

**COMMITTEE OF THE WHOLE
DELIBERATION AND PRELIMINARY DECISION-MAKING
FISCAL YEAR 2024-2025 ANNUAL BUDGET**

MAY 14, 2024

The Deliberation and Preliminary Decision-Making Meeting on the Fiscal Year 2024-2025 Annual Budget of the County of Kaua'i was called to order by Mel Rapozo, Chair, Committee of the Whole, on Tuesday, May 14, 2024, at 9:00 a.m. at the Council Chambers, 4396 Rice Street, Room 201, Līhu'e, Kaua'i, Hawai'i and the presence of the following were noted:

Honorable Addison Bulosan
Honorable Bernard P. Carvalho, Jr.
Honorable Felicia Cowden
Honorable Bill DeCosta
Honorable KipuKai Kualī'i
Honorable Ross Kagawa
Honorable Mel Rapozo

Council Chair Rapozo: Good morning, everyone, and welcome to the Budget Decision-Making. Thank you to the Administration for being here today. Everyone has been through this process before, we are going to follow the same structure. I wanted to put up a few slides, just so we can keep in mind. This is probably the most important function of this body throughout the year, and I wanted to put up a few comments. "Budget determines tax rates, not tax rates determine budget." In other words, we will decide today what it will take to operate this County, making sure that we provide the tools and resources to our departments, the Administration so that we can function. Based on that number that we end up with, we will get into the tax rate discussions, as far as how we are going to generate the revenue to fund the function of our government, of our County. "More revenue = tax relief." "Less revenue = tax increases." If we end up with a fund balance, then we can start discussing possible tax relief, lowering tax rates. If we end up with less revenue than we need, then we must start looking at increasing taxes or cutting services. That is kind of how it is. Basically, the flow will be, and I apologize, I misspoke earlier, Councilmember Cowden, I thought we had a flow, but it is going to be very simple. The discussions might not be simple, but the process is very simple. We are going to start off with the Supplemental Budget and then we will go around the table and solicit the proposals for adds or cuts. Cuts require four (4) votes, an add requires five (5) votes. When you make a proposal for a cut, it is obviously money that will go into the Fund Balance. If you make a proposal for an add, then you need to cite the source of the funds that you will be recommending that we use to fund that add. Are there any questions on the process?

Councilmember Kualī'i moved to accept the Supplemental Budget Communication changes submitted on May 8, 2024, and to use the Supplemental Budget as a starting point for Decision-Making, second by Councilmember Kagawa.

Council Chair Rapozo: Is there any discussion? Is there any public testimony? Seeing none. Roll call.

There being no one present to provide testimony, the meeting proceeded as follows:

The motion to accept the Supplemental Budget Communication changes submitted on May 8, 2024, and to use the Supplemental Budget as a starting point for Decision-Making was then put, and carried by the following vote:

FOR MOTION:	Bulosan, Carvalho, Cowden, DeCosta, Kagwa, Kualii, Rapozo	TOTAL – 7,
AGAINST MOTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Council Chair Rapozo: That sets the stage, we are using the Supplemental Budget Communication and not what was originally submitted. Are there any proposals?

Councilmember DeCosta: I have a very important add, I guess everyone would feel that their adds are important. I want to add money to our Housing Agency, eight million five hundred thirty-one thousand five hundred ninety-nine dollars (\$8,531,599). The add is crucial because I believe we hit a pivotal point in our crisis for our local kids to remain here. I believe our County needs to start “land banking.” I believe our County needs to start buying land. I am going to be getting this funding from raising our property tax for the Hotel and Resort and our transient vacation rentals (TVRs). It will be a direct correlation with the money we raise to put it into housing. Thank you.

Councilmember Kualii: Council Chair, I have a process question.

Council Chair Rapozo: Go ahead.

Councilmember Kualii: I think it will be easier if we start all of our proposals with a motion, Councilmember DeCosta’s was not a motion.

Council Chair Rapozo: Okay.

Councilmember Kualii: Councilmember DeCosta explained it, but he did not state, “I move to update”...it is written here, so he just needs to read it.

Councilmember DeCosta moved to increase the tax rate for the Hotel and Resort class from the proposed ten dollars and eighty-five cents (\$10.85) to eleven dollars and seventy-five cents (\$11.75), and increase the tax rate for the Vacation Rental class from the proposed ten dollars and eighty-five cents (\$10.85) to eleven dollars and seventy-five cents (\$11.75) (eight million seven hundred fifty thousand three hundred fifty-nine dollars (\$8,750,359) total tax revenue increase), with a corresponding forty-three thousand seven hundred fifty-two dollars (\$43,752) increase in the Public Access, Open Space, Natural Resources Preservation Fund and corresponding one hundred seventy-five thousand eight dollars (\$175,008) increase in the Housing Development Fund. The total remaining budgetary increase of eight million five

hundred thirty-one thousand five hundred ninety-nine dollars (\$8,531,599) will be transferred to the Housing Development Fund.

Council Chair Rapozo: Before we get a second, I want to...because we talked about doing adds and cuts first and then rates. I would ask Councilmember DeCosta that he revise the motion to add eight million five hundred thirty-one thousand five hundred ninety-nine dollars (\$8,531,599) to the Housing Development Fund, and your source of revenue would be your proposed increase in tax rates for Hotel and Resort from ten dollars and eighty-five cents (\$10.85) to eleven dollars and seventy-five cents (\$11.75).

Councilmember DeCosta: Okay.

Council Chair Rapozo: That is the motion I am entertaining, is that the motion that you are making?

Councilmember DeCosta: Yes, it is.

Councilmember Bulosan seconded the motion.

Council Chair Rapozo: I have a question, Councilmember DeCosta. I actually support the proposal, but I want to support the proposal only if these funds are going to be used for the purchase of lands. We had this discussion that we are very limited to what we can do if we do not have an inventory of land. We talked about it in a discussion a couple weeks ago about how all the rich people are coming in and buying out lands. Every time they buy out these large tracks of lands, it takes away opportunities for our local residents to become landowners. Would you be okay if we limited these funds for the specific purpose of purchasing land and banking the land, so that we have lands available for the development of affordable, workforce, or whatever housing needs that we have on this island?

Councilmember DeCosta: Would that limit the money to be used for infrastructure, in case we have a piece of property that we would like to put into a developmental stage, if we needed to run power, water, and sewer?

Council Chair Rapozo: Infrastructure is fine as well. The Housing Development Fund is one of the eligible...

Councilmember DeCosta: I am okay with that if we categorize it as land purchase and infrastructure to go with the land purchase.

Council Chair Rapozo: Is there any further discussion? Councilmember Cowden.

Councilmember Cowden: I am familiar with many of these vacation rentals, and so many of them are people's houses in places and certainly people who live here and support their families in part by having a vacation rental. It might be a deceased relative's house and they are able to do that or something that has been in their family for a long time. Even raising up to ten dollars and eighty-five cents (\$10.85) helps it to be prohibitive for that to be viable. I think that what we would end up doing is forcing the sale of many part-time

residents' homes, because they are not hotels, they are different, they do not rent them all the time. I think it would force that sale. Many of those people are people who support churches, nonprofits, and help in so many ways, so we are choosing to remove that element from that community. I think when we look at resorts, if we have a resort go into insolvency, it is much more difficult to manage the sale of that resort compared to a transient vacation rental. I think this invites problems particularly if we go into an economic downturn, which is clearly on the horizon. If we have more geopolitical chaos, which is underway, this charge will happen one year and one half (1½) from now, then we buy land, and then how many more years out? I think that it is going to create far more problems than it will solve, so I am going to support it. I certainly care about supporting our people with houses, I want to keep them in their houses, independently, and eight million dollars (\$8,000,000), that does not even buy a house. Not even a nice house, in some of the areas that we have, and properties...I cannot remember how much we spent for what we have in Kīlauea, but it is a lot of money. I think we do need land. I do not think this is the way to get it. I would rather partner with big landowners and find ways to incentivize them to give us the land than to crush these little microeconomies and the large visitor economy. I just do not think this is the right way to do it.

Council Chair Rapozo:

Is there anyone else? Councilmember Kagawa.

Councilmember Kagawa: Thank you for the proposal. I have no problems with raising taxes on hotels and TVR. I think as long as it fits the purpose that I feel like would require us to take that measure. Every time we raise taxes on anything, it messes us up going forward when we really need the money going forward, we have already tapped the easy source that we know our local residents would support—okay, tax the hotels and TVRs. I think we throw out that option going forward when we really need the money. We never had as much money as we had this year and last year. I always go back to the days when we first got in, Council Chair, we had the Transient Accommodations Tax (TAT) taken away from us, we did not have the General Excise Tax (GET), we were really broke. Now, with the influx of moneys, I am just afraid to increase taxes on hotels and visitors unless it really meets, like, okay, we are going to make a big difference in our affordable housing, or we are going to add inventory to our problem with the affordable housing. I just do not see the quick outcome. I know sometimes you need to look long-term, purchasing land, and what have you, but I certainly sometimes come from the philosophy that if you really want things to change substantially, you have to let the private sector do it, and not the county or state be developers. In some ways if you talk to Grassroots Institute of Hawai'i, you will hear them say that if government will support and step out of the way, do not be the developer. That is the better route to having the inventory that will satisfy all of our affordable needs, not just those at eighty percent (80%) and below. That seems to be our County's focus—eighty percent (80%) and below. That sounds great, but there are people at the one hundred twenty percent (120%) and below or one hundred forty percent (140%) and below, who are also working very hard on the island, trying to live here, and buy a house. We have a serious inventory problem. Throwing money at the Housing Agency to support eighty percent (80%) and below is not going to solve our affordable housing problem. It is going to worsen it, because we need to be thinking about all categories that need houses, not just those at the certain threshold and below. I have some systemic problems with the Housing Agency, our philosophy, at times, and I really think that chipping away is not helping.

Council Chair Rapozo:

Councilmember DeCosta.

