

Testimony of the
County of Kaua'i
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Before a joint hearing of the
Senate Ways and Means Committee
and
House Finance Committee
January 26, 2015

Aloha from the Garden Island!

As always, it is a pleasure to connect with you at this time, as you embark on the important work ahead and we spend the next several months looking at opportunities to better serve the people that we collectively represent.

But as we all know, our collaboration never simply ends in May when the legislative session ends. We appreciate your open door policy and willingness to discuss issues of importance throughout the year.

COUNTY OF KAUAI UPDATE

Allow me to start with a brief snapshot of what's happening on Kaua'i and Ni'ihau.

The economic picture continues to improve, as it has throughout the state. At the same time, we continue to be challenged at the county level with escalating costs, particularly associated with collective bargaining.

We took strides forward this fiscal year with adjusting real property tax rates so that they are much closer to state averages across most categories, while also making adjustments to classifications within the residential group so that properties are taxed based on use. Under the classifications adopted this year, homeowners who use a property as their principle residence without any ancillary uses enjoy the lowest residential tax rates. Homeowners who live on their property but also utilize it for commercial purposes pay a higher tax rate, and homeowners who utilize their residential properties solely for commercial purposes (e.g. transient vacation rentals) are assessed an even higher tax rate.

Even with some modest gains in real property revenues due to the increased rates and a rebound in property values, we find ourselves with a deficit of \$8.2 million – due mostly to approved and projected collective bargaining increases -- as we begin to formulate our budget proposal for fiscal year 2016 (FY16).

Even beyond FY16, the critical task of balancing our budget becomes more difficult, as we start to plan for major expenditures such as:

- Building a materials recovery facility so that we can roll out curbside recycling (\$5 million)
- Expansion of the Kekaha Landfill (\$15 million)
- Design and construction of a new landfill and resource recovery park site (estimated total cost of \$90 million)
- Catching up incrementally on nearly \$100 million of necessary road repairs

The silver lining in these challenging financial times is that we learn to operate more efficiently. Working closely with the County Council, union representatives and other partners, we have put into motion several initiatives that will provide significant savings over time:

- Adjusting work schedules in solid waste to achieve a 76% reduction in annual overtime
- Creating a centralized motor pool which will allow us to take approximately 12 older vehicles out of service this year, and further reduce our fleet over time
- Refinancing our bond debt to realize a savings of \$6.9 million over the life of the bonds
- Establishing a vacancy review committee, which scrutinizes every position following separation to determine if the position can be eliminated, re-described or reallocated to not only save money, but also to “re-engineer” county government over the long-run

In summary, we recognize that short term solutions and adjustments are necessary, however, the long-term “fixes” that must be achieved are equally important. We are committed to addressing both, and to approaching budgeting as a multi-year process in each of the next four years.

STATE PARTNERSHIPS

In my inaugural address on December 1, I used a metaphor of the *Hukilau* to describe the way in which we must all work together to protect our resources and improve the quality of life for all in Hawai'i.

As you know, the *Hukilau* is a group fishing effort to cast a large net and to pull in a catch that the entire community can enjoy. Although rarely seen today, many of us remember fondly the days of the hukilau when the entire community would come together in harmony to get the job done.

The secret to the *Hukilau's* success was having a diverse group of people who could fill the essential roles of the effort and work together effectively. From preparing and setting the net, to spotting the fish, to capturing the fish and pulling in the net, to portioning out the fish and preparing the pā'ina, each role was important and each person could play a role.

While it's rare to see a traditional *Hukilau* in action today, we can still use the concept of the *Hukilau* to move important projects forward together.

