline is not until April 21st so there could still be a lot more, right?

Ms. Matsuyama: Correct.

Councilmember Kualii'i: And you said that the universe was like something like 400? So, of the 400...

Ms. Matsuyama: Let me look at my slides.

Councilmember Kualii'i: You did not say that today, maybe it was before and I could be wrong...

Ms. Matsuyama: Oh, 413 new Residential Investor, the count?

Councilmember Kualii'i: Yes.

Ms. Matsuyama: Of that, 450...so, 413 is the net, right? 450 actually moved from Residential to Residential Investor, but then there were some Residential Investors that moved out.

Councilmember Kualii: And more could be moving back.

Ms. Matsuyama: Yes.

Councilmember Kualii: But it does not impact our forecasted tax revenue of \$45,000,000 because that is all going to happen next year.

Ms. Matsuyama: We budgeted the Finance Budget as an appropriation, so it is not going to hit the revenue numbers, it is going to hit the appropriation.

Councilmember Kualii: And then once you do the Bill and everything, this will be just a whole new ballgame at the next Budget.

Ms. Matsuyama: Steve's Bill.

Council Chair Rapozo: We are going to owe \$40,000,000 this year.
Councilmember Carvalho.

Councilmember Carvalho: Overall, I think everyone should be looking at our County, right? But based on the value versus use, you said that earlier and how to enhance on that, can you explain?

Ms. Matsuyama: I think what Councilmember Cowden wants to do is scenario based on use. We only know what we know. If the use that we know is wrong, right, if someone has not filed their Home Exemption but they have been living there for two decades, I do not know that. What I have in my system is what I am going to use for the scenarios and not for the proposed use that I do not know. I do not think any software solution would improve that. Because we are "tax on use," we still need the property owners to come in and tell us how they use their property.

Councilmember Carvalho: Okay.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I need to clarify, there are seven of us on this body who make decisions to benefit the overall of Kaua'i. You cannot pick and choose zip codes or people that we are going to help because we know them in the community. I basically advocated against cutting the Ag tax because of large, Big 5 Ag owners on Kaua'i, yet I personally own (10) ten acres with my wife and we have Ag. I need to advocate not for myself, but for the people of Kaua'i, that is what this body has to remember. If something happens

to a group of people, then we cannot change the laws to only benefit them. We have to change the law to make the majority of the people on Kaua'i benefit.

Councilmember Cowden: I must follow that.

Council Chair Rapozo: Is it a follow-up?

Councilmember Cowden: Just a small comment. \$1,300,000 in one town is a shack and in another town, it is a decent house. That is the difference. It is not that one group is more important than another. It is that the impacts of the industry of people moving to the island so greatly changes that.

Council Chair Rapozo: He was not talking about the Residential Investor, that was targeted to me.

Councilmember Cowden: Oh, okay.

Council Chair Rapozo: Yes, he was talking about Ag. Go ahead,
Councilmember Kagawa.

Councilmember Kagawa: Are we throwing shade at each other? Like Councilmember Carvalho, I think our system is...

Councilmember Carvalho: We got it.

Councilmember Kagawa: ...pretty solid and we try to reach out to the local people, but I just want to make sure that we try our best, exactly what Councilmember Cowden is talking about—that side, that side. I was talking to Aunty Diana, my good friend out there, and she told me that your office was very helpful to get her all the exemptions possible and she was okay with it. I want to make sure if they have this unreasonable \$10,000 bill and they are just local families trying to retain their house, that they can approach your office to try to get the help that Aunty Diana and the Haraguchi folks received. They wished they were paying nothing, but I think if we lose those local families, we may no longer have Hawaiians at the end, which would be a sad day, because that is land in their families for generations. Somehow her and her brother has the elderly exemptions and you folks got it down to where she is happy now. I have not heard too many people happy on the North Shore with property taxes, but I am hearing that, so that means your office is...that is the point I want you to bring forth if there are stories that we can help, but we can help maybe adding exemptions, I would be open to doing that. I think that is where the Council should come in and help you folks, to take care of individual people suffering because of our tax rates. Like you said, we cannot look at individual cases to try and fix this, because that would be improper.

Council Chair Rapozo: Councilmember Kualii.

Councilmember Kualii: Since we are talking about revenues—this document with all the revenues, fees, rates, assessments, and taxes.

Ms. Matsuyama: Oh, yes.

Councilmember Kualii: When I look at page 20, which is about Business Licenses and Permits, there are at least two pages of all these categories...

Council Chair Rapozo: Hold on quick. Is that for another Division?

Ms. Matsuyama: No, I just do not have it in front of me.

Council Chair Rapozo: Me neither.

Councilmember Cowden: Where did you get that?

Council Chair Rapozo: I do not know where he got that from.

Ms. Matsuyama: It is like a booklet of all the...

Mr. Hunt: Published rates.

Councilmember Kualii: It is in our Budget information. Basically, I know it is not an area that we have gone into very much in the past, but I just wanted to put it out there now because of what Councilmember Cowden talked about, because yes, the Real Property Taxes are based on value and not on use, but Business License and Permits are on use. There is a category here that I will just throw out there that is Hotel and it says \$900 plus percentage fee, so I just wanted to get more information on that. I just know from when I lived and worked in the City of West Hollywood over 20 twenty years ago, they could do what she is talking about, because then the owner would file that tax and they would declare.

Ms. Matsuyama: I am assuming that is Planning. I would have to look at that.

Councilmember Kualii: The Liquor Control Commission is here...it is all the fees that the County could do, right?

Ms. Matsuyama: Yes, so those are spread across all of the departments, right, and not just the Department of Finance.

Councilmember Kualii: And maybe this is not done but it is what is possible. We can follow up.

Council Chair Rapozo: I apologize, I did not get that far. That is how efficient you are, Councilmember Kualii.

Ms. Matsuyama: Yes, he did his homework.

Councilmember Kualifi: It says "Revenues" on it.

Ms. Matsuyama: You are right.