Councilmember DeCosta: I would like to address your concern, Councilmember Kagawa, if I may. Councilmember Kagawa, you make an excellent point on the eighty percent (80%) Area Median Income (AMI), I am also with you on that. This is why my proposal would give the County funding not tied to federal dollars. When you tie a subdivision to federal dollars, they are mandated to do so much percentage of the housing in sixty percent (60%) to eighty percent (80%) AMI. If the County has their own funding, and we do not rely on federal moneys, then we can build whatever type of community housing we want, which is exactly what type of housing we need, your middle-class, your teachers, your nurses, and your policemen. All of them do not qualify for the sixty percent (60%) or eighty percent (80%) AMI that currently Habitat for Humanity is building. This source of funding would directly impact on that core group. Yes, I understand the philosophy is not to tax our people until we need the money, but I am looking at this as a crisis situation. We have been talking about housing for the last decade. We had many different Council groups sit here and say, "What can we do to add inventory?" When I look at myself, if I was to get inventory for my family, the first thing you do is check your bank account. If you have money, you can buy land. If you do not have money, you cannot buy land. Our bank account right now is a little low in the County, but right now, we are going to increase their bank account. We are going to increase the bank account, you go out and buy a chunk of land, then you work with a developer and say, "Hey, we got this chunk of land, we have the funding," now we can lobby that money, the land, we can borrow against it, and we can create a subdivision for middle-class families on Kaua'i. We can curtail whatever stipulations, so we can hit that market for our local families that are not going to be "bought out" by people from the mainland. Maui County has an eleven dollar and seventy-five cent (\$11.75) tax rate, and I believe we should be the same. We are almost, if not, more beautiful than Maui. People will come and visit us. The tax will be put off to the visitor, whether a TVR, hotel or resort, they will put that tax off on the visitor. The visitor will pay that increase. Thank you.

Council Chair Rapozo:

Is there any further discussion?

Councilmember Kualii:

I have a question for the introducer.

Council Chair Rapozo:

Go ahead.

Councilmember Kualii: The proposed rate is one (1) rate, it is not taking advantage of the ability to establish three (3) different rates for three (3) different tiers by each category: Vacation Rental, Hotel, and Resort?

Councilmember DeCosta: Yes, it says right here, "Increase the tax rate for the Hotel and Resort from the proposed ten dollars and eighty-five cents (\$10.85)..."

Councilmember Kualii: No, I am just confirming that it is just one (1) rate and you did not look at tiers for Vacation Rental or for Hotel and Resort. My question is, why not? Is it because there are smaller properties, lower valued properties and then higher valued properties? I would be more interested in supporting something that distinguished between the different types of properties as far as rates go, but this is one (1) flat rate across the category?

Councilmember DeCosta: Yes.

Councilmember Kualii: And then did you...

Councilmember DeCosta: I do not know how we would tier Hotel and Resort.

Councilmember Kualii: The same way that...

Councilmember DeCosta: Is it in a tier now?

Councilmember Kualii: No.

Councilmember DeCosta: Right.

Councilmember Kualii: But you have to propose that.

Councilmember DeCosta: But I am thinking why would we want to tier the different hotels?

Councilmember Kualii: To give the smaller valued properties of lower rate.

Councilmember DeCosta: Because we are not doing it right now.

Councilmember Kualii: Yes, we are not, but the suggested tier is a new tool.

Councilmember DeCosta: And the break would only go to the visitor. The hotel has the ability to charge less if they have a tax break.

Councilmember Kualii: Yes.

Councilmember DeCosta: Thank you for helping me to understand.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: I would like to respond to what Council Vice Chair Kualii stated, is that hotels that have a price like five hundred dollars (\$500) per night or those of extraordinary amounts, their visitor maybe could have a higher spending level than what is being anticipated. They probably have a higher income bracket, these ones that are the smaller little properties along the coastline in Kapa'a and different places like that. Those visitors cannot tolerate it. The other thing I continue to bring up that I think is important to consider is increase in insurance and that these multiunit dwellings that might be valued at things like one hundred million dollars (\$100,000,000), which four (4) years ago were fifty million dollars (\$50,000,000), they have to get ten (10) different insurance policies. They cannot get one (1) insurance policy. It is not just real property tax that is going up, it is insurance that is going up and there is a lot of opportunity to economically damage the viability of these industries, especially if we have a bad weather condition or some sort of

unforeseen two (2) or three (3) months with downtime, and I think what we saw with the one (1) resort that we have been dealing with for more than twenty (20) years, you cannot tear those things down easily. It is hard to repurpose them. After the hurricane, we saw hotels spin for twenty-five cents (\$0.25) on the dollar (\$1), fifteen cents (\$0.15) on the dollar (\$1). It was a real crisis for a number of years. I do not think we are looking ahead very well.

Council Chair Rapozo: Is there further discussion?

Councilmember Carvalho: You talked just about the land, correct?

Council Chair Rapozo: Yes.

Councilmember Carvalho: And then the land and infrastructure.

Council Chair Rapozo: Correct.

Councilmember Carvalho: That is the bottom line.

Council Chair Rapozo: Yes. When we do not have land, it is very difficult when we do not have that flexibility, as Councilmember DeCosta said. I think as we have watched the tourism industry and as we have seen the reports about record arrivals, we are breaking all the records, record spending. I do not know about you folks, but have you tried to get a hotel room, it is expensive. There are no *kama'āina* rates anymore. The *kama'āina* rates today were the luxury rates of the past. I understand what Councilmember Cowden is saying, but honestly right now, the crisis that we have is...I do not want to sound heartless, but my concern is not whether or not a hotel has to pay more insurance. My concern is seeing our kids leaving. That is my concern. If we just continue to do what we do, we will get the same result and I think it is measures like this that give us the chance to put up some inventory. I think that is what we are lacking right now. With the passage of the Legislature's Amortization Bill for TVRs, now we will be able to amortize these nonconforming use TVRs when they sell. If they do not like paying this high tax, then they can sell. When they sell, it is going to be based on a residence and not a vacation rental, so that will bring the prices down. Yes, I would say a lot of the TVRs on this island will never be sold to a local family, but there are many that will. When we hear TVR, we are only thinking about the Hanalei, Hā'ena, and Wainiha TVRs, but trust me, there are TVRs in my neighborhood in Wailua Houselots. There was a person who came up just a few days ago who wanted to pick mangoes out of my backyard. He just got in and was walking around the neighborhood and saw mangoes and asked, "Can I get some mangos?" He is a vacation renter in Wailua Houselots on Makani Road. Now, the value of that house is so much because they have the TVR tag attached to it. I think the combination of the Legislature's actions and something like this, we hope anyway, will convert a lot of these nonconforming use TVRs in residential areas to go back to being residences versus mini resorts. Go ahead.

Councilmember DeCosta: Thank you for your support. I am going to ask the Council to look at this really deeply. Housing is the number one crisis in Hawai'i. Not just for the sixty percent (60%) to eighty percent (80%) AMI, the middle-class workforce housing. Our kids go away to college, your kids who are planning to go away for college, they do not

have housing inventory, how do we do it? We keep saying we will wait for the developer to come, or the landowner to put up some land, but we have all the tools right here. When I look into your eyes on the television, whoever is watching, we have the tool bank with the money we are going to put in the account to purchase land. We got the ability to change zoning from purchasing agricultural land to residential land. We have an opportunity to make a huge dent, and this is the beginning of it. Come join me and make something happen as a legacy that we leave behind for our Kaua'i youth to have inventory to purchase one day, because right now we do not, and no one has answers. If the answers are worrying about some TVRs that are going to be impacted because they can push that price on their visitor who is going to be staying at that TVR or hotel, they should pay a little extra, because they are pricing our kids out of Hawai'i. Thank you.

Council Chair Rapozo:

Councilmember Cowden.

Councilmember Cowden: I see the value of socialized housing, which is what we are moving in to, I think that is what Councilmember Kagawa said. I am very much supportive of the socialized housing that we are building where people do not truly own their house, they kind of own it on a lease. I understand the reason why I am wanting to retain that affordability, we have that, but where I want to agree with Councilmember Kagawa is that we also need to be able to allow free enterprise to build some houses. I am a mother and grandmother whose family left a month ago, so I am experiencing the very problem that we are talking about. It is just how we solve it. It is not that I do not totally agree that we need to keep housing for our kids, but eight million dollars (\$8,000,000) is going to take a long time before we are able to build them, and we needed all these things yesterday. I want to keep people in their houses.

Council Chair Rapozo:

Councilmember Kagawa.

Councilmember Kagawa: If the add came from a cut into our budget, I would support it one hundred percent (100%), but to add in this manner is difficult. I will be proposing some cuts of my own and I do not mind if those cuts go towards the idea that Councilmember DeCosta has. I think it is a more responsible way to find an add is to cut into our budget and find support among our colleagues that we stood together, took the tough measures, but not the easy way. I think the easy way is just adding more to the property taxes and like I said, next year, five (5) years down the line, ten (10) years down the line when this County is broke and we need revenue, we cannot go to that TVR, Hotel and Resort tax, because we already did it. That is where I stand. Thank you.

Council Chair Rapozo:

Councilmember Bulosan.

Councilmember Bulosan: I am in complete support of this. I think it is great idea. In looking at risk and reward and trying to understand unintended consequences. If we just go back a couple times ago, the housing crisis is not something that came out of nowhere. We know that our visitor industry takes the brunt of everything here, financially for our community. We see it in the budget where approximately sixty-five percent (65%) of our budget is coming from elsewhere, but it does not prevent us from making these decisions to continue to ask for that help, because it is part of that cycle. Therefore, what I am saying is that the increase is just a reflection of a cause and effect. We must find funds to make a bigger

dent on our housing crisis, because it is our biggest challenge. I understand the idea of holding off on increasing taxes in certain places, because we might need it in the future, but the future is already here, so we must make it now. If we must raise it again in the future, hopefully we have the power to do it again. The reason I am saying this is that we are still the most cheapest tax rate place in the country, in the entire world, regarding to certain taxes and it is not far off for hotel and visitor industry considering that the entire business of Hawai'i is mostly visitor industry, and we are still pretty low compared to other places. I feel confident that if we do pass this measure, that there will be minimal unintended consequences that will be negative. The upside is tremendous. An example I wanted to bring up is that we have been following for the last few years is Waipouli, imagine if we had the money at that transition time and we could keep that affordable and we did not kick people out...we have other properties like that, that we will have to make decisions in the future. Luckily, the Council made some changes so that these problems do not happen continuously, but that is one (1) example where if we had the money and we had the opportunity, that would have made a big difference. I am in support and hope we can get the same support from other councilmembers.

Council Chair Rapozo: Is there any further discussion? I cannot count, I have no idea where this is going.

Councilmember Carvalho: Housing is a big issue. I do not want to restate, but I think overall whatever opportunity we have to secure housing, the land, and infrastructure...I know we have done numerous housing projects in the past, but trying to see how we can find that balance and more options. Let us navigate through how it would reach out into the community, more opportunities, and like what was said earlier, a lot of our kids are moving away, so how do we keep that opportunity here, and the land is a big part. When I heard that portion of it and its use, that will open more opportunities there for me.

