

January 23, 2016

To: Senate Committee on Ways and Means Chair Jill Tokuda and Members &  
House Committee on Finance Chair Sylvia Luke and Members

Subject: Hawai'i Council of Mayors Initiatives for the 2017 Legislative Session

The Hawaii Council of Mayors extends our appreciation to Committee Chair Jill Tokuda and Sylvia Luke for accommodating the scheduling of our presentations today. We are united in "spirit" and ready to engage in dialogue on the issues and concerns that are facing our State and our counties. However, we all have a uniqueness and each mayor will have the opportunity to share that as they present their legislative requests to you today. We look forward to working together enthusiastically and collaboratively to explore solutions to the issues that face us this upcoming session.

As Mayors, we collectively have agreed on asking for your support on the following three (3) issues that we are all faced with:

- 1.) Homelessness – The burden of the impact to our community and has increased the need for additional public safety protection. We look forward to a fair share of the \$12M that was earmarked from the State for assistance on all the islands. We continue to work with our faith based communities and support the outreach work that various non-profit organizations have provided and urge the State to grant funding to help alleviate this problem through their agencies and other contractors.



Mayor Harry Kim  
County of Hawaii  
25 Aupuni Street  
Hilo, Hawaii 96720



Mayor Kirk Caldwell  
City and County of Honolulu  
530 South King Street, Rm. 306  
Honolulu, Hawaii 96813



Mayor Bernard Carvalho, Jr.  
County of Kauai  
4444 Rice Street  
Lihu'e, Hawaii 96766



Mayor Alan Arakawa  
County of Maui  
200 South High Street, 9<sup>th</sup> Floor  
Wailuku, Hawaii 96793

2017 HCOM Initiatives

Page Two

January 23, 2017

- 2.) Invasive Species –Impacts relating to various types of invasive species have negatively affected communities. Funding to address the unique counties' situation is warranted (i.e. fire ants, coqui frog, parakeets, and others). Each mayor will address their specific need in this area.
- 3.) Lifeguard Tort Liability – The current bill sunsets, thus an extension is needed, but a permanent extension is preferred to provide the counties protection for our lifeguards. We support the Hawai'i State Association of Counties (HSAC) proposed measure this legislative session.

Three other additional concerns facing the State and the Counties this year will be:

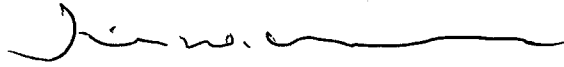
- 1.) Collective Bargaining – Eight (8) union contracts are currently involved in collective bargaining which will increase all of our budgets immensely.
- 2.) General Excise Tax (GET) – The Legislature, the Mayors and Councils will be faced with whether or not they would support a GET tax for all counties.
- 3.) State Hospitals – Each county has state hospitals but have difficulty financing their operations. Through the continued support of the legislature much needed health care for those in the rural areas are important and vital to the livelihood of our residents and visitors.

As we come before you today, we'd like to express our heartfelt thanks on behalf of the people of the counties of Hawai'i, Maui and Kaua'i and the City and County of Honolulu for all of your dedication and commitment to making Hawai'i a special place to live. We live in the best place on earth!

Aloha and Mahalo,



Harry Kim, Mayor  
County of Hawai'i



Kirk Caldwell, Mayor  
City and County of Honolulu



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



Alan Arakawa, Mayor  
County of Maui

Testimony of the  
County of Hawai'i  
Harry Kim, Mayor  
25 Aupuni Street, Suite 2603  
Hilo, Hawai'i 96720  
Tel: (808)961-8211; Fax: (808)961-6553

Before a joint hearing of the  
**Senate Ways and Means Committee**  
and  
**House Finance Committee**  
January 23, 2017

Unfortunately the County of Hawai'i, by percentage, has the highest number of people in poverty and homeless. As families who are homeless and have children that qualify for free meals and transportation close due poverty. For example, district of Ka'u, over 92% of all the schools are of the federal poverty line. District of Puna – the most populated district on the island of Hawai'i; the fastest growing district in the State of Hawai'i – all public school students receive free meals. All schools are over the 75% level of students that meet the federal level of poverty.