Council Chair Rapozo: Are there further questions?

Ms. Matsuyama: So, we are on slide 7, if we want to continue with the presentation.

Council Chair Rapozo: Yes, we do. We have until 7:00 p.m.

Ms. Matsuyama: I will be fast. Slide 7 is the assessed value as a percentage of the total...in blue, you have your assessed valuation, and then the red dots are your tax revenue. It is basically an illustrated version of how rates are dispersed across the tax classes. The non-Residential tax classes – Vacation Rental, Hotel & Resort, Residential Investor—they pay more of the pie, so their red dots are above the blue line. You will see that the theme is generally the same.. protect the residents, especially the Owner-Occupied properties. You will see the owner-occupied tax classes, Homestead and Commercialized Home Use—the red dots are far below, especially for Homestead. The red dot is far below the blue line, and that is basically saying that their percentage of assessed value is 24.6% for FY 2024, but they are only paying 7.8% of the real property tax revenue. On the flipside, Vacation Rentals, Hotels & Resorts, Residential Investor are the three highest rates, so they make up the higher percentage of our tax revenue than their assessed value.

Council Chair Rapozo: Which is how it should be. That is saying we are taking care of the Residential.

Ms. Matsuyama: And it goes to the Mayor's point that we are trying to push our tax base to the transient...

Council Chair Rapozo: Yes.

Ms. Matsuyama: Here we see market value in the blue columns versus taxable value that are the red dots. That is the value that we use to calculate the Bill. The red dots are what we use to calculate how much they are going to pay. This slide does an illustration of the tax relief programs that are in place to reduce taxable values. The biggest ones, again, being Home Exemptions, so you will see that the red dots for Homestead and Commercialized Home Use are much lower than the market value and that is because they enjoy the 3% cap, they also receive the \$160,000 automatic exemption, maybe more depending on age and income, they also have other exemptions that they are eligible for, such as disability, etcetera. The other generous tax relief program is the Ag Dedication, so you will see that the red dot on the Ag column is about half way down. That is basically the value that they are getting reduced based on their participation in the Ag Dedication program. You can tell that all of our tax relief programs are very lucrative for the local families. That is it.

Council Chair Rapozo: Are there questions?

Councilmember Kualii: We asked them all.

Councilmember Cowden: I appreciate that and we have gotten used to that chart, so it is super helpful, blue and the red dot.

Ms. Matsuyama: Yes, you have seen it a few times.

Councilmember Cowden: It is very self-explanatory at this point.

Councilmember DeCosta: The Residential Investor pays more per what we collect compared to the Hotel. They are the highest portion, they take more than the ratio than the Commercial and Hotels...just food for thought.

Council Chair Rapozo: Are there further questions or comments?

Councilmember Kualii: A couple of times you said Residential Investor and I thought you were talking about Vacation Rental.

Councilmember DeCosta: That is the same...

Councilmember Kualii: No. You meant Vacation Rental.

Councilmember DeCosta: I am sorry. Yes, Vacation Rental pays the highest, even more so on the ratio compared to Hotel, just so you know that.

Councilmember Kualii: Yes, okay. Thank you.

Council Chair Rapozo: Thank you.

Councilmember Kualii: Thank you.

Councilmember Kagawa: Thank you.

Council Chair Rapozo: We have Human Resources, next. Let us do a ten-minute caption break.

There being no objections, the meeting recessed at 1:57 p.m.

The meeting reconvened at 2:10 p.m., and proceeded as follows:

Department of Human Resources and Human Resources Reports:

ANNETTE L. ANDERSON, Director of Human Resources: For the record, Annette Anderson, Director of Human Resources. Aloha, Council Chair, Vice Chair, and Councilmembers. It is a pleasure to be here today. With me, on my right is Jill Niitani, who is one of our HR Managers, and in the front row to my right is our Accountant Chita Pasion, and in the very back row is Janine Rapozo, who I am sure most of you know, another one of our HR Managers. What we thought we would do today is, I will go ahead and present the HR Budget and then Janine will come up and go over the Vacancy Report, because as you know she has done that for several years and she also oversees the Recruitment Division. I forgot to mention that Jill is the manager that oversees, among other things, the Training and Professional Development Division. Just in case you have some questions regarding one of the items in our budget, besides me, Jill is here to address any questions. We will do our best amongst all of us to answer your questions, but certainly if there is something that we cannot answer, we will get you the information. Just as an introduction, for the past three years... I started two weeks before COVID-19 hit, so I feel like my life here has been dealing with primarily COVID-19, also the Workday system that now we have implemented successfully, yay! I also feel right now is the best time, especially in the state of the economy that we are in, that we can focus on true HR things. I am going to highlight the biggest thing for you folks right now in our budget is the request that we are making in order to develop what we are calling a Leadership and Employee Education Development Program and we are seeking \$200,000 for that program. It seems like a lot and it is a lot, but we are really taking it to another level as far as a couple areas which that program would encompass.

The first area is very much more intensive and individualized training for our associates. It might look different depending upon the department, the division, the type of employee that we are dealing with, but it would be really focusing on the unique needs of those departments and those employee associates. I will give you an example in my synopsis. There are programs out there, schools, that are accredited where we can send law enforcement folks to leadership training and that would assist the Kaua'i Police Department (KPD) certainly in succession planning, up through even the ranks of the Chief. That is one area of this program that we envision. The second area of the program would be tailored to the white collar associates that we have and there are many of them that are excellent employees, they have excellent skills and abilities, but they may struggle into higher—level, higher—paying positions, because maybe they are lacking a full college degree or even college course credits. We are envisioning that this program could allow for college course work, if needed, or if there is a specialized certificate that one would need for that type of position, that we could assist those folks with getting that kind of education and training to allow them—the big thing to keep in mind is this will really impact, in our opinion—the retention of our associates. That is one of our primary goals, to retain people. We do not want them to leave us and go someplace else. We think that this is a way to retain people. That helps in the long run because obviously when people leave us, that leaves a hole and we have vacancies and that is what we are finding in this day in age the struggle and the recruitment, because we do have vacancies as we will talk about a little later. The goal is to keep them here, the goal is to have a program that they can develop into leaders. Also, help them get into higher—level positions. That is, I guess, my pitch, if you will, for why we are seeking this significant amount of money for this new program. As you may know and you will probably hear from other departments that come before you, the County established a new