Council Chair Rapozo: Councilmember Kualii, did you want to explore tiers on this?

Councilmember Kualii: I do. I also have a couple of...number 1, I think there were some talk about limiting it to purchasing land and then infrastructure for that land that has been purchased.

Council Chair Rapozo: Or existing lands.

Councilmember Kualii: Yes.

Council Chair Rapozo: Infrastructure or purchase of lands.

Councilmember Kualii: Is that an amendment? How are we doing this process...an amendment and then we vote on the amendment.

Council Chair Rapozo: Yes, I wanted to ask what the intention was of Councilmember DeCosta.

Councilmember Kualii: I also want to hear from the Administration as well.

Council Chair Rapozo: Okay.

Councilmember Kualii: So, start by, is it being amended and then we are voting on the amendment or...

Council Chair Rapozo: It would have to be...

Councilmember Kualii: I would not support...I think it is important that the Housing Agency has the ability to use the money to get more of our housing projects completed. If it means infrastructure for an existing housing project...as an example, right now in Lihu'e, right, there is potential of Grove Farm lands with acquisitions, but the two (2) stumbling blocks is the water and wastewater, so if the Housing Agency could use the funds to help cure those challenges to make affordable housing happen in Lihu'e faster, than I would be in support of that.

Council Chair Rapozo: Let me just say that as this proposal was introduced, it is nonrestrictive, so the Housing Development Fund current policy would be in place. Therefore, they would have the flexibility to use it as they see fit, in compliance with that fund.

Councilmember Carvalho: I have a question for Councilmember Kualii. You said an amendment...

Councilmember Kualii: Well, it is not necessarily if Council Chair Rapozo is saying the limitation to just buy land...

Councilmember Carvalho: Oh, okay.

Councilmember Kualii: ...has not been an amendment to change...right now it is nonrestrictive.

Council Chair Rapozo: The proposal is just to move it over to the Development Fund. With that, I will suspend the rules. Is the Housing Agency present or someone from the Administration?

Councilmember Cowden: Adam is here. Adam.

There being no objections, the rules were suspended.

ADAM P. ROVERSI, Housing Director: *Aloha*, Council Chair. Adam Roversi from the Housing Agency. I apologize if a specific question was asked, I was conferring with the Mayor, and I did not hear the thought.

Council Chair Rapozo: I think they just want to hear from you regarding the proposal.

Mr. Roversi: Okay.

Council Chair Rapozo: Would eight million dollars (\$8,000,000) help you create housing for not just affordable, but workforce?

Mr. Roversi: Certainly. I feel that we could productively expand the funds if they were provided at the Housing Agency. As you all know, acquisition of land, going through the process of zoning, districting, and infrastructure installation takes some time, so it will not create homes tomorrow. It starts the process that gets it done. Lima Ola, which is producing one hundred fifty-five (155) new homes in Phase I, some of which will be opening in the next month or two. That started eight (8) years ago with a large infusion of capital.

Council Chair Rapozo: It will happen quicker with this than not, correct?

Mr. Roversi: Most certainly. I would comment that it is our goal to serve a wide range of incomes in all of our projects at Lima Ola, so the single-family homes that we are building right as we speak, foundations are being poured at Lima Ola for families earning up to one hundred twenty percent (120%) AMI, not just restricted to low-income. It is true that in the past when we have been almost entirely dependent on federal and state funding programs, we are stuck with the income requirements that come with those funds. To the extent that we can provide, we can do more of our operations and projects with County funds and not be dependent on those funds. It allows us the flexibility to serve a wider income range of income groups.

Council Chair Rapozo: Rather than going through a process of amendments, would you be okay with using these funds to purchase available lands in areas that meet the General Plan and "banking" land so we can at least have land?

Mr. Roversi: Yes, I do think if the infrastructure piece is important. I do think that it is important to potentially be able to utilize a portion of the fund to improve the land that is acquired, otherwise it is just years and years off into the distance that the land can be put to productive use. Often, the cost of land is less than the cost of installing the infrastructure to make the land useful.

Council Chair Rapozo: Thank you. Are there any further questions for the Housing Agency? Councilmember DeCosta.

Councilmember DeCosta: Right now with the money you have in your account, if the County were to see a realtor and priced competitively go up against a billionaire who is looking at one hundred (100) or five hundred (500) acres in Kilauea, do we have the funding in that account that you have at the Housing Agency to challenge someone like that, to be price competitive to put a bid in? Do we have an account like that currently?

Mr. Roversi: We have a current balance of just under nine million dollars (\$9,000,000) in the Housing Development Fund.

Councilmember DeCosta: If you were to have a year or two of this eight-million-dollar balance thrown into the nine million dollars (\$9,000,000) and now all of a sudden you have twenty-seven million dollars (\$27,000,000), would that make you more competitive to challenge a billionaire who is buying up chunks of land, taking away inventory here on Kaua'i?

Mr. Roversi: Most certainly. We could do a lot more good work and produce...

Councilmember DeCosta: That is the point I was trying to make. Thank you.

Council Chair Rapozo: Are there further questions for Adam?

Councilmember Kualii: I am just trying to see it from all sides. In the projects...because you have a "wish list," if you will, I think we had some updates from you not too long ago, of things we want to do and if we had more money, we could do. In the coming affordable housing projects, are you maximizing going after available federal dollars, state dollars, as well as our own County Capital Improvement Projects (CIP) dollars when it comes to the needed infrastructure, so that those projects can happen sooner rather than later?

Mr. Roversi: Yes. We have been particularly successful securing federal funds. I believe the amount of federal money that we receive each year has been two hundred percent (200%) of our own budget. We have been able to leverage our success at Lima Ola to attract just under twenty-five million dollars (\$25,000,000) in federal moneys to that project, which is paying for things like the new water tank and pumps that will not only make Lima Ola feasible but will also serve the surrounding community. It is paying for the large portion of the community center that will serve not just the Lima Ola community, but all of 'Ele'ele. It is paying for Phase II infrastructure work: roads, water, and sewer line installation. We have been less active in seeking State funds for housing development and that is impart because the State funding structure is not set up to provide money to county governments. It is set up primarily to provide money for a specific developer and projects that are "shovel ready." We interact with that State funding process, and we acquire land, putting in infrastructure, and get projects shovel ready, then our selected private partners, because the Housing Agency is not building all those houses, our private partners then take the leverage of the County land and infrastructure, and they are successful securing State funding to get those projects built. That is where the interaction with the State goes. Not direct funding to the State, but without our involvement, our private partners would not be receiving the State funding awards that they do receive.

Councilmember Kualii: My next part of the question relating to funding from elsewhere as well—Maui County's housing fund is something like three hundred million dollars (\$300,000,000), so they put a lot of money into their Housing Fund. This is our first year of a really nice infusion of a big amount, way beyond the requirement by the percentage that we voted that should go to the Housing Fund every year. Are we and Maui different in the sense that because they are putting in a lot more of their own money, they are unable to go after as much federal money? That is one (1) part of the question, but the flipside is, or is it because they have a lot more money, they can leverage that and get a lot more money?

They are ten to twenty times ahead and faster in getting affordable housing developed because they have this big pot of money?

Mr. Roversi: I would say that they are not faster, but Maui is a very special case. When Maui received forty-five million dollars (\$45,000,000) two (2) years ago, a huge infusion of funds allocated by their Council to their Housing Department, but Maui's Housing Agency is set up differently than ours and they did not have a portion of their department focused on housing development. They were instructed by the County Council to set up a new department, so they have been working hard to try to ramp up an office like ours that has development capacity. They did not have that initially when they received that big infusion of money. They were focused primarily on granting those funds out to private projects, not doing County-driven development and land acquisitions, infrastructure work, because they did not have the internal capacity to do that. They are working to establish it. Shortly thereafter, the Lahaina fires happened, which put everything back to zero as far as progress, I believe that has absorbed all the focus and funding for the Housing Agency. It is difficult to compare, I would say.

Councilmember Kualii: Are we in a better position, obviously having more money, you can do more, but does that additional money allow us to leverage and get more federal dollars or does it diminish our ability to get more federal dollars, because we have the money? Do you know what I mean? Some of these families are trying to get their kids into college, the poor family can qualify for financial aid and get money from the federal government, and the better, well-off family cannot. Is more money, we can leverage and get more, or is it more money, we are not going to get as much federal funds?

Mr. Roversi: I think it only helps. Let me give a specific example. It is not so much the fact that to get x number of dollars in federal funds, you must have x number of dollars in County money as a match. Using the Lima Ola project as an example, and spent thirteen million dollars (\$13,000,000) almost twenty million dollars (\$20,000,000) in County funds and borrowed State moneys to acquire the land, do all the planning work, get the property rezoned, develop the construction and engineering drawings, and put in the roads and infrastructure for Phase I. All of that was done without any federal contributions. Having done that work, when we bring our federal representatives and we show them what the County is doing, that we are productively utilizing County funds, we are doing this work, we are doing it on budget and on time, then the flood gates opened. We had excited representatives from the Department of Housing and Urban Development, we had excited senators and house representatives, who see that we are successful using our own money and gives them confidence to contribute federal funds to our successful projects. By utilizing our dollars, we then attracted far more than we expended to that specific project because of our success in doing that correctly, properly, and on time.

Councilmember Kualii: With potentially an additional eight million dollars (\$8,000,000), do you foresee doing anything different, adding anything on? I know primarily when the County has put moneys into other projects by other nonprofit developers or for-profit organizations, it was like a token amount, if you will, to make sure the County was a part of the project to support it and it allows them to get more points when they go after grants and what have you. With this type of significant additional dollars, would you

do more things like what Maui County did, as far as passing through more funds or do you do need to use it all, you can use it all?

Mr. Roversi: I can offer just preliminary because this is all new. Preliminary there are two (2), beyond our current projects, two (2) sort of new things that we would like to do more...we have been searching for and investigating acquiring a parcel of land in the Lihu'e area to do projects like in the vain of Lima Ola, the Waimea 400 project, and the Kilauea project, to have something happening in the Lihu'e area where there is most jobs. Separately, as we move in on these larger development projects, these planned subdivisions, Lima Ola is the first one to actually be happening, the rest are moving on. As we start to do more single home construction and not just multi-family rentals, that has been a more difficult world of financing, because there are not large pools of State money available to do single-family homes for people earning up to one hundred twenty percent (120%) or one hundred forty percent (140%) of AMI. The State money is all focused on eighty percent (80%), not all, there have been some minor changes recently to try to target those middle-income working families, but it is recent. The established State funding programs that get the bulk of the money focus on those relatively low-income rental projects, so more County money as these master plan "subdivisioners" are evolving will allow us to be more successfully develop those single-family homes.