Bear in mind, and adding to the difficulty of the people of those districts:

- Majority of the people in the Ka'u district are without running water.
- Over 20,000 of the people in the Puna District are without County water.
- Both districts are located away from job sites which add to the problems and costs of employment. With these problems it is easy to understand that our highest priority is to aid in ways

County government of Hawai'i can lessen the cost and burden to the people.

Priorities:

1. No increase of taxes.
2. Provide government services when possible. Free bus rides - regardless of distance. Free rides to all was established in 2000, but was changed to \$2.00 in 2012.
3. Water stations in all districts that provide free water in a safe, clean and accessible areas.

Priority Issues:

- Any increase in the TAT will help in the balancing of a highly scrutinized budget.
- A reasonable implementation of the increase of the ERS contribution by the County.
- Review of the cuts imposed spread over 5-8 years on the hospital system (HHSC) for Hawai'i Island to prevent further cuts to the care of Hawai'i's people.

Testimony of the  
**County of Kaua'i**  
Bernard P. Carvalho, Jr., Mayor  
4444 Rice Street, Suite 235  
Līhu'e, Hawai'i 96766  
Tel: (808) 241-4900; Fax (808) 241-6877

Before a joint hearing of the  
**Senate Ways and Means Committee**  
and  
**House Finance Committee**  
January 23, 2017

Aloha from the Garden Isle!

It is a pleasure to join you at the start of the 2017 Legislative Session as we begin another dialogue on the betterment of our shared constituencies.

Throughout the years, each and every one of you have approached these discussions with openness and flexibility, and we look forward to your continued receptiveness in the months ahead.

It is my hope that the collaborative spirit that exists between the state and the county will again result in the people of Kaua'i and Ni'ihau benefitting from our efforts.

### **COUNTY OF KAUA'I UPDATE**

As we embark on the budgetary process for fiscal year 2018, we have applied a three-pronged approach:

- Fiscal restraint = Reduce operational expenses to the greatest extent possible, while maintaining core services.
- Systemic changes = Utilize re-engineering strategies that result in increased efficiency and effectiveness and lower costs.
- Eye on the future = Remain steadfast with our plans to achieve long-term financial sustainability and stability.

Yet challenges remain.

In the coming fiscal year, Kaua'i County will be entering into negotiations with all of our public employee unions. While we are uncertain as to the outcome at this time, even a one percent raise across the board will have a significant impact on the county's financial situation when the amount is added to the \$8.5 million increase in contributions that we are obliged to make to

the Employment Retirement System (ERS). Another major employee-related expense known as “spiking”, which is calculated by the ERS, will also have to be budgeted.

In addition to personnel costs, the county has several large projects on the drawing board this fiscal year that will require significant funding including the lateral expansion of the Kekaha Landfill, mandatory improvements to all of our refuse transfer stations, and infrastructure improvements to Lima Ola, an affordable housing community.