Information Technology (IT) budget line, so that all departments are supposed to put their software costs into that account. We have transferred \$433,000 for what was previously the Repair and Maintenance of computers account into this newly established account. The \$433,000 covers the annual subscription and maintenance costs for our Workday system, ADP, which is one of our new systems connected to the Human Resources Management System (HRMS) project, as well as our existing NEOGOV that is the maintenance for the recruitment system that we currently use. I talked about it last year, these subscription and maintenance fees are high, but you are at the mercy of the software, you must continue to update the software as updates come up, and there are changes that happen. There really are not significant increases at all, it is just a little confusing because we have moved accounts around. All of these things I am talking about can be found in the Master pages 78 and 79.

On the Operations account, I heard Managing Director Dahilig refer to the 6.5% inflation factor earlier today, so these accounts we increased the Consultant Services by \$10,503 and we had \$41,101 moved to the IT account for the cost of future recruitment subscription that has been offered by Workday. A little bit confusing just because things are moving around within the line item accounts, but I think that kind of summarizes where we are at. We are certainly willing to answer any questions that you may have.

Council Chair Rapozo:

Councilmember DeCosta.

Councilmember DeCosta: Thank you for all you do. I needed to thank Mrs. Rapozo back there too, because I went around the room and she was not there when I made my personal contact. I heard so many positive things about our HR Department. Councilmember Carvalho and I crafted a Resolution for this exact purpose that you are creating this educational fund. I am very impressed with you and your office that you have done that. My bigger concern is can we tie this towards not only their certification, but their pay increase, so as they get their certifications, then they move up a pay scale or a pay rate, so it is an incentive now, not to just have a paper, but allow them to get paid for their due diligence in education. Hopefully, there may be a person like you or Mrs. Rapozo one day that has that higher level status of being a leader in our County.

Ms. Anderson: That is a very good question and thank you for that question, especially the idea and concept that you have put forth. Just in the broad response, myself as the HR Director, we have conversations with other HR Directors from the counties and the State and we are all facing the same struggles, so we are throwing around different ideas on what we can do to attract people, to retain people. That type of concept is one of them. Janine and I actually have a meeting set up with the Mayor in a couple weeks to talk about different ways that we could enhance compensation for people. You have to also keep in mind, which is the difficult part of it, that we have Civil Service employees, we have bargaining unit employees that are assigned to bargaining units. They are assigned to a salary range through the bargaining process. There is a classification system, which can be very confusing too. You must keep all those things in mind, so you do not want to just offer everyone over here a little bump up, because suddenly it impacts these people over here, who are already at a higher level and now they might be very close. So, it is a very complicated matter, but we here on Kaua'i as well as throughout the State are

looking at unique and creative ways to adjust compensation to...or even other factors to reward our employees who are doing well and we want to keep them. I know that was a long answer.

Councilmember DeCosta: That was the answer I wanted to hear, because since our Finance Director is here I want to let her know too, because she has people in her office that work really hard that she may want to compensate and she cannot. If this is a tool and mechanism that we can use, you are very supported.

Ms. Anderson: Right, and again, I do not want to be a "Negative Nelly" but I do share some of the challenges we have. The other thing is sometimes you may hear that, "Someone has been offered another job and they make more money if they take the other position. Can we give them more money?" You might have an outside applicant wanting to take the position, but they are trying to see if they can get more money or the department wants to pay the person, this is a great person, can we not pay them more? There is an entire analysis that we have to do, but one of the things that is very important is also the internal alignment, so if we want to hire the greatest person who has applied in this department and pay them x amount and they have ten years of experience, we have to recognize there might be a same position in this other department, this person has twenty years experience and working for us for twenty years, perhaps, and is making less. We must be conscious of the internal alignment in fairness and equity, especially in civil service.

Councilmember DeCosta: Thank you.

Councilmember Kualii: Thank you for being here. The line item that is "Health Fund Contribution"—it is a huge, huge amount in increase and I am guessing it is some type of...where you are putting it all in that line item for across the County, but why would it only be that and not some of the other similar...

Ms. Anderson: Are you looking at the \$168,355?

Councilmember Cowden: Yes.

Councilmember Kualii: Yes. "Health Fund Contribution."

Ms. Anderson: That is one of the areas that I would say the Budget Department addressed, so I have not touched that. I just accept what is given to me.

Council Chair Rapozo: Maybe we can have them come up. I noticed that too.

Councilmember Kualii: I am guessing it is potentially a mistake because it is not happening for those Social Security Contribution, Retirement Contribution, but for that one line item, it is all bunched in the HR account.

Council Chair Rapozo: Yes, it is interesting. If you are looking at page 78.
Is that what you are looking at?

Councilmember Cowden: Page 9 on this assessment right here.

Council Chair Rapozo: Well, if you look at the Budget, page 78.

Mr. Shimonishi: Ken Shimonishi, Budget Administrator. Master page 78, if you are referring to the Health Fund, the second column to the right is the year-to-date expenditures \$2,108,000, is that the...

Council Chair Rapozo: Yes.

Mr. Shimonishi: HR functions kind of like a clearinghouse as they pay in/pay out the medical premiums and then it gets cleared out later as they charge the department, so it is a timing issue, but if you look at the actual Budget for the year, it is only \$168,000, for their staff. At the end of the year, it should come back down to that number, because it is just an in and out...

Council Chair Rapozo: So, throughout the year, that account, that line gets money in from other departments?

Mr. Shimonishi: Right, so they will pay that out for the entire County and then recoup that from other departments.