Councilmember Kualii: Thank you.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: Thank you. I want you to repeat your last comment because I think myself and Councilmember Kagawa really strongly believe in that middle-class workforce housing, because we have the Habitat for Humanity plan going on, we have the federal dollars going on, we have all of that going on, but what we do not have going on is that one phase of the game, which you just talked on, the one hundred twenty percent (120%) to one hundred forty percent (140%) of AMI. Having money in your account, your Housing Agency account, would that allow you to not look at the federal dollars, so you do not have to put that eighty percent (80%) or sixty percent (60%) of AMI in your next subdivision, whether it is Waimea 400 or Kilauea, would that money in your bank account allow you to develop these homes that we are asking you do develop?

Mr. Roversi: Yes, it would make it much more possible.

Councilmember DeCosta: Thank you.

Council Chair Rapozo: Councilmember Carvalho.

Councilmember Carvalho: Just following up on the Lima Ola project, overall. The bottom line, with the funding that we get from this discussion, could that be a footprint for another project?

Mr. Roversi: To start another planned subdivision like Lima Ola, certainly, as examples like the Waimea 400 property acquisition was four million dollars (\$4,00,000), the Kilauea acquisition was roughly nine million dollars (\$9,000,000), we

are talking roughly forty (40) acres, well, I will not compare, but yes, it could allow another large master plan subdivision acquisition to start.

Councilmember Carvalho: My point was that having the resources available does open doors for other pots of resources to bring home, I just wanted to make that clear.

Mr. Roversi: Yes.

Council Chair Rapozo: Are there any further questions for Adam? If not, thank you. Councilmember Cowden.

Councilmember Cowden: If possible, I would like to talk to the Managing Director and Steve Hunt.

Councilmember Kagawa: Are we on the add or are we on the tax cut?

Council Chair Rapozo: The add. The add is eight million dollars (\$8,000,000), but it is pretty much a dual.

Councilmember Kagawa: I thought for the process, we were going to do tax cut.

Council Chair Rapozo: Right.

Councilmember Kagawa: And that last.

Councilmember Cowden: Okay, I can do it later.

Councilmember Kagawa: No...if we have a process, then we have a process. If we have just open, "Work on anything we want," then go this way.

Council Chair Rapozo: Hang on. The add is eight million five hundred thousand dollars (\$8,500,000) going to the Housing Development Fund. Councilmember DeCosta's source of revenue is contingent on the real property tax increases on those categories. If you do not support the real property tax increase, then you do not support the proposal, because if you support his proposal of the add, you are obviously agreeing that when we get to the tax increase, when we get to tax rates, you are going to...so, it is contingent. There is no other source from Councilmember DeCosta.

Councilmember Kagawa: That is exactly why I made my point is that I support the add one hundred percent (100%), but I do not support the way...I would rather the add come from a combination of cuts or a combination of cuts and maybe real property tax, but not just a straight "raise property tax and I support add." For that, I would vote no.

Councilmember Cowden: I one hundred percent (100%) support the add, right, we need that. We need the add.

Council Chair Rapozo: The money must come from some place.

Councilmember Cowden: The money must come from some place. I know that this RPT already increased the TVR by one dollar (\$1), so this is adding another dollar (\$1), roughly, ninety-five cents (\$0.95), correct? I am wondering because I worry about unintended consequences, the microeconomies that surround these things, etcetera. I have not looked at what happens in the other counties bringing these things up to eleven dollars and seventy-five cents (\$11.75). Have you folks looked at the rates? Did you look at the rate increase of one dollar (\$1)? If we have it be one dollar and ninety-five cents (\$1.95), what do you anticipate or what type of research was looked at for what could be the consequences for the hotels? Do you have any sense or if it would have a negative impact?

(Councilmember Carvalho was noted as not present.)

There being no objections, the meeting was called back to order, and proceeded as follows:

REIKO MATSUYAMA, Managing Director: Reiko Matsuyama, Office of the Mayor. We have not looked at going even further for the Vacation Rentals above ten dollars and eighty-five cents (\$10.85). We have not seen any public testimony in opposition. I think everyone values housing. Everyone knows we are short on housing.

Councilmember Cowden: Yes.

Ms. Matsuyama: No one disagrees with that. I think they kind of settled in the fact that, "if it is going out to housing, then I guess we can live with it," and I am only speaking for the Vacation Rentals of ten dollars and eighty-five cents (\$10.85). After that, we have not researched any of that.

Councilmember Cowden: Has there been active outreach to the management companies? The hotels would not have heard about this, I would not anticipate this, so has there been any active outreach or looking at its hotels paying eleven dollars and seventy-five cents (\$11.75) on the other islands, maybe they are doing fine. I do not know what percentage of visitors are to coming, do we have anyone who has been analyzing that? Certainly, if we had an extra eight million dollars (\$8,000,000) and put it into people's houses, I am one hundred percent (100%) there for it, I just do not want to have a collapse starting to happen. Has any outreach happen to the hotel industry, did we hear from Hawai'i Lodging and Tourism Association (HLTA), have we heard from anyone? They might not even be paying much attention. I have not outreached to them, I will be honest, I have not called them. I did not expect this.

Ms. Matsuyama: We did some outreach to property managers of vacation rentals prior to our increase to ten dollars and eighty-five cents (\$10.85). Like I just reported, they were like, "I guess it is okay because it is going to house."

Councilmember Cowden: Okay.

Ms. Matsuyama: But I have not done any outreach to the hotel and resort industry.

Councilmember Cowden: Steve, do you have anything to add?

STEVEN A. HUNT, Executive Assistant to the Mayor: No, I have not done any outreach to any of the hotel or vacation rental industry directly. Certainly, an increase to eleven dollars and seventy-five cents (\$11.75) for the Vacation Rental rate is close to a nineteen percent (19%) increase, something like that. Nineteen-point two eight percent (19.28%) increase would be to the eleven dollars and seventy-five cents (\$11.75) rate.

Councilmember Cowden: I tried to “text out” to see if anyone is watching, I do not think anyone is. I do not know that they are aware this would happen.

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

Councilmember Kagawa: I have a follow-up.

Councilmember Bulosan: You can go ahead.

Councilmember Kagawa: Do you have a dollar amount for that? Can you provide a hypothetical value?

Mr. Hunt: As far as?

Councilmember Kagawa: For a TVR owner—so they know dollar-wise if their value is two million dollars (\$2,000,000), what would their increase in tax be?

Mr. Hunt: At the proposed eleven dollars and seventy-five cents (\$11.75), it would be a nineteen point two eight percent (19.28%) increase.

Councilmember Kagawa: Dollar-wise, how much would that be?

Mr. Hunt: Converting...if someone was paying on a million-dollar property, they were currently paying at nine dollars and eighty-five cents (\$9.85), that is about nine thousand eight hundred fifty dollars (\$9,850) of taxes and then you would pay an additional nineteen point two eight percent (19.28%), it would go to eleven thousand seven hundred forty-nine dollars (\$11,749).

Councilmember Kagawa: A two-thousand-dollar difference.

Mr. Hunt: Yes.

Councilmember Kagawa: For a million-dollar property, we are talking about two thousand dollars (\$2,000) a year more in taxes.

Council Chair Rapozo: Councilmember Bulosan.

Councilmember Bulosan: I would like to question Councilmember Cowden, I had a reverse, did the hotel and TVR reach out to us when they increased their rates and increased their donations to the community?

Councilmember Cowden: That is a good question.

Councilmember Bulosan: Because they could just keep the profits, right?

Ms. Matsuyama: Since I have been here, we have not touched the Hotel and Resort rates, so I cannot necessarily speak on when those changes. They had some value fluctuations, especially during COVID. I did not necessarily hear from them.

Mr. Hunt: Just a general comment, the TAT and the GET are usually "passthroughs." They go directly to the visitors. That does not cut into the net of the operation. Property taxes are not necessarily passthrough, they certainly will adjust their room rates when they can, but there is also potentially price resistance and competition, so it is not a one-for-one, necessarily. There are periods where when the property taxes remained the same and their room rates have gone up, that they make more, and there are probably periods where the room rates either remain the same or have gone up and rates have gone up, and they make less, so that actually cuts right into profit and potentially value, because our assessments are based on...we do not do it on income per se, but it is certainly an asset test of what the value of the property is. If your margins go down and your profits go down, that conceivably could drop the value of the assessments, so there is some equalization in that.

Council Chair Rapozo: A one-million-dollar property, you say the increase will be about two thousand dollars (\$2,000) per year, right? Just generally speaking.

Mr. Hunt: Correct.

(Councilmember Carvalho was noted as present.)

Council Chair Rapozo: If you divide two thousand (2,000) by twelve (12) months equals one hundred sixty-six dollars (\$166) more per month. If we divide one hundred sixty-six (166) per month by thirty (30) days, it is about five dollars (\$5) per room per night. I do not think any TVR is going to shut down, even if they are renting their house fifty percent (50%) of the month, then it goes to ten dollars (\$10) per night. Maybe someone who is vacationing is going to say, "Oh, my goodness, it is ten dollars (\$10) more, let us find somewhere else," but I do not see that happening. If it is a two-million-dollar property, then it is ten dollars (\$10). When you look at the total picture, and I do not know why we are putting so much focus on, "Oh, my goodness, the TVR industry,"—I could honestly, right now, not care. We have families on the edge of being homeless and houseless. We have families who have relocated. For me, I am sorry. Can I find eight million dollars (\$8,000,000) in our budget? Yes, I can. I can go through this budget, and I can tell you right now, equipment and vehicles, that is eight million dollars (\$8,000,000), we can wait one (1) year and use that money. Why are we focusing on the stresses of the industry that has not...I appreciate the question, Councilmember Bulosan...they have not been generous to the local communities. Look at the rates and fees. Rental cars. We rented a car in the mainland, there is a tax, all

these different concession fees, local county tax, local city tax, etcetera. You go on vacation, you pay, or you walk. We cannot pretend that this industry has not impacted our local families. Honestly, I do not have any sympathy for these folks. We see it. We see record-breaking profits, record-breaking spending. At the same time, our kids are on the mainland. They cannot afford to live in this beautiful place. Thank you for that. I loved the breakdown because I think it makes it even more clear to me that this is the way we have to go.