### **GET SURCHARGE**

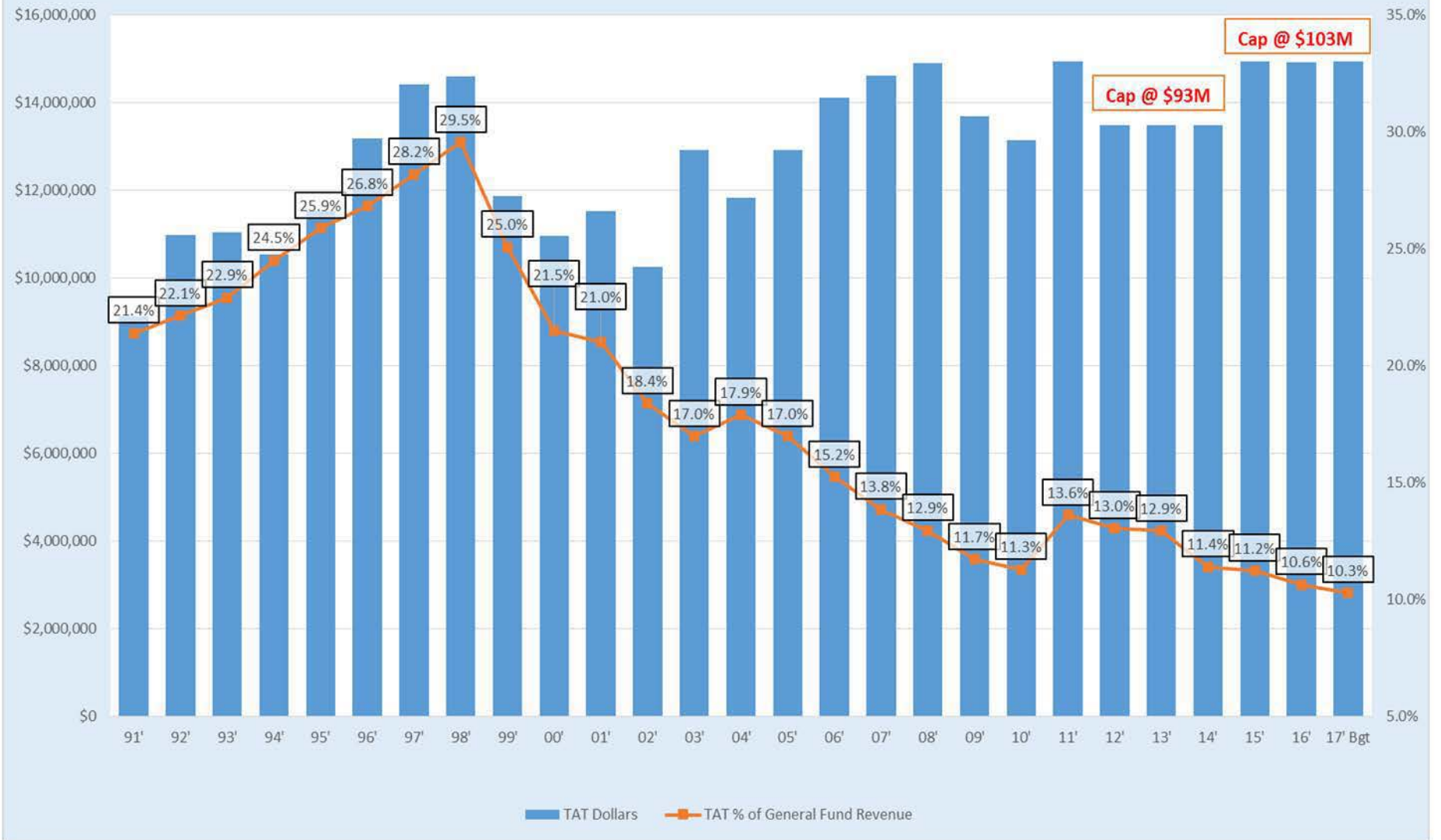
Traditionally, the county has relied on two major sources of revenue to cover its expenses - real property taxes and transient accommodations tax (TAT) revenue. However, with increases in the population and visitor arrivals, increases in the cost of government services, and changes in legislation that limits the county’s allocation of the TAT, we need to look at other sources of funding.

We are requesting your authority to legislate a GET surcharge. This would allow the county to take care of our backlog of road and bridge repairs as well as other county needs.

### **TRANSIENT ACCOMMODATIONS TAX**

As shown in the attached chart, a historical look at the transient accommodations tax (TAT) revenue indicates that in 1998, the \$14.5 million in TAT revenue represented nearly 30 percent of the county’s General Fund revenue. Due to the changing formulas and cap provisions, the county’s share of \$15 million in TAT revenue for fiscal year 2017 represents a significantly smaller portion of the county’s General Fund revenues at approximately 10 percent.