Partnerships have been essential to our success on Kaua'i over the past six years. We've seen many good things happen on Kaua'i and Ni'ihau due our partnerships with the State:

- Extension of Act 170 last year, allowing us to continue to place lifeguards at Kē'ē Beach
- The establishment of the Department of Agriculture's "Good Neighbor Program" through which seed companies on Kaua'i and Kaua'i Coffee are providing voluntary pesticide-use disclosure and buffer zones
- Construction of bus shelters throughout Kaua'i via a state grant-in-aid with county matching funds
- Safe Route to School projects – namely roadway striping improvements and lighted crosswalks – via enhanced traffic fines in school zones
- Reconstruction of the Hanalei Pier canopy by the Rotary Club of Hanalei Bay, with support from the County and the State
- Repaving of both the County and State sections Kokee Road
- Expansion of Ke Ala Hele Makalae – the path that runs by the coast – to connect Kuna Bay with Lydgate Park, and dealing with the special concerns along the Wailua Beach corridor
- Funding for improvements to the Wailua emergency bypass route
- Developing state and county administrative rules for the regulation of land- and ocean-based activities at Hanalei/Black Pot Beach Park

In addition, we have initiated several projects that will further our shared goals in several areas:

- North Shore Shuttle Pilot Project – A shuttle service providing transportation between Princeville resorts, Hanalei and Hā'ena/Kē'ē was launched in November 2014, seeded by county and private funding. This project is a first step in alleviating the chronic and worsening traffic congestion on the north shore – especially parking at Kē'ē beach. We are committed to the success of this venture, and expect that it will fold into a permanent service that will tie in with the Hā'ena State Park Master Plan, which is still under development.
- Kāneiolouma Heiau – The County's successful stewardship agreement with a Native Hawaiian organization in Po'ipū to restore and preserve and this incredible cultural resource is a model that we plan to export to each Moku on Kaua'i. Since many of our cultural resources are under State control, we have already been in discussions with agencies such as Department of Land and Natural Resources and the Department of Hawaiian Homelands on other projects to consider.

- Adolescent Treatment and Healing Center – Properly caring for our youth in crisis is a priority we all share. As of today we have ten Kaua’i youth receiving treatment on O’ahu, and four incarcerated at the Hawai’i Youth Correctional Facility waiting for an available bed for treatment. Keeping our youth on Kaua’i where they can heal together with their families is a key component of recovery. Putting them on the right track and out of the juvenile and adult justice system is the ultimate goal. We continue to collaborate closely with the Department of Health, law enforcement and the State Judiciary, and hope to have our Treatment Center opened by December 2016.

In short, partnerships save money, stretch resources, build trust, strengthen relationships, enhance community pride and save lives. We will continue to look for ways to partner with the State and others in each and every project that we pursue.

In the spirit of the *Hukilau*, we will look for each partner to bring their strengths and assets to the task, as we pull in a bountiful catch and insure that the benefits are spread far and wide throughout our community.

LEGISLATIVE REQUESTS - 2015

Attached you will find the 2015 County of Kaua’i Legislative Package, containing three items for your consideration and action.

A Bill for an Act Relating to Evidence (i.e., video testimony bill) - Deferred from last session, we believe this bill will be critical in providing appropriate closure for property crimes involving visitors. Many of these cases are not adjudicated because the victim can’t afford the time or expense to fly back to Hawai’i for the trial. Allowing victims to testify via two-way video connection when appropriate will assist law enforcement to increase conviction rates and hopefully reduce crime over time by serving as a deterrent and taking perpetrators off the streets.

A Bill for an Act Relating to Zoning (transient vacation rental regulation) – This bill was also introduced last session, and seeks to differentiate Single-Family residential use from Single-Family vacation rental use. This measure will help us to better align non-conforming vacation rentals with other similar uses, and will allow us to more effectively regulate vacation rentals.

A Bill for an Act Relating to Transient Accommodations Tax (TAT) – We have been actively participating in the working committee that was created by Act 174 last year. Although we realize that there is likely to be no change in the distribution of TAT until next year, we appreciate the opportunity to be part of this discussion. We look forward to presenting a recommendation for a fair and equitable distribution of the TAT for consideration during the 2016 Legislative Session.

Aside from the County's Legislative Package, the Hawai'i Conference of Mayor's (HCOM) is again supporting a measure that would authorize the Counties to levy up to a 1% surcharge on the general excise tax (GET), for purposes specific to that County. All four Mayors believe the GET proposal is essential in generating revenues for critical projects that cannot be accomplished with reliance solely on County-level fees, property taxes and the counties' share of the transient accommodations tax.