Councilmember DeCosta: I have a question for Steve. Councilmember Kualii brought up a really good point about tiering, and I wanted to know if I could ask you about tiering. Would tiering assist in the revenue earned, would you see a negative or a positive impact based on tiering, can you talk about that?

Mr. Hunt: Sure. There are certain classifications where I think tiering works particularly well, and that is when you get down to the base unit of the property. When you deal with larger projects, and I will take the Hotel and Resort, for instance, you might have a big disparity between similar projects because, again, people in their general nature want to reduce the taxes or mostly taxed versed, trying to get the lowest tax as possible. I think what you would see is larger projects Condominium Property Regime (CPRing) the rooms off, so the individual parcels will now have a smaller value to get the lower tier at a better rate. I will give you an example of an existing one. The Royal Sonesta Kauai Resort Lihu'e, the former Marriott, where all the rooms have been CRR'd, partly because they had timeshare, but they also CPR'd the hotel side, too, all the rooms are CPR'd. If you compared that to the Grand Hyatt Kauai Resort & Spa, maybe not directly comparable, but similar sized projects, they have not CPR'd, so their value would obviously be in the top tier, whereas the individual units with the somewhat similar project would be in the lower tier, they might pay dramatically different taxes under a Hotel and Resort tiering system.

Councilmember DeCosta: Is it safe to say, as our County, which we are revenue-based, that is how we make most of our revenues of property taxes, this would be a bad thing to tier the Hotel and Resort?

Mr. Hunt: I think you might get one year, maybe two (2) of premium taxes from those, but I think what you are likely going to see is people immediately heading to get their property CPR'd and then it is not going to be sustainable. Whereas, if you were to take a Vacation Rental class, most of those are individual units already, whether they be a single-family house or whether it is condominium unit that has already been "condominiumized," you are not going to see a big fluctuation with that. That might be something that could be tiered. For Hotel and Resort, because they are typically larger projects that stand in total, I do not think it would work as well for that, because you are basically just encouraging CPRs.

Councilmember DeCosta: Thank you.

Council Chair Rapozo: Councilmember Kualii.

Councilmember Kualii: You brought the TVR tax up to ten dollars and eighty-five cents (\$10.85), why did you choose not to tier?

Mr. Hunt: I do not think there was a lot of discussion about the composition of what is retained in that TVR class. I know we did do as proposed by this body at one time looking at the sixty-five percent (65%), twenty-five percent (25%), ten percent (10%) thresholds, and we actually looked at the number of properties in each, but we did not actually get any further than that in terms of setting tiers for that.

Councilmember Kualii: The moving of the TVR up to ten dollars and eighty-five cents (\$10.85) was because for many years everyone has been talking about the TVRs should pay the same amount as the Resort. Could it be that you did not tier because the resort was not tiered and the Resort was one (1) flat rate all across?

Ms. Matsuyama: The budget team did have a discussion of increasing the rate in totality or tier the Vacation Rental rate. I think there was a push to do either one. Exactly what you are saying, we went with the increase of ten dollars and eighty-five cents (\$10.85), because that has been the momentum for the last few years to get it equal to Hotel and Resort. Because we are putting it all to housing, it made sense for us to go up that much, and we wanted to contribute that much to the Housing Fund.

Councilmember Kualii: In this proposal, even though you and Councilmember DeCosta just went back and forth about how it is not good to tier, that applies to Resort, but it does not apply to TVR, like you just said? This proposal could be amended to tier the Vacation Rental and not tier the Hotel and Resort, and then you can actually start the bottom tier with the ten dollars and eighty-five cents (\$10.85) and at the top tier with eleven dollars and seventy-five cents (\$11.75), and because it is a ninety cents (\$0.90) difference, you could do forty-five cents (\$0.45) and find the middle tier very easily, you have eleven dollars and thirty cents (\$11.30). If that was the case, how would you propose that break up? Was it the sixty-five, twenty-five, ten threshold?

Mr. Hunt: Again, that is policy making, I do not think there is a silver bullet.

Councilmember Kualii: What was the logic of using the sixty-five percent (65%), twenty-five percent (25%), ten percent (10%) threshold? Are you saying sixty-five percent (65%) of the properties and then you would find that rate?

Mr. Hunt: With the amount of properties that existed in each category where we were looking at...

Councilmember Kualii: Where it would fall naturally, right?

Mr. Hunt: Yes.

Ms. Matsuyama: I will say that the sixty-five percent (65%) was not a discussion as it relates to the budget. When we were talking about it, that number...we were establishing tiers, when we were going through the ordinance to establish the tiers.

Councilmember Kualii: Yes.

Ms. Matsuyama: And so you folks just wanted to figure out hypothetically where this could be. We can dig out Steve's spreadsheet at anytime and kind of look back.

Councilmember Kualii: I know it ultimately becomes a policy call about the percentage breakdown, and then depending on how much revenue you are trying to come with to cover whatever expenses or proposals you are putting, you tweak the spreadsheet. Can you share with us what the natural breakdown is? In Non-Owner-Occupied Residential, you have these tier values and Tier 3 is two million dollars (\$2,000,000) and higher, would there be that type of a breakdown?

Mr. Hunt: It would follow that but at the same time, with the Non-Owner-Occupied Residential, I think there is seventy-seven percent (77%), a little more in Tier 1, not the sixty-five percent (65%). We actually looked at sixty-five percent (65%), but we also liked that because we were trying to blend in a lot of the former Residential Investor properties that are now coming into this class, we had those structures before. We had the two million dollars (\$2,000,000) and above, we had the one million two million dollars (\$1,200,000) to one million three hundred thousand dollars (\$1,300,000), so as the Residential Investor threshold got pushed further down, we thought that might be a natural tier, and we also looked at the historical rate of six dollars and five cents (\$6.05) for Residential, which got lowered to the five dollars and forty-five cents (\$5.45). When we were looking at an effective rate, that actually ends up being about two million two hundred thirty thousand dollars (\$2,230,000) now, to get to the six dollars and five cents (\$6.05), so anyone who is assessed at two million two hundred thirty thousand dollars (\$2,230,000) or below, is paying no more than they have under the previous eight (8) years or whatever we established at that six dollars and five cents (\$6.05) rate, prior to the current fiscal. We looked at those at thresholds and we wanted to make sure we were still capturing a lot of the Residential Investor in those upper tiers and even in the middle tier.

Councilmember Kualii: During the last year with real property tax, there were a few different bills, we had many families come forward, and they were saying, "it is a severe blow if you do this." Without having the tiers, right, that means the low-end families who may be operating a vacation rental are paying as much as the big companies, if you will.

Mr. Hunt: Yes. I mean...

Councilmember Kualii: Because you are not distinguishing...

Mr. Hunt: ...relative to value, not totality.

Councilmember Kualii: Not distinguishing the difference between a lower value property and a higher value property.

Mr. Hunt: The interesting thing to that, though, and I do not like trying to use taxes to force activities or decisions, but in reality, the lower tier is most likely the ones that are in the Vacation Rental, that are in that lower tier value, are mostly

likely the ones that would become long-term stock for the community. You could actually say that by putting the highest rate on the lowest tier, you might create action to get out of vacation rental activity and start providing housing. People in the upper tier, someone who has a three-million-dollar house or more, they are not going to become long-term rentals, and if they are, those long-term rentals are going to be ten thousand dollars (\$10,000), fifteen thousand dollars (\$15,000) per month, and they might not even be rented to our locals. You might find someone on a sabbatical or like we saw in COVID, people moving here for a year, renting. I think at one time we had people getting out of the Residential Investor, we had a rent that showed up and they were renting it for seventeen thousand dollars (\$17,000) per month, got it out of the Residential Investor, but at seventeen thousand dollars (\$17,000) per month, is that not the definition of Residential Investor? That is an “investor,” right, who is making money on that. I do not like trying to use and leverage taxes to dictate actions on the taxpayer, so that was one of the other reasons I think we “backed off” a little bit on tiering Vacation Rental.

Council Chair Rapozo, the presiding officer, relinquished Chairmanship to Councilmember Kualii.

(Council Chair Rapozo was noted as not present.)

Councilmember Kualii: When you folks came up with ten dollars and eighty-five cents (\$10.85), why ten dollars and eighty-five cents (\$10.85) and not eleven dollars and seventy-five cents (\$11.75)?

Ms. Matsuyama: We compared our own rates. We did not compare rates of other counties. We wanted to get our rate up to or equal to...

Councilmember Kualii: Did you have any feedback that told you that would be an amount that was more easily absorbed?

Ms. Matsuyama: When we reached out to the industry, it was something they could swallow, and obviously I am speaking in general, there will be people that come out against it. Knowing that one hundred percent (100%) of it was going to go to housing, there was not really much that they could necessarily oppose.

Councilmember Kualii: Councilmember Cowden.

Councilmember Cowden: Do we have a sense of what is the average cost of an average assessment value of a vacation rental?

Ms. Matsuyama: Give him a second.

Councilmember Cowden: While you are looking up that, maybe you know—do we have any sense of what percentage of the year a vacation rental is actually rented? We know with resorts, they intend to rent every, probably fifty (50) nights, fifty-two (52) nights out of the year, because they have to fix it up a little bit, but do most vacation rentals come anywhere close to that kind of...when we are looking at the average per night, five dollars (\$5) per night is nothing, right?

(Council Chair Rapozo was noted as present.)

Councilmember Kualii returned Chairmanship duties to Council Chair Rapozo.

Mr. Hunt: To answer the first question, the median value assessed for the 2024 year for Vacation Rental was one million one hundred forty-one thousand dollars (\$1,141,000).

Councilmember Cowden: Okay, so that is pretty low.

Mr. Hunt: Yes.

Councilmember Cowden: Is that because they are condominiums?

Mr. Hunt: Yes, condominiums are in there, correct.

Councilmember Cowden: Okay, alright.

Mr. Hunt: It is not just single-family homes within or outside of the Visitor Destination Area (VDA) with the nonconforming use permit, this is the whole gamut including condominiums. The average is slightly higher because you are going to have some very high priced ones to bring it up, and the average is one million five hundred forty thousand six hundred thirty-three dollars (\$1,540,633).

Councilmember Cowden: So, one million five hundred thousand dollars (\$1,500,000).

Mr. Hunt: Yes.

Councilmember Cowden: The average is relatively low, I would have to think that is mostly the influence of condominiums in there. It is relatively low, so when the Chair is saying five dollars (\$5) to ten dollars (\$10) per night, which I am in agreement, that is not an extraordinary amount, then on your percentages...does anything get reported? I know when we had shutdowns during COVID and floods, etcetera...