## Transient Accommodations Tax Dollars Transient Accommodations Tax % of Total General Fund Revenue





We would like to ask the legislature to review the TAT allocation. At a minimum, we request that the \$103 million cap be maintained with consideration given to incremental annual increases that are based on the consumer price index (CPI) of Honolulu.

### **STATE-COUNTY PARTNERSHIPS**

In my view, partnerships are the most valuable tools available to us in addressing the needs of our residents and visitors. We are grateful for the partnerships we have shared with the state and other entities over the years, and I would like to highlight some of our recent collaborative efforts:

- Adolescent Treatment and Healing Center - Last week, Gov. David Ige released \$5 million in capital improvement program (CIP) funds for the first Adolescent Treatment and Healing Center (ATHC) on Kaua'i. The ATHC will make it possible for our youth to receive treatment on island and heal with their families, which is an important component of recovery. A very special mahalo to the legislature for your thoughtful consideration in appropriating the funds necessary to make this dream come true.
- Lima Ola – This master plan community is being developed in 'Ele'ele to provide our families with affordable housing that is environmentally responsible, encourages long-term intergenerational relationships, integrates with the surrounding community and promotes healthy living.
- Homeless Services – Through a partnership with the state, county and Kaua'i Economic Opportunity, the capacity of the island's homeless shelter has been expanded to accommodate 20 additional people.
- Kapa'a Multimodal Transportation Solutions – This state and county collaborative planning process has been in the works for a number of years, and is designed to address the critical issue of traffic congestion in the Kapa'a corridor as well as support vital Kaua'i industries. We look forward to continued progress in this endeavor as we seek infrastructure funding for our current and future transportation needs.
- Kaua'i Veterans Cemetery – The communal hall at the Veterans Cemetery is utilized by many of our veterans and their families and friends. Built in 1948, this facility will be undergoing renovations in order to become compliant with the current building code.
- Captain Cook Memorial Park – Used primarily by Waimea High School students for physical education classes and baseball and football practice, this county-owned facility is in dire need of renovation. Funding for improvements will ensure the safety of park users.
- Waimea River crossing – This ford crossing provides vehicular access to several residents who live on the east side of the Waimea River. Due to the flow of water in the river over the years, it has become rough and difficult to use. Plans have been made to replace the existing structure with a concrete crossing that would hold up better over time.

## LEGISLATIVE REQUESTS

In Kaua'i County's legislative package for 2017, we are asking for your support of proposals that would provide shared benefits for the state and the county:

- **A bill relating to Tort Liability** – This bill would delete the sunset provision for the liability exceptions for county lifeguards.
- **A bill relating to Traffic Fines** – This bill would transfer to the counties certain fines and forfeitures collected for uncontested traffic infractions.
- **An appropriation for Emergency Medical Services** – This request would provide the County of Kaua'i with a 24-hour, seven days a week ambulance unit.

## CONCLUSION

In closing, I want to express how much we value the positive and collaborative working relationship we share with our state partners, and appreciate the support we have received over the years. We continue to face major challenges with limited resources; however, our past experience bodes well for our ability to work through them in the best interest of the people we serve.

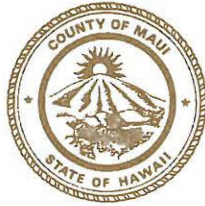
We look forward to working with you during this legislative session as well as throughout the year in the spirit of *lokahi* and *aloha*.