For Kaua'i, there are looming massive investments such as a new landfill site, affordable housing, and needed expansions to the Kaua'i Bus that will require additional revenue sources to address. We appreciate your consideration of this GET proposal and look forward to dialogue in the coming months.

Finally, our legislative delegation will be pursuing some capital improvement grant in aid requests for Kaua'i which we fully support, and which provide shared benefit for the state and the county:

- **Veterans Cemetery Improvements (\$400,000):** The Hanapēpē Veterans Cemetery infrastructure was developed approximately 50 years ago. An assessment of the Communal Hall Facility was completed focusing on structural integrity and compliance with current code requirements and standards. A consultant is currently finalizing design and construction documents for recommended repairs and upgrades. The purpose of this project will be to construct repairs and upgrades for the Communal Hall Facility.
- **Sheltered Bus Stops Phase III (\$1.5 million):** As one of our Holo Holo 2020 goals, this project's purpose is to better serve the public that uses our transit system by providing them with safe accessible transit shelters and amenities while using the County's transit system. By developing the existing bus stops to accommodate an ADA accessible transit shelter with amenities, we will be providing safety and comfort. The stops will encourage greater ridership, which will reduce congestion on both state highways and county roads.
- **Salt Pond Master Plan (\$400,000):** This project consists of developing a master plan that will factor in all the different components related to the Salt Pond area in Hanapēpē. These items include the Salt Pond Beach Park, Wastewater System, Burns Field Airport, Salt Beds and the old Kaua'i Humane Society site. Some are under state control and some are under county jurisdiction. The goal of the plan would be to integrate the various elements to create a regional center that preserves the various cultural, social and recreational components of Salt Pond.

- **'Anini Beach Park Improvements (\$250,000):** 'Anini Beach Park is a popular Beach Park on Kaua'i for residents and visitors. Facilities include boat ramp, camp grounds, comfort stations and various pavilions. As a result of the heavy usage this facility is due for much needed upgrades and improvements. Again, park jurisdiction is shared by both state and county.
- **Motorola 800 Mhz Upgrade Phase III (\$1 million):** This is a 3-phase project to upgrade our critical public safety communications infrastructure and achieve P25 compliance. This project will improve interoperability and overall communications for our public safety workers when responding to emergency situations. This will allow Kaua'i to stay current with established, nationwide standards for public safety communications, while we retire old and aging equipment that is difficult and expensive to maintain.
- **Lima Ola Offsite Highway Improvements (\$1 million):** Lima Ola is a Holo Holo 2020 initiative and a "green" affordable/workforce housing opportunity that will provide up to 500 units serving both the south shore and west side of Kaua'i. The project, located in 'Ele'ele, will require intersection upgrades at Kaumuali'i Highway to provide safe access to and from the Lima Ola site and adjacent communities.

CONCLUSION

In closing, I want to express how much we value the positive and collaborative working relationship we enjoy with our State partners. We continue to face big challenges with limited resources, however, in the spirit of working together successfully – as we have seen done so often in the past, I close today with:

E Ho'mau 'Ia Ka Hukilau – Let the Hukilau continue!

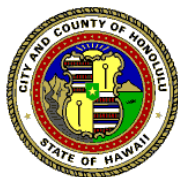
Respectfully submitted,



Bernard P. Carvalho, Jr.
Mayor, County of Kaua'i

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KIRK CALDWELL
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MANAGING DIRECTOR DESIGNATE

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DEPUTY MANAGING DIRECTOR

**TESTIMONY OF KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
AND THE HOUSE COMMITTEE ON FINANCE
Monday, January 26, 2015, 2:30 p.m.**

TO: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

The Honorable Sylvia J. Luke, Chair
and Members of the House Committee on Finance

Thank you for the opportunity to testify today on the City and County of Honolulu's financial issues that we will be bringing before you in the 2015 legislative session.

As you all know, the Counties request to lift or extend the sunset on the General Excise Tax (GET) surcharge for rail is expected to be a much debated issue before the Legislature. We welcome that debate and I, as Mayor, the City Administration, and HART, pledge to provide you with the information you need to make a sound decision for the people of this state. Before going into greater detail on this request, I wanted to give you some background on the City's budget status and my Administration's approach to fiscal management.