Council Chair Rapozo: I thought it may have been a typographical error. If year-to-date is \$2,100,000 and we are asking \$168,000...I got it.

Councilmember Kualii: The clearinghouse answered my question. The next question I had was with regard to three (3) positions that say Position No. 2110 HR Specialist II, Position No. 346 HR Technician I, and \$10,109 Human Resources Clerk I. In parentheses after the position it says, "Title Change," what does that mean? Did it go through a process of reclassification where the duties changed and then the salary may have changed? What happened to these two positions?

Ms. Anderson: Where does it say, "Position Change"? I see "position moved from wage and hourly" with an asterisk, but I am not following...

Councilmember Cowden: We have a different document than you do. Our staff did this for us.

Councilmember Kualii: But does this not come...

Councilmember Cowden: It is Position No. 2110, HR Specialist III.

Council Chair Rapozo: I am assuming it is a title change from last Budget. What you are looking at is the plus/minus sheet. Our staff compares what is on this Budget with last year's Budget, so our staff put in the title change.

Councilmember Bulosan: That is our staff.

Council Chair Rapozo: Those positions were basically changed. Yes, reallocated, reclassified...is that what that would be?

Ms. Anderson: I believe so.

JANINE M.Z. RAPOZO, HR Manage III: Janine Rapozo, HR Manager. That is correct. There was a title change or reallocation or something that changed from last year's Budget to the current year allocation.

Councilmember Kualii: Since we are talking about positions, just to confirm there is no vacancies in HR?

Ms. Anderson: As of this date we have all filled. There is a new person starting on April 1st, but the offered is expected. There will be two vacancies close to end of the month and we are going to be recruiting.

Councilmember Kualii: If the vacancies are just coming up and then you are just going to start recruitment, do you believe you can get those two positions filled and started by July 1st?

Ms. Rapozo: Absolutely.

Councilmember Kualii: I know you folks are doing way better than what it used to be like and you have to be the example right, you are HR. Thank you.

Council Chair Rapozo: Are there any further questions for HR?
Councilmember Cowden.

Councilmember Cowden: I want to echo the applause for the succession planning and the leadership development. I think that is a wonderful direction. When we have so many openings, it seems like a lot, I know we always have a lot, but it is a lot more. What is our increase of openings say this year over last year or even pre-COVID-19?

Ms. Rapozo: Are you talking about the vacancies from the Vacancy Report?

Councilmember Cowden: Yes.

Ms. Rapozo: I looked back on March of last year's report, there were 170 vacancies and this year there are 192, so it did go up.

Councilmember Cowden: Prior to COVID-19, was it this intense?

Ms. Rapozo: It always ran about one hundred or something. A lot of that has to do with the Department of Water being on that too, so they have not filled a lot of their vacancies as well.

Councilmember Cowden: In our recruitment strategies do we prospect with colleges or anything like that? Do we have a budget for prospecting? I know when I was in college, employers came to find you. I think if we went to the University of Hawai'i at Mānoa (UH Mānoa), we could bring people home, so they would have a possibility of housing. Do we have any budget for recruitment or prospecting?

Ms. Rapozo: We do not have a budget to go out somewhere, but when there are job fairs here, we do participate. If you look at the vacancies, a lot are not our professional—level college type graduate type that we are looking for. We are looking for entry-level clerical staff, as well as police officers. The only professional ones that we are having difficulty with finding are our engineers.

Councilmember Cowden: Good job on Workday—that was your big accomplishment for last year, right? I wanted to give you “thumbs up” for that.

Ms. Anderson: I wanted to say that it is a work in progress. We are going to try to make it better for the user, because there are certain things that we observed and the associates have brought to our attention—“it would be easier if we could do it this way,” and so we have what we are calling here a “laundry list” of things to work through. Again, with the goal to make it user-friendly. The other thing that we are doing that will be a continuous work in progress with Workday is, it is a powerful system, and I think all of us, me included, we are basically focused on “how do I enter my time and absence,” right? The basics. There is so much more to the system and the reports that it can generate, that is the next phase that we are going to be going through is to learn what is out there in the system and how we can apply it and different departments probably would want to use it in a different manner. It is just a continuum of knowledge transfer from that system to us.

Councilmember Cowden: Do we have a job position, is it in HR or IT? A job position that is focused on exploration and training.

Ms. Anderson: Yes. First, we do have an HRMS Specialist in HR. He interacts with people like, for instance, in payroll and then IT is part of this whole project, because there are integrations and all that technical IT work. The HRMS person works with that department and our department and then because so much of the, I would say, complications come from the payroll issues and all the different ways that we pay people and the way work schedules are configured, we do have a person in payroll who is, I would say, most knowledgeable because she has worked with the consultants and learned it. We are looking at that right now just to make sure we have an enhanced person that knows this

detail that can focus on these Workday issues that we know exist and that will continue to come up.

Councilmember Cowden: Will it be a year from now...maybe in a year from now we will see how the application of Workday might help us find him in a different department...our overtime use or when we decide to get this, which is I think it was before you started. We really were not able to well-manage overtime and how we scheduled people, so when we decided to do this, we had a number of goals that were behind it and so maybe later in the year or something let us know—you are in my *kuleana*. I would like to be able to work with you to find out when we might be able to look at some of these and we can do a briefing and celebrate with you. I know right now we are just out of that starting gate of getting it implemented.

Ms. Anderson: I also failed to mention in my response to your question, not only do we have an HRMS person and a person in payroll, as well as IT folks, what we call the “core” Workday team and it consists of the three of us, it consists of Del, who is over in IT, Mike Contrades, who is a representative of the Office of the Mayor, our HRMS specialist, and the Payroll lead, so there is this core team that is involved in every type of issue and decision making process that goes on. I think that the core team will be together for quite some time.

Councilmember Cowden: Great! In general, do you folks feel successful or frustrated? Has that met your expectations up to this point?