Respectfully submitted,



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

ALAN M. ARAKAWA  
MAYOR



KEITH A. REGAN  
MANAGING DIRECTOR

**OFFICE OF THE MAYOR**

Ke'ena O Ka Meia

COUNTY OF MAUI – Kalana O Maui

**TESTIMONY OF ALAN ARAKAWA, MAYOR  
COUNTY OF MAUI**

BEFORE THE JOINT COMMITTEE OF  
THE SENATE COMMITTEE ON WAYS AND MEANS

AND

THE HOUSE COMMITTEE ON FINANCE

Monday, January 23, 2017, at 1:30 p.m.  
State Capitol Auditorium

RELATING TO INFORMATIONAL BRIEFING

Honorable Jill Tokuda, Chair  
Honorable Donovan Dela Cruz, Vice Chair  
Honorable Members of the Senate Committee on Ways and Means

Honorable Sylvia Luke, Chair  
Honorable Ty J.K. Cullen, Vice Chair  
Honorable Members of the House Finance Committee

-----

Thank you for this opportunity to come before this joint-committee and present Maui County's priorities for this session. On behalf of my administration and the people of Maui County I want to thank you for your continued dedication, hard work and commitment.

**Hawaii Council of Mayors (HCOM)**

As Mayor of Maui County, I fully support the three issues identified by HCOM as priorities:

1. *Homelessness* – As the impacts of homelessness on our communities continues to grow there is a need for additional public safety protection. We humbly ask for a fair-share of funding from the state for the health and safety of our communities;

2. *Invasive Species* - The various types of invasive species continue to pose serious problems for our communities. Each of our counties have unique situations (i.e. fire ants, coqui frogs, parakeets and others) and state funding is urgently needed to address this growing concern; and,
3. *Lifeguard Tort Liability* - The existing law is scheduled to sunset, and it is vital to the counties that it is extended.

### **Specific to Maui County**

I understand that this legislative body will be dealing with a nine-figure loss in state revenue due to the lower-than-expected tax collections. It is with this in mind that my administration has whittled-down our priorities to the following:

1. *Kihei High School* - Maui's population continues to grow and South Maui does not have a high school. I humbly ask for continued funding for this ongoing project as it would be devastating to our community if this project were to be suspended;
2. *Transient Accommodations Tax (TAT)* - I support leaving the level of funding to the counties at \$103 million;
3. *Ag Parks on former HC&S land* - Although the plantation era has ended, agriculture on Maui can stay alive with help from the state and county. For our part, we are expanding our Kula Ag Park and would be willing to partner with the state to open up more ag parks around the island; and,
4. *Senior Housing* - The need for senior housing continues to grow and I am respectfully asking for support for this important issue.
5. *Lahaina Bypass* - This project is not about motorist convenience, it is about the safety of our residents and visitors. We have more than 22,000 residents living in West Maui, not including the thousands of tourists who use the only road (which is only two lanes) on a daily basis. Any brushfire or car crash cuts off any access to our one hospital and urgent medical care.

Thank you for your consideration of these important matters.

OFFICE OF THE MAYOR  
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813  
PHONE: (808) 768-4141 • FAX: (808) 768-4242 • INTERNET: [www.honolulu.gov](http://www.honolulu.gov)

KIRK CALDWELL  
MAYOR



ROY K. AMEMIYA, JR.  
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER  
DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR  
CITY AND COUNTY OF HOOLULU  
BEFORE THE HOUSE COMMITTEE ON FINANCE  
AND THE SENATE COMMITTEE ON WAYS AND MEANS  
Monday, January 23, 2017  
1:30 PM

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

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

Thank you for allowing me to present testimony today. The City and County of Honolulu continues to make solid progress on our priorities.

**Roads.** We have repaved the city roads that were deemed substandard. So far, we repaved a total of 1,350 lane miles, with 41 of those lane miles in 2017. We are on schedule to meet our target of repaving 1,500 lane miles by the end of this year.

**Parks.** As part of our Kakou for the Parks program, we restored 31 play apparatuses, refurbished 44 comfort stations, and resurfaced 102 play courts at 28 parks. We also installed surveillance cameras at five parks, with the help of community associations, and will install cameras at three beach park comfort stations including Hanauma Bay and Sandy Beach. We are working on much needed changes to Ala Moana Beach Park, including long-term beach nourishment, renovating McCoy Pavilion and upgrading irrigation, improving paths, and adding more trees in and around the great lawn.