Budget Theme for 2015

The City Administration and departments have been working very hard to put together a fiscally responsible budget that focuses on the City's priorities and core functions. This budget, themed "Fiscal Austerity", will be presented to the City Council on March 1, 2015.

Last year, for the first time in recent City history, we applied a zero-based budget to the majority of the departmental budgets. This means we asked departments, wherever they could, to start from zero, and they were required to review and justify each expense.

Every single capital improvement project in the pipeline was prioritized based on current viability and funding amount. We are continuing with this method as I believe it forces the departments to justify expenditures more closely, and it results in reducing spending and eliminating unnecessary spending.

This year, for certain departments, we have started performance-based budgeting just like they do in the private sector. I am committed to reducing the size of government. Not to cut for the sake of cutting, but to ensure that we are striking the right balance between spending wisely and providing the best services for the people of Oahu. I really believe we can do this.

In addition, since I've become Mayor, I have put forward proposals to increase revenues if they are needed and can be applied in a fair and balanced way. For example, I proposed a fuel tax that would have helped us in our highly successful road repaving efforts. I also proposed, and the Council passed, a new tax category for residents who own second homes that are above \$1 million. Called Residential A, this new tax category does not apply to those who live in their own homes and have a home exemption, and it allows the City to keep property taxes for owner/occupants as low as possible.

I believe that the role of government, and the responsibility of government, is to provide basic and reliable infrastructure, including our transportation and sewer systems, and to ensure the health and safety of its citizens. In order to do all of this, which no entity in the private sector can do, government must have a taxing function, and it should be utilized for these critical City functions.

I present this to you today because I want to emphasize that this is an Administration that works under austerity, and when we spend, we spend to make a difference. The rail is a bold project, but it will truly make a big difference in beefing up our economy, increasing employment, and improving the quality of life for our people, especially those on the West side of Oahu.

Rail and the GET Surcharge

A decade ago, when I served in the Legislature, I voted to pass HB1309, HD2, SD2, CD1 which gave the counties the authority to increase the GET by one-half percent as a surcharge to build rail. It was a controversial decision, but I was proud of this Body. We took a stand to build a transportation system for the people of Oahu that will serve us for the next generation and into the future. Consequently, the people of Oahu voted for rail to move forward, and it's very exciting, today, to see the columns and spans already constructed along the 20-mile route.

Honolulu has one of the worst traffic records in the nation. We need rail as an alternative for people on the West side. The rail project has passed a number of serious hurdles, some of which caused significant time delays. When the budget was created for construction, Honolulu was in a much different construction market. We now have to recalculate the budget based on today's economy, and the bottom line is that the project will cost about \$700 to \$900 million more than was originally budgeted.

I want to emphasize that these are our best estimates at this time, and when the next round of bids come in, HART will have a closer idea of the new cost figures.

We are requesting the Legislature to consider lifting the sunset of the GET surcharge at this time for the following reasons:

1. By law, HART is allowed only two funding sources to build rail. One is federal transit funds. The other is the GET surcharge.
2. We are discussing other sources of federal funding with the Federal Transit Authority, but we will not be able to receive more funds through the Full Funding Grant Agreement, through which we already receive \$1.55 billion.
3. With the estimated increased costs, we are currently unable to show that we have available funds to sign contracts for the completion of rail.
4. You may be wondering why the City needs the tax extension now when the current tax runs until 2022. This is because according to state law (HRS103D-309), HART's Chief Procurement Officer is precluded from signing a contract if there are not available funds. This is a real dilemma since HART needs to issue contracts for future construction phases today.

In addition, if we are to start planning and budgeting for the extension of rail to Manoa on the East end of the route, and to the Kapolei business district on the west end of the route, we need to show a dedicated source of funding for the additional planning, design and construction.

I support using the GET for this purpose because, as we discussed a decade ago, about one-third of the GET is paid by visitors, whereas raising other local taxes impacts only local residents. I believe the people of Oahu would support the extension of the surcharge to a raise in other local taxes. It's critical that we continue to move forward on rail. I understand the concern of the Legislature and the general public on increased costs

Hawaii Council of Mayors (HCOM)

The State's four mayors come before you, in unity, all asking for similar opportunities as regards the GET. As noted, we have submitted a package of bills that ask for the lifting of the sunset on Honolulu's surcharge. In those same bills, we are also asking for the authority for the other three counties to raise, in perpetuity, a surcharge on the GET collected in their individual counties. Although our situations are all unique, we stand in unity on this score.