Ms. Anderson: I think it is successful. We got the paychecks out and for the most part they were accurate, which is the most important thing in my view, so it is a success. We are seeing everyone, not everyone, but we are seeing the associates primarily getting it now and understanding how to do time entry, leave of absence, temporary assignment (TAs), then you get a little bit more complicated and we are still...our payroll person that I was just mentioning is working with certain departments that have the more complicated situations to do, like one-on-one trainings. If you ask that department, they might be still saying, “How do I do this,” but we are continuing the training process and again, trying to make fixes and tweaks as we go down the road to make it the most user-friendly that we can. I think I just referred to Janine and Jill if they have any further comments about how you feel about the system, because they work on it probably “in the weeds” more than I do. Okay, they are all good.

Councilmember Cowden: I applaud you with your success and I think you answered my question. If you feel like you are adequately prepared with this Budget cycle for what you are moving forward on.

Ms. Anderson: Yes. Right now, yes.

Councilmember Cowden: That is a big accomplishment. Thank you.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I know sometimes when we have a problem with our County sick leave for our employees, the problem was management not being able to cover the position, because when they call in sick, they can go up to (5) five days before they can even get a doctor's paper. I know most industries, after the third day you need a doctor's paper. Are we working towards holding them more accountable during that sick leave period, because that is a long time to be sick without a doctor's paper.

Ms. Anderson: That is a collective bargaining item, so to reduce it, would be collective bargaining.

Councilmember DeCosta: Right, but do you not deal with collective bargaining?

Ms. Anderson: Yes, we do as a whole with the State and the other counties. For instance, if Kaua'i wants to say, "Let us reduce it to three (3)," before we could even submit that kind of proposal to the union, we would have to have the necessary votes—the (3) three votes, for instance. As you may or may not know, when you try to remove something from a collective bargaining agreement that is a benefit to the employee, that is a difficult thing to do. You have to try and bargain and give and take.

Councilmember DeCosta: Our job too is not only to approve a Budget, but to run this County as efficiently as possible and when people are sick and you do not have coverage, it takes a toll on the other people who must jump in. I am just looking at the big picture of how we can be more efficient and run a smooth operation.

Ms. Anderson: There are things that one can do if there is a problem employee and there is a pattern, their Friday and Monday are absent all the time, there are things that you can do through performance management to try to address it, yes.

Councilmember DeCosta: Thank you.

Council Chair Rapozo: Which is also in the collective bargaining agreement.

Ms. Anderson: Yes.

Council Chair Rapozo: Just so ironic, I just had this discussion with the Department of Public Works the other day and I just had written it down, with this new system, is the system able to provide reports on trends in absenteeism?

Ms. Anderson: Yes.

Council Chair Rapozo: Is it structured so that we could determine that there is a pattern on certain employees that now would allow the County to required doctor's note every day, if we can establish that? I talked to the Department of Public Works saying

that we have to work with the union, I have had this discussion with the union years ago where they are willing...they are not there to protect the problem employees. The problem is because we are not consistent, this County is not consistent with the process. We know what is going on. I have spoken to employees in the Department of Public Works that know it is going on, there are patterns. The question is, how many...have there been any cases that we have actually pursued for sick leave abuse?

Ms. Anderson: I have not here, but yes, I have in my prior positions.

Council Chair Rapozo: I am asking about here.

Ms. Anderson: I will defer to Janine.

Council Chair Rapozo: Because I think this culture of...and not just Kaua'i, it happens everywhere in government is that...we see the ramifications or the consequence, the landfill shuts down the Monday after Super Bowl. I wonder why? Everyone wants to watch the Super Bowl and we will just call in sick. I am hoping that this...as well as overtime, if this software can, this program that we have can track these employees that are abusing the system. I would highly encourage that we start that discussion with the unions and let them know we are coming. For me, I look at the people, the taxpayer who is at home, they get one day a week off to do their thing and they have to drive out, and if they are not blessed with being on the County's email list or they are not listening to Kong radio, they drive all the way to the landfill and it is closed because we just never had staff, it is not fair. When I found out about Workday, it can get complicated in some of the departments because of the different schedules, shifts, and benefits, but once we get everything squared away, I am assuming that we can provide that data.

Ms. Anderson: There are hundreds of reports available, it is amazing how much is in there and we have to learn what is there and what will benefit us.

Council Chair Rapozo: Okay. Thank you. Councilmember Bulosan.

Councilmember Bulosan: I am excited for the leadership training. Just going through Leadership Kaua'i and how much that benefited me. I am actually surprised it is this small, it is not as large as I would hope it would be.

Ms. Anderson: I am willing to accept whatever you want to give, that is fine.

Councilmember Bulosan: I know other departments have training for their departments specifically, so I am just wondering what is the difference between the HR specific leadership and training versus say the Department of Public Works?

Ms. Anderson: That is an excellent question and actually I had that same conversation with Jill just so that we could clarify our vision, our expectations

of...and Jill is one of the trainers that we had for many years, so I will turn it over to Jill to allow her to share the vision of how this would differ.

JILL NIITANI, HR Manager III: Good afternoon. Jill Niitani, HR Manager. This is still in its infancy as far as what we want to do. There are so many different ideas that are being thrown around, but we want to make sure, obviously, it is equitable, it is fair amongst everyone, but really what we want are people that are committed. Committed to potentially giving more time than what is in a regular work day to see this as a success. We are going to invest in them and hopefully that will result in a return investment in us. With the different types of trainings and the programs, there are certain things as a leader you would have just outright core leadership qualities, leadership skills that we want to be able to look, so different programs that everyone, no matter if you are in KPD and you want to become a chief at some point versus someone who is an accountant and want to be a "Reiko" at some point, there are similar core leadership qualities that we want to enhance. Again, people are technically good at what they do and just because you have been in a job for (10) ten years does not necessarily mean you are going to be a great leader, good manager, and that is what we want to be able to see for, especially these individuals that are coming out, maybe two (2), three (3) years into their jobs they shown the commitment into the County and being able to be public servants, because I do not think anyone comes to the County to become millionaires, right. We understand that there are limitations regarding what we can pay people. We are looking into that, but nonetheless we are limited, so what we are trying to do is provide these types of training opportunities—core leadership qualities that we want to enhance, so there are different programs that are out there including Leadership Kaua'i, along with others that we have used, it is just that we wanted to have a structured program so we make it fair amongst everyone that wants this opportunity and not just the arbitrary way of picking people. We want to be able to have criteria, different things and of course that "buy in" into the program, the commitment into this program. Potentially, "if we are going to invest in you, you are going to have to stay for a little bit," so that we can get a return on investment for us at the County. What we have seen is give leadership trainings to individuals and they are great and then suddenly, a private company that can pay them twice as much, we end up...