Mr. Hunt: Occupancies especially for vacation rentals, I do not think we have any data on. Certainly, because they are typically owned by individuals. There are some companies that own them, but most individuals who own these, they often carve out time for themselves.

Councilmember Cowden: Yes.

Mr. Hunt: Often the vacation rental uses an interim use until they retire. Some of these were bought as retirement properties, but they are not quite ready to retire, but they enjoy spending time here, so they will vacation rental out when they are not here and then book time or reserve time for themselves.

Councilmember Cowden: How about for our resort industry? I would expect them to be largely (inaudible), because we would not have so many TVRs if there were plenty resorts, right, or at least that is what is in my mind. Do we have an occupancy rate on those hotels?

Mr. Hunt: I do not have that handy. There is a Star Report that comes out and they break it into different categories, sort of your budget, your median, your luxury, and they have different percentages for that. That gets reported and I think the Visitor's Bureau also collects that information too, that although it is a little less timely, and that fluctuates also depending on the economy and the geopolitical climate, etcetera.

Councilmember Cowden: I hope the Visitor's Bureau is watching and looking and that they show up to testify, because I have not heard from any of them.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I heard a comment about how you looked at raising it to ten dollars and seventy-five cents (\$10.75) to get our County rate at the spot that it needs to be, but you folks did not look at the rest of the State and what the rest of the counties have their Resort and TVR tax rate at. I remember having my meeting with you, the Mayor, and Sarah, and I brought it up to you folks and usually in a meeting like that you folks would have told me if you thought I was reaching too high, but you did not. You folks saw my justification. Do you still see my justification now?

Ms. Matsuyama: Yes, I mean, I see both sides. I see Councilmember Kagawa's side as well. Obviously, if the hotel industry was here they would probably push back on this, but again, when you put it all to housing, it is kind of hard for people to disagree with that nexus.

Councilmember DeCosta: Thank you.

Council Chair Rapozo: Steve, the Star Report of January was the most recent I could find, but Kaua'i in January was seventy-one point four percent (71.4%) hotel occupancy as compared to almost seventy-five percent (75%) of the prior year, so it dropped three percent (3%), but the average room rate went from four hundred eighteen dollars (\$418) in 2023 to four hundred twenty-six dollars (\$426), which is an increase of almost two percent (2%). Less units rented but at a higher price. Four hundred twenty-six dollars (\$426) is the January rate, which is quite high.

Mr. Hunt: I did just pull up too, where the rates for hotels for Hawai'i counties, City & County of Honolulu is at thirteen dollars and ninety cents (\$13.90), Maui County is at eleven dollars and seventy-five cents (\$11.75), and Hawai'i Island is at eleven dollars and fifty-five cents (\$11.55).

Councilmember Cowden: For hotels or both?

Mr. Hunt: For hotels and resorts.

Councilmember Cowden: Not everyone has a vacation rental rate, so you cannot compare apples to apples, but for Hotel and Resort, thirteen dollars and ninety cents (\$13.90) for City & County of Honolulu, Maui County is at eleven dollars and seventy-five cents (\$11.75), and Hawai'i Island is at eleven dollars and fifty-five cents (\$11.55).

Councilmember Cowden: Okay.

Council Chair Rapozo: Are there further questions for the Finance Department? If not, thank you.

Councilmember Kualii: Can you support this proposal?

Ms. Matsuyama: It is up to the purview of the Council, but we will execute it, if you will.

Councilmember Kualii: Which means we would not expect a veto?

Ms. Matsuyama: I do not think we would veto.

Councilmember Kualii: Okay.

Council Chair Rapozo: That is why we have five (5) votes to add.

Councilmember Kualii: To override a veto.

Council Chair Rapozo: We are not going to pass something that cannot be overridden. Are there further questions? If not, thank you. Councilmember Bulosan.

The meeting was called back to order, and proceeded as follows:

Councilmember Bulosan: I want to show my support of this. We get constantly asked every day and you all know that the number one challenge is housing, and what are we doing to solve that problem? We get it a lot from the hotel and TVR industry that they are short on workers, people cannot find places for housing, rents are increasing—when are we going to do what we can? I think this is one of those, “This is what we can do.” This is what we have to do. This is a bold change. It is a nominal increase in tax and raising taxes is always the best way to find solutions, especially on an industry that is pretty much putting us on their backs to solve some of these challenges.

Council Chair Rapozo: They are on our backs.

Councilmember Bulosan: Right, and that is the other perspective. I think it is a fair exchange considering the impact we had, eight million five hundred thousand dollars (\$8,500,000) will put a huge dent, I think, in our housing industry, especially what our County can do. I hope that we can move this forward.

Council Chair Rapozo: Is there anyone else? Councilmember Cowden.

Councilmember Cowden: When we look at the increase in rental rooms and these things like that, and these costs where everything is going up, it is hard to even buy from a taco wagon for less than twenty dollars (\$20). I usually spend twenty-four dollars (\$24) because I tip, because I know I want to keep that taco wagon open and that person working there. When we look at these increases, we have to look at the fact that the County is currently enduring, all our costs are rising like crazy, everyone's costs are raising like crazy. We have that inflationary pressure, so they are not making more money than they ever did. They are charging more money than they ever did, that does not mean that they are actually making ends meet better. I want to also say that around the TVRs, I live in a community that is just overwhelmed with it. We lost our community to that industry. It was tough. How many of my friends clean TVRs for fifty dollars (\$50) to seventy-five dollars (\$75) per hour? I think in the immediate, who is going to lose their ability to earn money, because I am sure some of this will pressure it out, but I also live in a special area where we had extra amounts of flooding, so I am not right near the condominiums, other than Princeville. I just want us to be very careful. Do I support eight million dollars (\$8,000,000), which is also not even that much money, honestly, to solve our housing problem? I want to thank our Housing Director. He has been stretching the dollars that we have. I am fully in support of the goal of creating housing and I am just cautious of where I think it might end up hurting things. If most of these houses are one million two hundred thousand dollars (\$1,200,000) and we are looking at two thousand dollars (\$2,000) to four thousand dollars (\$4,000) per year, that is not the end of the world. I just probably live in a zone where you can have an ordinary house, not exceptional, and it is eight million dollars (\$8,000,000). It is where the house is at, not how nice the house is. I am just concerned, and so I am just giving that feedback.

Council Chair Rapozo: Thank you. I think those who actively rent their TVRs will not see the impact, because they will be able to pass it on—such a small increase, but for those that are part-time TVRs that decide to live in their properties for several months out of the year, yes, they will pay more, but that is their choice. Our kids do not have a choice. I am not too concerned with those people. They have an opportunity to live here part-time, they can pay, or they can sell. Those are my thoughts. I had a proposal to increase the rate to fifty cents (\$0.50) and the reason I wanted to increase the rate is because I wanted to provide some tax relief in the Owner-Occupant, because we all know, and yes, we have the protection of the cap, yes, we have the lower tax rate, but we do not control the assessments and the assessments oftentimes increase more than it should have, because of the crazy market we live in. I am perfectly fine with the proposal as-is, but I would ask if there would be some consideration of taking one million seven hundred fifty thousand dollars (\$1,750,000) of that revenue and moving it to the tax relief to Owner-Occupant. I know that comes in later, but obviously I will not introduce my proposal for the fifty cents (\$0.50), because I like yours better. I am curious how you feel about additional tax relief to the Owner-Occupant, who has really been impacted over the last couple of years because of the rising values.
Councilmember Cowden.

Councilmember Cowden: I am most concerned about those people that are renting, because I noticed with a little bit of shame that my taxes went down this year from last year, my Owner-Occupant tax. It went down quite a bit. Mine went down by forty percent (40%). When I look at who is paying our Non-Owner-Occupant, that is another one that is fairly challenged, where on that tax rate, people who are renting, we have now mixed them in with the people who are wealthy second homeowners. My biggest concern is for changing

the tiers on the Non-Owner-Occupant. That is where I would like to see the money go, so that people who are renting houses have some sort of hope of not having their valuation go up too high.

Council Chair Rapozo: Is there any further discussion? If not, we will...go ahead, Councilmember DeCosta.

Councilmember DeCosta: I wanted to bring clarity to the sum of eight million dollars (\$8,000,000). By increasing this tax, it is going to hold this revenue stream every year into housing. If we decide to find the eight million dollars (\$8,000,000) and cut the budget, then every Council following us will have to cut the budget and find eight million dollars (\$8,000,000). We are setting a guaranteed revenue stream that will go into housing. I want to bring some clarity to the number. What can eight million dollars (\$8,000,000) do? If the Housing Director had eight million dollars (\$8,000,000) two (2) years ago, Alexander & Baldwin sold two hundred (200) acres in Ōma'o, agricultural (ag) land for two million dollars (\$2,000,000), two hundred (200) acres. If you divide eight hundred (800) square feet, which is an average lot, into an acre, you can have five (5) lots into that one acre. Five (5) times two hundred (200) acres, that makes one thousand (1,000) homes. We could have bought that piece of property for two million dollars (\$2,000,000) if we had our eight million dollars (\$8,000,000), we could have changed the zoning, and we could have gotten housing in that area. Grove Farm right now is selling land, they are thinking about selling land at forty thousand dollars (\$40,000) an acre of ag land. Yes, you cannot put a house on that land, but we have the preview, again, to change the zoning. This is a no-brainer. We can leave behind a legacy, this Council's legacy that they increased housing and now with that funding that Adam has, he and his department do not have to lobby federal funding and only do eighty percent (80%) and below AMI. Now, the Housing Development Fund can build housing for our workforce and our essential workers. Thank you.

Council Chair Rapozo: Is there any further discussion? Councilmember Kagawa.

Councilmember Kagawa: Again, I support the idea. I just feel like with the largest budget in the history of Kaua'i County, we should not be raising taxes. We should keep taxes the way they are proposed, or we should cut taxes. That is the way this body should operate, that is what I think. If the Administration felt like developing housing was an immediate priority, it would have been proposed in their budget. There are other needs such as our roads, our infrastructure, and our park facilities. Everything is important with the County and those are our things right now, on our plate. We own it and we are supposed to maintain it. Until we fix our house, I do not think we should be expanding our responsibilities to focus on greater wishes and needs. I do not think we are experts in developing nor acquiring. If the two-million-dollar parcel was important, we had eight million nine hundred thousand dollars (\$8,900,000) Housing Development Fund, it could have been proposed. It is up to the Administration to decide what the priority is in acquiring, and if it is something that is needed, immediately, we can take it from the Reserve and do it. We already have a large budget and like the Council Chair, I can say yes, I do not particularly care about individuals affected, but I think we have a duty here to make sure we control the budget so that it is not out of control. When it is already the largest budget in Kaua'i County's history, and we have people tell stories how they are struggling to stay on the island, like

Council Chair Rapozo's children, we have to keep the budget as tight as we can. If there are things we want to add to expand upon what the Mayor submitted, we cut and add there. I think that is the responsible way to do it. I might be the only vote, but I am sticking to that. I do not just raise taxes because I do not mind taxing a certain category or who wants to follow Maui County right now. Who wants to follow Maui County right now? Maui is struggling. Maui County is flopping. We do not want to copy Maui right now. Thank you.