Thank you for the opportunity to provide these comments and we look forward to working with you this session.

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Mayor



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Managing Director

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Deputy Managing Director

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January 26, 2015

The Honorable Jill N. Tokuda, Chair,
and Members of the Senate Committee on Ways and Means
415 South Beretania Street
Hawai'i State Capitol
Honolulu, Hawai'i 96813

The Honorable Sylvia Luke, Chair, and Members of the House Committee on Finance
415 South Beretania Street
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Honolulu, Hawai'i 96813

Aloha, Chair Tokuda, Chair Luke and distinguished members of the Senate Ways and Means and House Finance Committees. Thank you for this opportunity to appear before you to discuss the County of Hawaii's priorities for the 2015 legislative session.

On behalf of the people and families of Hawaii Island, I would like to thank all of you for your hard work and support last year. We sincerely appreciate your efforts to improve the lives of our residents and visitors.

We respectfully request the legislature to focus on fulfilling the commitments already made to state projects and programs on Hawaii Island. State work on Hawaii Island will help create jobs, provide relief from traffic congestion, protect public safety, and invest in critical infrastructure. We stand ready to assist our legislators and the state of Hawai'i with these projects and initiatives in any way possible, and look forward to working with you.

ASSISTANCE FOR THE RESIDENTS OF PUNA

The people of lower Puna are dealing with the threat created by the Puna lava flow. The flow is threatening vital transportation routes, power lines, commercial centers, and other infrastructure that serves the more than 10,000 residents residing in one of the fastest growing sections of the state. We respectfully request the legislature work with insurance providers to adopt legislation ensuring that the residents of lower Puna can keep their homeowners and property insurance policies.

TRANSPORTATION

Improvements to Highway 130, Kea'au-Paho Highway

We respectfully ask for your support to complete the work underway on the Kea'au-Paho Highway. This highly congested state highway is the only major route in and out of Lower Puna, and serves one of the fastest growing regions in our state. The state has been expanding Highway 130 to help alleviate the morning and evening rush hour traffic and we are very thankful for the road crews' hard work and would like to ask the legislature to continue to fund their efforts.

PUBLIC SAFETY

Civil Defense Sirens

Tropical Storm Iselle, the threat of Hurricane Ana, and tsunami underscored the need to improve our early warning system on Hawaii Island. We continue to support the modernization of the state civil defense siren system, which is critical to maintaining and improving public safety. This initiative will convert the existing radio-activated siren system to a more reliable satellite- and cellular-based system. That would include 36 new sirens for Hawai'i Island, and we urge your committees to continue this work.

ECONOMIC DEVELOPMENT

Kona International Airport Improvements

We continue to strongly support the administration's plans for urgently needed improvements for Kona International Airport, and recently wrote the U.S. Department of Transportation in support of Hawaiian Airlines Inc.'s application to provide service between Kona International Airport and Haneda Airport in Tokyo. We continue to work collaboratively with state Department of Transportation and community organizations to encourage the U.S. Customs and Border Protection to reopen the international arrivals inspection facilities in Kona. State investment in Kona airport infrastructure is essential to the success of those efforts, and we respectfully request the legislature's support in this matter. The resumption of international flights to Hawaii Island will help create jobs and economic opportunities and investment in Kona airport infrastructure will help alleviate congestion at the Honolulu International Airport and will allow our state to continue to grow as an international visitor destination during the busiest travel seasons.

The Honorable Jill N. Tokuda, Chair
The Honorable Sylvia Luke, Chair
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Each of these initiatives and projects represents a critical investment in the welfare of our communities and will help improve the lives of our residents and visitors. We thank you for your consideration, and look forward to working with all of our distinguished legislators this session.

Mahalo for your support and your commitment to the people of Hawaii Island.

Aloha,

William P. Kenoi
MAYOR