Council Chair Rapozo: Steal them.

Ms. Niitani: So, we want to make sure we make this a sound, structured program, but also look at and meet with the department, such as KPD. They have great ideas. I do not necessarily claim to know specifically what is needed to become a great chief...it is a little different when you are dealing with a life and death situation, a leader and what types of decisions need to be made, maybe there are different courses and trainings that are needed for them that may not resonate for someone else that is not on that path of becoming a chief. Again, looking at all of those things, we wanted that opportunity, but also be able to have the funding to be able to get those courses, get these people in these programs, as well as not forget about the rest of the employees and providing them general self-skills, those types of things to enhance them as well.

Councilmember Bulosan: Can I suggest something?

Ms. Niitani: Sure.

Councilmember Bulosan: Something like Toastmasters.

Ms. Niitani: Okay.

(Councilmember Kagawa was noted as not present.)

Councilmember Bulosan: It changed my life drastically, I was a shy kid, I hated talking and public speaking. It made my life different. I have gone through some equity training that has been helpful just knowing the landscape of life is much different now. I am sure you already considered technical, computer training with the recent amazing...I mean if there was one thing that was highlighted throughout the pandemic big change, it is very undervalued the transition into Workday. I do not think people fully understood...that was actually one of the things that I wanted to run for...I said, "We need to go all online accounting," and when you folks did, I said, "Fantastic, maybe I should not run." I am really excited because that is a whole plethora of awesome, across-the-board changes that I know it puts it all on you to coordinate that, so I am assuming Workday training is part of that too, so thank you.

Council Chair Rapozo: Councilmember Carvalho.

Councilmember Carvalho: I wanted to follow up on the leadership program. What is the process for the employees? Do they sign up? How does that work?

Ms. Niitani: That is what we are trying to coordinate and develop this program, the structure, you know, looking at how to get...if it is a succession planning thing, it is just coordinating everything, and of course the courses. Trying to figure out what courses and programs would be beneficial for that type of position or career path.

Councilmember Carvalho: So, you folks are going through that process in trying to figure out?

(Councilmember DeCosta was noted as present.)

Ms. Niitani: Yes.

Councilmember Carvalho: I just wanted to clarify that for me. It is a great thing. Even Leadership Kaua'i—any type of reach out into the community as well as with the government can enhance that opportunity for employees.

Ms. Anderson: And I also think that the training that one would get at being a great leader, being a great supervisor/manager is going to help the County overall, because you are going to see less grievances, because "my supervisor did this or that

or it was unfair.” They are going to learn how to actually do things right and I believe that would cut back on grievances, arbitrations, that type of thing; or at least that is my hope.

Council Chair Rapozo: In the military, they have a self-contained, well, in the Air Force, there is a self-contained university. It is not brick-and-mortar, it is called The Community College of the Air Force, but it is filled with courses that any member can take for free. It was online, or, it was not online back then, it was “books.” You would sign up, they would send you the books, and you would do the courses, and then take the evaluation. It was management and technical training in your field, but I would love to see something like that, that we would have these self-contained courses or online school. While the training to become a chief might be technical and specific, training to become a leader and a manager is generally the same: people skills, speaking skills. Those, whether you are a cop, fire, HR, finance, those leadership management skills are the same, but somewhere where employees can log-in, I know it comes with a cost, I do not know who the provider would be, but we would log on and there are trainings on management, leadership, speaking, writing, and they can at their will sign in and sign up. It then builds a transcript for them, so when the time comes, they are going for a promotion in their workplace, that can be attached to their resume.

Councilmember Cowden: I wanted to add to that. When different departments have ideas, like even for this group, I have some ideas. That is how we get stronger and understanding the laws, so we write better policy as individuals, that is good for anyone who works in the County, certainly good for people who are on commissions. Maybe you can put this in your mindset, but having a way to interface with any different department or division who has their own trainings, so it can go into that larger database so people can cross-train and just understand more and better. I think as a policymaker, if I can sit there and learn a little bit better about how the Department of Public Works work, it is better for understanding policy and budgeting. Thank you.

Ms. Anderson: Thank you for that suggestion.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: Last one. I am interested, and I'm sorry to pull you ladies up this much, but, I am interested, you mentioned something about “retention” and I am by far in support of that, if we are going to invest in you, then you have to invest in us, otherwise you pay back that tuition that we gave you to get that...Hawaiians will say, “*palapala*,” the paper. I am not Hawaiian, but I am going to impress Council Vice Chair Kualii. That piece of paper is important. I believe that accredited certificate is even more valuable than just a certificate that does not come from a credible institute of knowledge. I know there are online programs, I know they are quite pricey, but if they are willing to commit five (5) or seven (7) years and if they leave us, they have to pay us back, then we can use the money to train the next person. I like your train of thought, I am impressed with you ladies on getting this criteria ready for our next move. Thank you.

Ms. Anderson: All those things are being considered, but yes, thank you.

Council Chair Rapozo: Vacancy Report. Was that next up?