Councilmember Cowden: I have a Point of Order question.

Council Chair Rapozo: Point of Order?

Councilmember Cowden: Well, just a process question.

Council Chair Rapozo: Okay, process, yes. Point of Order is if a rule has been violated.

Councilmember Cowden: Okay. I have a process question, just so I understand. When we are voting right now, I am totally behind the eight million dollars (\$8,000,000), but I am not totally behind the tax increase, but we are going to be putting that together, is that correct?

Council Chair Rapozo: Correct. If the proposal is to get the funds from the tax increase, so, yes. If you vote yes, then you support the tax increase.

Councilmember Cowden: Okay. I certainly support the money to fix things.

Council Chair Rapozo: I agree with Councilmember Kagawa one hundred percent (100%). The fact is though if this proposal was to raise the Residential rate and the Agricultural rate, or another rates, I would not be supporting it. What we are really doing is bringing TVRs, resorts, and hotels up to par with the rest of the State. In fact, I think we would be the third cheapest now, I think Hawai'i Island is probably the cheapest, so we are not doing anything, I think, outside of what I believe is normal. I think the hotels and resorts have been getting away with a very low tax rate for a very long time. It is not that I do not care about them, I am just saying that I do not think it is unreasonable for them to pay similar to what the other islands are paying. The expenses are similar throughout the islands, I do not see it as unjustifiable. Again, if this was some other category, I would not be supporting it, but in this case, I will. I did want to hear from people...I do not know how this vote will go. There are some who have not committed one way or another, but I did want to talk about possibly lowering the Owner-Occupant rate, utilizing this vehicle right here. If there is no interest, fine, if there is interest, I will ask Councilmember DeCosta to withdraw this proposal and then we can rewrite the proposal with those funds being redirected to Owner-Occupant.

Councilmember Kagawa: It looks like I can count and we have five (5), so you folks can vote on it one time and if you get five (5), then we do not need to waste time on it.

Council Chair Rapozo: I do not know if I counted five (5).

Councilmember Kagawa: I counted five (5).

Council Chair Rapozo: Okay.

Councilmember Kagawa: You can try and you can always reject later.

Council Chair Rapozo: Well, once we pass this, though, I would have to initiate a new proposal for the...I can find the money in the budget, I would rather the Administration provide the cuts rather than we cut something that they may not be able to...or may not want. I will tell you the fifty cents (\$0.50) reduction in Owner-Occupant would require three million three hundred thousand dollars (\$3,300,000). I am just curious at what your thoughts were. Councilmember Bulosan.

Councilmember Bulosan: I like the idea. I feel like that would be a new proposal, only because I really like where this is going, how it is set up. Eight million five hundred thousand dollars (\$8,500,000) going to housing, I mean, you folks are receiving the calls. If I was a homeowner, I am not, and I was going to get asked, "Addison, if you can save money or you could help local people here," I would say, "Keep my savings, throw it back to the community." Let us get more housing.

Council Chair Rapozo: Okay. Is there any further discussion?

Councilmember Kualifi: Just to put my position out there, because I did not say if I was going to support or not. I am feeling strongly that I will only support it if we have tiers for Vacation Rental. It would be really simple, under one million dollars (\$1,000,000) is ten dollars and eighty-five cents (\$10.85), one million dollars (\$1,000,000) to two million dollars (\$2,000,000) is eleven dollars and thirty cents (\$11.30), and greater than two million dollars (\$2,000,000) is eleven dollars and seventy-five cents (\$11.75).

Council Chair Rapozo: Okay, there is no five (5).

Councilmember Kualifi: Was I part of the five (5)? I do not know.

Councilmember Kagawa: Yes, I thought you were.

Council Chair Rapozo: I do not know, it is hard to tell.

Councilmember Kagawa: I thought you were in support, I am sorry.

Council Chair Rapozo: I will leave it up to you folks. If you want to take a short break, you talk story in the back.

Councilmember Kualifi: I just put it out there. Is the marker open to the tiers?

Councilmember DeCosta: I am open. Of course I am, because I believe we need this. Should we take a recess and have them draft another proposal?

Council Chair Rapozo: What was your tier? We have to give staff time to...

Councilmember Kualii: Figure out, the eight million dollars (\$8,000,000) will change, obviously. Under one million dollars (\$1,000,000) is ten dollars and eighty-five cents (\$10.85), one million dollars (\$1,000,000) to two million dollars (\$2,000,000) is eleven dollars and thirty cents (\$11.30), and greater than two million dollars (\$2,000,000) is eleven dollars and seventy-five cents (\$11.75).

Councilmember Cowden: I have a comment on that.

Council Chair Rapozo: Go ahead.

Councilmember Cowden: I think what Steve said, I am not necessarily in disagreement with what you are saying, Councilmember Kualii, but my understanding of the goal, there are two (2) goals with all that we are doing with the TVRs. One is they want to turn them back into housing, right? If that became where people lived in it, that helps to support some of the situation, so what I am hearing Steve say that I get, is that when you have...high prices pressures people into sale, so when we make that a lower amount, it does not pressure...those lower amounts into sale. What you are proposing is that they were raising it one dollar (\$1), so that still might be in that pressure.

Councilmember Kualii: I am just trying to avoid that unintended consequence where all those families came testify before us and then we had to go back and redo it. I do not think five dollars (\$5) per night is high pressure. I am just allowing something lower for the lower value properties. If it does not work, then next year you can increase it.

Councilmember Cowden: And I think when we say five dollars (\$5) per night, we probably really should say ten dollars (\$10) per night because most of these places do not rent all year long.

Council Chair Rapozo: Yes, and their hobbies, and hobbies cost money, businesses make money. I mean, if it is a hobby, you just expect to lose money. I want to make sure I understand. The goal of this was not to convert housing to supply, I thought what Councilmember DeCosta said the goal was to create additional funding for housing for our local residents, that is what this will do. If I wanted to convert TVRs to housing, we would bump this to twenty-five dollars (\$25) per one thousand dollars (\$1,000), then that would be an incentive to get out of the TVR market and rent your house.

Councilmember Kualii: Carrots and sticks.

Council Chair Rapozo: Yes, and correct me if I am wrong, Councilmember DeCosta, I thought the goal was really to provide funding for the Housing Agency to have this ability to bank some land, so we have a starting point.

Councilmember DeCosta: Yes.

Councilmember Kualii: The only reason I am willing to increase the rates is because everyone needs affordable housing, including vacation rental operators, hotels, and resorts, because they have workers, and we hear this all the time, right? They are having a hard time hiring people and people do not have housing. It all ties together. We will be helping them too, or they would be helping us help them with housing.

Council Chair Rapozo: Okay.

Councilmember Carvalho: Again, for me, it was the same like Lima Ola, the opportunity just to offer housing for our local families. From there, everything will flow.

Council Chair Rapozo: Okay, let me just try to summarize, and this is really for staff. Councilmember Kualii's proposal is under one million dollars (\$1,000,000) is ten dollars and eighty-five cents (\$10.85), one million dollars (\$1,000,000) to two million dollars (\$2,000,000) is eleven dollars and thirty cents (\$11.30), and greater than two million dollars (\$2,000,000) is eleven dollars and seventy-five cents (\$11.75). Obviously, Councilmember Kualii said he is not going to support it unless there are tiers, and if he does not support it, then it does not pass. I am going to ask you to withdraw your proposal and then staff can work on the new proposal with the tiers, and then we can move on to the next proposal.

Councilmember DeCosta withdrew the motion to increase the tax rate for the Hotel and Resort class from the proposed ten dollars and eighty-five cents (\$10.85) to eleven dollars and seventy-five cents (\$11.75), and increase the tax rate for the Vacation Rental class from the proposed ten dollars and eighty-five cents (\$10.85) to eleven dollars and seventy-five cents (\$11.75) (eight million seven hundred fifty thousand three hundred fifty-nine dollars (\$8,750,359) total tax revenue increase), with a corresponding forty-three thousand seven hundred fifty-two dollars (\$43,752) increase in the Public Access, Open Space, Natural Resources Preservation Fund and corresponding one hundred seventy-five thousand eight dollars (\$175,008) increase in the Housing Development Fund. The total remaining budgetary increase of eight million five hundred thirty-one thousand five hundred ninety-nine dollars (\$8,531,599) will be transferred to the Housing Development Fund. Councilmember Bulosan withdrew the second.

Councilmember Kualii: I did forget to say the second part of what I was supportive of, and I was supportive of some relief to the owner.

Council Chair Rapozo: Again, I can...

Councilmember Kualii: ...can find the money elsewhere.

Council Chair Rapozo: I am going to ask the Administration to help me find some money, but if not, I know we can find it. It is not going to be a tax increase.

Councilmember Kualii: We could at some future point have a proposal that impacts this other proposal.

Council Chair Rapozo: Yes, so I will just ask...

Councilmember Kualii: The take is from the eight million dollars (\$8,000,000), maybe, if we need to.

Council Chair Rapozo: I see the Mayor making his way up here.

(Councilmember Kualii was noted as not present.)

Councilmember Cowden: Are you coming up?

Council Chair Rapozo: I thought you were coming up.

There being no objections, the rules were suspended.

DEREK S.K. KAWAKAMI, Mayor: Do you want my two cents?

Council Chair Rapozo: Absolutely.