**Sewer.** The City continues to meet the consent decree deadlines and rehabilitate our sewer system by rebuilding existing sewer lines, building the Kaneohe-Kailua Conveyance Sewer Tunnel and two additional force mains from Waikiki and Ala Moana to Sand Island. This is to ensure that there is redundancy, and repairing sewer lines to reduce infiltration and inflow of non-sewer water into the sewer system. We have also reduced spills from over 200 a year to between 50 and 60 a year. Separately

from the consent decree, we also added a new digester at the Sand Island Waste Water Treatment Plant to increase sewer capacity for new construction in areas such as Kakaako, Waikiki, and Kapalama-Iwilei. The first phase of the Ala Moana Waste Water Pump Station will increase capacity for Kakaako, Waikiki, and adjacent areas by 2020. The New Waipahu Waste Water Pump Station Force Main will increase capacity for Pearl City and Waipahu by 2022.

**Homelessness.** The City has housed over 1,100 people experiencing homeless and will house an additional 300 people this year. We also established the Hale Mauiola navigation center, the first of its kind in the State, and connected 125 people to appropriate housing options since it opened. We are working on modular housing projects on the West Side. We purchased a former private school site in Makiki and will convert it into a 42-unit apartment building for persons experiencing homelessness, and a parcel in Waianae to provide affordable rental housing for 16-20 families experiencing homelessness. We added 6 micro units to Winston Hale in Chinatown and entered into a partnership with the State and a private company to build plantation-style housing at Sand Island to accommodate up to 800 persons experiencing homelessness. We also purchased a property in Iwilei to serve as a hygiene center and social service center and to provide permanent supportive housing.

**Rail.** Finally, I am committed to building rail for the full operating system from East Kapolei to Ala Moana. Rail provides residents with a transportation option that will greatly improve their quality of life. Congestion will only get worse. There are 90,000 additional registered vehicles on Oahu than when we started the rail project ten years ago. Building the complete rail system all the way to Ala Moana with all of the stations is the only way rail will get the number of riders it needs to keep fares and subsidies affordable.

We have had challenges in both our construction schedule and our finances and we are concentrating on solutions. I have pledged that both HART and this administration will be upfront and transparent about these issues.

Today, we have a better handle on the costs particularly since most of the contracts have been awarded. We are being more conservative in our budgeting and estimating. We are not going to use numbers that appear to be better or less expensive. Instead, we are using the numbers for the worst case scenarios for things like claims and change orders. We are also adding any savings and credits to the project's contingency rather than reducing our budget by that amount. HART remains confident that \$8.2 billion is the best current estimate of the project's construction costs.

We're looking for an extension of the General Excise Tax surcharge in perpetuity to help cover the budget shortfall and pay for additional financing costs in the future. Extending the GET surcharge is the best option because it is already in place and tourists and non-residents pay nearly thirty percent of the GET.

If the GET surcharge is extended, the Legislature has consistently asked for the

January 23, 2017

Page 3

City's skin in the game. The City's full faith and credit stands behind this project. If this project fails, the City will have to pay back all of the money using real property tax revenues.

In addition, the City will be responsible for 100 percent of the rail's operations and maintenance costs. Currently, we fully fund the O&M costs for TheBus and HandiVan, which is the best bus system in the country. Rail's O&M costs are estimated to be approximately one-quarter of the costs to operate the City's transportation services, meaning that the cost to operate rail is significantly lower than the City's current O&M costs to operate TheBus and HandiVan. We have established an O&M Working Group and have just filed bills at the City Council to enhance revenues through increases to the vehicle-weight tax, the gas tax, and parking fees. We estimate that these measures will bring in approximately \$65 million.

Oahu needs a transit solution now and rail is an investment for our island's future. This project is worthwhile and cannot be delayed. We must build the complete backbone of 20 miles and 21 stations now so that we can build rail extensions in the future.

Thank you for the opportunity to present these brief comments. We, at the City and County of Honolulu, anticipate an exciting and productive year. I am available for any of your questions.