Ms. Rapozo: Good afternoon. I think you all got the Vacancy Report, I am not sure if that was large enough, I see most of you with larger paper, so I probably would need that, that is why I brought my computer, because I cannot read the small print. I just wanted to make one comment about it, first, this is part of the Budget Ordinance, Section 24 and this is why this is coming to you on March 15th and you will have another update on May 1st. It is a fluid document, everyday people are being hired, everyday people are leaving, so this is already outdated, because this came in on March 15th. There are changes already. This is reflective of the current year's positions and where they are allocated at. Things may have been updated or changed in the binders that you have now, because that would be for the proposed Budget for 2024, so I just wanted to make that clarification for...especially for Councilmember Bulosan who has not been through the process. And then the last column...I know Council Chair Rapozo made a comment about the "No activity," some of these positions have been vacant for years, so the "No activity," is recently no activity. They may have done some recruitment in the past, but currently there is nothing in HR's books as far as recruiting. That is what that column means. If there are any questions regarding the vacancies, as I told Councilmember Cowden, the vacancies have gone up. We are losing about the same number of people every year, roughly a little over one hundred (100). We are just not bringing them in as quickly. We are having recruitment problems, like every other employer right now, and so you see a high level right now. The police officers are huge. Their recruitment does take a little longer, though, and that is why you do see an indication that they have like ten (10) in the hopper, but they have to go through background and psychological and physical, and all of that, so it does take a little longer. We are working to get those vacancies down. We are testing every month and we get a "trickle" here and there, so we are trying to move on those. If there are any specific questions, I can try to answer them, if not, I know you might go through this with the departments. It is at your pleasure.

Council Chair Rapozo: This is Council Vice Chair's specialty, but the ones that concern me are the ones that have been vacant for more than (90) ninety days or 120 days, and yet we are seeing the request for fully—funding that position. We should not be fully funding a vacant position unless there is activity and we can anticipate when someone is going to be coming in. The Kaua'i Police Department (KPD), we know that from the time our Budget starts, it is unlikely that they are going to fill all their positions. No one wants to dollar-fund police officer positions, but we have to deal with the reality if they are not going to fill these positions. Some of these positions have been vacant for...this one has been vacant for 1,565 days. For me, we do not need that position. I would dollar-fund that position, because we are not going to fill it...and that is one of them that has the "No activity." We will bring that up with the individual department heads when they come up. Does HR give them an alert or do you even get involved in that? Let us say if the thirty-day, sixty-day, ninety-day...letting them know, "Hey, you had a vacant position for (90) ninety days, what is the status." Is that something that you folks do or do you leave it up to the departments?

Ms. Rapozo: We have been leaving it up to the departments right now. We also lost a couple of staff ourselves with recruitment. We are, as Director Anderson said, filling our second slot for recruitment, so we are training. We will have two (2) new staff, with one (1) more, so we have not had the chance to really look at this labor shortage issue that is really coming about right now. We pretty much leave it up to the department, but I have told staff that is something we need to look at, we need to start to push. As soon as we get that eligible list, refer it, and then it is on them, you know, it is on the department.

Council Chair Rapozo: I do not necessarily believe it is your job, because it should be the department head that should be keeping track of the vacancies. 1,500 days...at some point it becomes a crisis, because it is impacting the services that we provide.

Councilmember Kualii: You said that the "No activity" was recently no activity, so can you define "recently"? Was it (6) six months, (9) nine months, or a year?

Ms. Rapozo: I would say within this Fiscal Year because they may have had activity in the past and they did not find a candidate and so they might have let it lapse, but the 1,500 days kind of thing, there may have been activity early on and they could not find a position. For example, the electricians, the plumbers...I think those are long, but they are having difficulty with those trades. Some of these are on continuous recruitment, constant.

Councilmember Kualii: Yes, and they are showing on the recruitment status as continuous?

Ms. Rapozo: Yes.

Councilmember Kualii: So the only other thing on this column, the last column on recruitment status, you did say it is a fluid document, people are coming and going all the time, so it is changing all the time. You will update this for yourselves according to what changes, but I am wondering if you keep pictures of moments in time whether it be quarterly or every (6) six months, because us seeing "No activity,"—it would tell us more if we saw what was in that column (6) six months ago. If it says, "6 months ago," and "no activity 6 months before that," then the track record is...then it is there. Someone in your office keeps an Excel sheet, how was this created?

Ms. Rapozo: The good thing about Workday is actually does provide for Vacancy Report, but based on Section 24 of the Budget Ordinance, I cannot get the range and the funding altogether and it also has all of the positions like our interns that will show vacant, so on that Workday report, it is showing like 300 vacancies, because you always have interns, our seasonal workers, we have some other positions like that. I am trying to get them to get to that point, where that report, I can just grab it from Workday and at any point in time, any day, it will show me exactly where we are.

Councilmember Kualii: That would be cool. Thank you.

Council Chair Rapozo: Councilmember DeCosta and then
Councilmember Cowden.

Councilmember DeCosta: I am looking at this total days vacant versus total days vacant for the fiscal year and a number that jumps out to me is nine hundred eighty-seven, thousand, one thousand two hundred, like right around there. That is when I did the math, that is like two and a half to three years, so we funded that position, because I crossed over to the recruitment status, under the column before that, it says, "Fiscal Year's estimated salary." Some of them say, "Zero," that means we did not fund it, correct?

Ms. Rapozo: For the current...

Councilmember DeCosta: And the other one says that there is a numbering in that category whether it is thirty-seven thousand (\$37,000) for two hundred fifty-seven (257) days for the Fiscal Year of 2023 and some of them might say something like the "Business Administrator EM-5" on page 304, for Water, it says, "No activity 1,444 days at \$106,850" that is an average salary. 1,444 days, that could be close to (4) four years, so we have been funding that position for (4) four years? What happens to that money? Do we have it in an account or does it get absorbed?

Ms. Rapozo: Not necessarily, it has been vacant...I am sorry, that we have been funding that money the entire time. It would have gone back into...I think you folks had an earlier discussion about lapses or those types of things. It would go back. This is only shown for the current Fiscal Year from July to current.

Councilmember DeCosta: Thank you for everything.

Councilmember Cowden: I do not know if it is your *kuleana* or if it is the department, but what I see often is a position has to vacate before there is a new recruitment notice, which might take several months, and then the process of hiring someone...coming from the private sector, I do not agree with that, if you know someone is going to be quitting or retiring, I do not understand why that recruitment effort does not start before that person leaves, so we do not lose the Treasurer, for example, and a year and a half later we replace that really critical position. Is that your office's piece? Is that the union element? Seems to me if we know someone is leaving, we should begin the prospecting.

Ms. Rapozo: We leave it up to the department for them to look at the position once it is going to vacate whether they have some time to do recruitment. We can always recruit in anticipation of a vacancy, so it does not have to wait until the position leaves.

Councilmember Cowden: And so, you can?

Ms. Rapozo: You can.

Councilmember Cowden: You can.

Ms. Rapozo: Sometimes what departments do, though, when someone leaves, it is sometimes the opportunity to really look at your structure and your organization and figure out is this the best structure, is this the best position? So, before they just put in a new request to hire another position, they should do some due diligence and realize, "Wait a minute," maybe I do not really need this clerk here, maybe I should put them here," and go through the process. That is when you have that opportunity to look at that vacancy and the overall structure of your department.

Councilmember Cowden: Okay.

Ms. Rapozo: So, sometimes the delay is not a bad thing.

Councilmember Cowden: Okay, I will accept that. It just seems like sometimes you would really hire your next person before the last one is even gone, so there is some overlap, if it is a critical function, so there is not a big gap.

Ms. Rapozo: Actually, the Budget Proviso, Section 3 does allow for that. There is a Section in the Budget, the Provisos in your binder, that allows for us to hire before someone leaves. It is all by position number. If someone is still occupying a position, we really cannot hire, right, because it is still being occupied, but Section 3 of the budget allows us to do that.

Councilmember Cowden: Because when you think you are brought up from already in the group, you are going to be able to adjust that and you start to do your succession planning. It seems like we have painful gaps. When I look through this and when we say, "Why we do not go out," maybe we need to go out to the schools because when I look at how many mechanic positions there are and when we are investing in these very expensive pieces of equipment, my experience is mechanics are paid relatively well and people like to come to Hawai'i. If we go where we know we are sending our own people...mechanics are a big deal if we do not have them...do we prospect at all and send someone out from the department? It seems like that is what the private sector does—they go and look for what they need. When I look at how long these mechanic positions have been open, that is tough. That is a showstopper when our equipment stops working.

Ms. Rapozo: Yes, I agree.

Councilmember Cowden: Do we talk to the department about that or do we talk to you about that?

Ms. Rapozo: We have looked at the trades positions including mechanics to see how we can move people up as well, or come in as a trainee and train them up. It just fell to the wayside, we were looking at it and then COVID-19 hit, and so we need to start up a lot of these discussions again now that we are a little bit more stable.

Councilmember Cowden: You could even prospect the high schools and the colleges and encourage them on to a training path, so that they know they are going to come back into a good job. Just a suggestion.

Ms. Rapozo: Yes, absolutely. Thank you.

Councilmember Carvalho: I was looking at the "Continuous" versus "No activity," it is almost the same. What is the difference?

Ms. Rapozo: Continuous means there is an actual posting right now on our website that is saying, "Hey, we need these positions." No activity means it is not posted.

Councilmember Carvalho: The days and times are almost the same.

Ms. Rapozo: When you see continuous, that means that the department has been trying, but they do not have anyone that is qualified or suitable for the position.

Council Chair Rapozo: And when you see "No activity," that means they are not.

Ms. Rapozo: Currently.

Council Chair Rapozo: You do not have to answer that. That is clear, that is several months. It is already in March.

Councilmember Carvalho: I needed clarification on that.

Council Chair Rapozo: I understand that is tough right now, everyone is struggling. Ishihara Market, I keep using them as an example, because they shut down because they could not deal with the employee shortage. It is not like the old days where everyone wanted to work for the County, no one wants to work period. Are there any further questions for HR? Thank you very much. I did have one more question and you do not have to come up, Councilmember Carvalho just brought it to my attention. "Pending arbitration on the hazard pay." Is there money in the budget in the event we need to...

Councilmember Cowden: Yes, please, I have questions on that one.

Councilmember Kualii: Mike told us before.

Council Chair Rapozo: Excuse me?

Councilmember Kualii: They assured us that they would live up to their obligations.

Council Chair Rapozo: I just want to make sure we have an allocation in the budget or are we going to rely on...

Mr. Dahilig: We do not have an allocation in the budget and part of that is because we actually are in arbitration and it is only with HGEA.

Council Chair Rapozo: Okay.

Mr. Dahilig: We still do not know what the outcome is based on the arbitration, the County has brought to the arbitrator that we believe that we have certain different facts compared to other...

Council Chair Rapozo: That is all I wanted to know.

Mr. Dahilig: So, we do not have it in the Budget.

Council Chair Rapozo: At some point, I am assuming we will get a briefing in Executive Session as far as how that is going, but I do not want to talk too much about it because it is in arbitration.

Councilmember Cowden: I thought I had a simple question.

Council Chair Rapozo: Go ahead. He will let you know if he can answer or not.

Councilmember Cowden: On the hazard pay, is it first responders? Who is on the line for hazard pay?

Mr. Dahilig: What is in arbitration right now is all of our white-collar workers.

Councilmember Cowden: So, that is anyone. Anyone who worked during COVID-19 is...

Mr. Dahilig: That is HGEA specifically. UPW has made gestures to attempt to claim hazard pay, but that has not reached the level of arbitration yet.

Councilmember Cowden: So that means you and I cannot, not that I would, I am sort of joking but I mean that is everyone?

Mr. Dahilig: No, it only impacts three hundred something of our overall workforce. That is why it will trickle in, that is not one lump sum for all 1,300 of our employees.

Councilmember Cowden: Trickle in from all 1,300 of our employees or...