Mayor Kawakami: Chair and Councilmembers, thank you. Council Services, thank you very much. Where do I begin? I think we are starting to get confused on this side of the fence. There are going to be potentially many different moving parts and proposals. When I came into the office, what I wanted to do is make sure that we serviced our Councilmembers the way that I would want to have been served when I was sitting on that side. We bring in every single Councilmember to ask them what your priorities are, what would you like to see, where can we improve, and on our end, we give a sincere effort to make sure that you folks can accomplish what you folks want to accomplish, because I know how hard it is to accomplish anything at the Council level. We do things that probably do not get to see and I am listening to the discussion, but if there is any department behind me that did not get their budget cut from me, raise your hand so I can cut it. Sincerely. If there is any department here that did not get their budget cut from me personally, raise your hand so I can cut it. We hand you folks over a budget that has been cut and we do it because we feel that is the hard part of the job is to be the bad person to tell department heads, "we understand you need these things, but you have to do more with less." From those cuts, we are able to do things like some of your initiatives. This Supplemental Budget we submitted, we listened very closely to what the Council was saying. The areas that we made cuts as we dollar-funded and short-funded a lot of the positions, these are things that have been spoken about time and time again, so we went out to do just that. We took a look at our CIP and made budget cuts within the CIP. We readjusted the Other Post-Employment Benefits (OPEB) to take care of the increase cost in health benefits that we are going to offer to our associates across the County, all the while fully funding OPEB, so we are not kicking the can down the road for our kids to pick up the tab later on. When we set the rate for Vacation Rental and appropriated it to housing, it was a really level playing field to keep between vacation rentals, hotels, and resorts, we did not really look at other counties, we just said there is a need, the public has been saying, we have been saying for a while that the vacation rental market contribute zero (0) to affordable housing, so I said, "Well, we will make them contribute to affordable housing," and that is why we bumped the rate up and gave every dime to the Housing Agency to build more housing. Now, in regards to land acquisition,

we are constantly looking for land. We looked at the property next to Walmart and put in an offer, and unfortunately, there was a better offer. If we had more money, maybe we could have gotten it, but at a certain point it does not pencil out. We can throw all the money in the world into the Housing Development Fund, but what it really boils down to at the end of the day is courage, because that is the most resistance we get. It is whenever we propose a "Kealahou" or a workforce housing project, the people that live closest to it are the ones that oppose it. It is not necessarily just the money issue. When you take a look at our assets between the State and the County, we have been working with the State to help them develop some of their underutilized properties from since, ever since. Part of the reason we have Kealahou is because of that partnership, but we take a look at properties like Kaua'i Community College (KCC) that has University zoning. We took a look at the amount of wasted space at each and every one of our public schools, where they could do teacher housing, and the County has an appetite to be the developer for the State, but there has to be a better coordination. I figure before we go too far down the road with property tax increases and property tax relief, the Budget Team here puts great thought into every line item in that budget, because there are risks in the type of movements we make. I do not have a crystal ball for the hotel/resort industry, I do not how profitable they are, I know what really would get under my skin when I was in the private sector is when government made assumptions that everyone in business was making a ton of money, so we can just get it from them. We proposed these rates because we feel like it strikes a balance and for the folks that have to go back and try to figure everything out, we feel that it strikes the right balance with the amount of resources that we have, the workforce that we have, and their ability and capacity. I just wanted to get those thoughts out before we go too far down the road and start to create or give Ken stress that he really does not need in trying to figure this one out. At the end of the day Councilmembers, this is in your wheelhouse, but I had to say something because when we formulate that budget, we formulate that budget with all of you folks in mind. We take notes of the things that you want to see, all through the year, every single Council Meeting whether I am here or not, I watch every single Committee Meeting and every single Council Meeting to take notes and know which way the wind is blowing, so that when we are formulating this budget, it has each and every one of your deoxyribonucleic acid (DNA) in there, so that we can all say that collectively this is work that we all did. It makes me worry when we have to look for cuts because we cut their budgets multiple times at this point, when they originally submitted and during Supplemental. I do not think there is a department that did not get a cut, and if there is, I will find out and make a cut to them, too. We believe in equality. Thank you, Council Chair.

Council Chair Rapozo: Thank you, Mayor. We appreciate your time, Mayor, that you gave each and every one of us prior to the budget, understanding though, subsequent to those meetings, we hear from our constituents as well. Councilmember Kualii.

There being no objections, the meeting was called back to order, and proceeded as follows:

Councilmember Kualii: The second part, which I forgot to say, was along the lines some level of rate reduction for the Owner-Occupied category. What I would propose and I do not have the tier values, but I would propose...the existing rate now is two million fifty-nine thousand dollars (\$2,590,000), I would propose two million thirty-five thousand dollars (\$2,350,000) for Tier 1, two million forty-five thousand dollars (\$2,450,000) for Tier 2,

and two million fifty-five thousand dollars (\$2,550,000) for Tier 3. All tiers would be lower than the existing two million fifty-nine thousand dollars (\$2,590,000), and then I would need help from the Real Property Tax Division to give me approximately sixty-five percent (65%) of the units in Tier 1, twenty-five percent (25%) in Tier 2, and ten percent (10%) in Tier 3.

Council Chair Rapozo: Okay, so you are proposing to include tiers in the Owner-Occupied?

Councilmember Kualii: Yes. We have the tool. This allows us to distinguish between the lower valued Owner-Occupied and the higher valued Owner-Occupied. They all would be a reduction, it is just that the highest value would have a very insignificant small reduction from two million fifty-nine thousand dollars (\$2,590,000) to two million five hundred fifty thousand dollars (\$2,550,000), but that would only be ten percent (10%) of the properties which are skewed at a much higher value.

Council Chair Rapozo: What I would recommend...because I see Jenelle's head spinning, I recommend moving forward with Councilmember DeCosta's proposal.

Councilmember Kualii: My support as the fifth vote includes those two (2) items.

Council Chair Rapozo: Okay.

Councilmember Kualii: So, the first item has already been accounted for, and the second item that I just stated. If we need to break and then type it out, that is where my fifth vote will come.

Council Chair Rapozo: Okay, with that, we have already withdrawn the motion and the second. Jenelle has gotten the information, so we will take a caption break.

There being no objections, the Committee recessed at 10:52 a.m., for a caption break.

The meeting was called back to order at 11:24 a.m., and proceeded as follows:

Council Chair Rapozo: While they are preparing the actual proposal, the written proposal, we will move on to the next. Councilmember Kagawa.

Councilmember Kagawa move to reduce the "Homelessness" Grant In Aid line item by four hundred thousand dollars (\$400,000) and transfer the moneys to Kaua'i Emergency Management Agency (KEMA) for a new "Flood Assistance Program" under Grant In Aid.

Councilmember Kagawa: My intention was to add four hundred thousand dollars (\$400,000) for a new flood assistance program, Grant in Aid for property owners who have experienced hardship during the recent flood events and future flood events. For Kaua'i, my personal opinion is that we are more subject to more flood damage more than ever, more than even fire damage. I think having some assistance for homeowners who have no flood insurance or significant shortage in flood insurance compared to how many they spend in

repairs, I think it would be nice if the County had a grant program given by a nonprofit and we will work out the details with the Office of the Mayor. There are times when the flood damages do not meet the Federal Emergency Management Agency (FEMA) thresholds and just because we are small should not mean we cannot help those who need help. I want to support nonprofits to help the homeless on Kaua'i, but I think before the Housing Agency jumps into the adventure, we need deeper working relationship with the State. They have former Representative John Mizuno who has taken over and has strong roots in homelessness assistance. Working with the State and following their leadership, they have way more funds than we do to provide support for the homeless. I did not want us to commit five hundred thousand dollars (\$500,000) for a new program for a Grant in Aid to homeless providers to nonprofit providers on Kaua'i that...my fear is that a lot of the assistance would go to people who just flew here from the mainland. It is something you do not want to say, but if we succeed in that endeavor of being accommodating to transplant homeless, I think we are going to be asking for a lot more to come here. There are already agencies in bad weather places, such as Oregon and Washington, they are advising their homeless clients to fly over to Hawai'i where the weather is better, where there are adequate public restroom facilities, etcetera. Our homeless efforts should be focused primarily on local homeless residents that have support systems, because I think if we help local residents suffering from homelessness, they will have a support system there. Many of their families want to help and support their family members who are homeless or suffering from mental abuse, drug addiction, etcetera, but they want them to be clean before they help. They do not want to provide support where they are going to continue bad habits. We need to get more guidance from the Housing Agency as far as what services will be delivered by these grants in aid to these nonprofit organizations that will provide homeless support. We should be helping our local residents that are suffering from tragedies that governments of state and federal are not currently supporting, like those recent flood victims. There is significant damage for, especially those in Kōloa and Wailua that had big damage and did not have adequate financial support to help them regain...so they are struggling financially or there are damages that have not been addressed. I would like to proposed that.

Councilmember DeCosta seconded the motion.

Councilmember Kagawa: With that, I am still leaving one hundred thousand dollars (\$100,000) and with that one hundred thousand dollars (\$100,000), I am hoping that the Housing Agency can still proceed with using their judgment, their workings with the State and do some successful projects with those moneys. Again, just cutting four hundred thousand dollars (\$400,000) and hoping later when we add, we can add towards Councilmember DeCosta or Councilmember Kualii's proposal for additional tax relief or additional housing moneys for land banking.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: Can I ask a question to the Housing Agency?

Councilmember Bulosan: Council Chair, Point of Order, there is no second.

Council Chair Rapozo: Councilmember DeCosta seconded the motion.

Councilmember Bulosan: Oh, okay.

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: Director Roversi, can you tell me how this four hundred thousand dollars (\$400,000) would be applied? Who would it typically go to and what would that end up being?

There being no objections, the rules were suspended.

Mr. Roversi: Adam Roversi, Housing Director, for the record. This would be a new program. We do not have a track record of past awards to refer back to. We are currently developing, along with the consultant and a series of community meetings and consultations with both councilmembers, if you have not received your invitation, you will. The business community, nonprofit organizations, as well as state actors to develop a five-year homelessness action plan that will assess the services that are currently available, the services that are providing the most success in generating results in addressing homelessness, identifying gaps and services. That plan is supposed to be finished in October. Our intention was to utilize that plan to help us direct the scoring system that would be used in the Grant In Aid program that was proposed, so we are not just making something up. We wanted to use that process to give us direction to get the most "bang for the buck," to utilize any County funds to address this issue.

Councilmember Cowden: What would I search on to see if I was invited to that, because you know I would be there?

Mr. Roversi: They are being scheduled right now, so you will get an email, if you have not already, to meet with Farah and the consultant to provide feedback.

Councilmember Cowden: On the record, please make sure I get that invitation.

Mr. Roversi: We will. The events are just being scheduled now. I would offer some of the things that could be funded, and I am not trying to prejudge, because we do want to be informed by the study. An example, my officer regularly gets phone calls, many of them, or emails, many of them directed to us from Councilmembers about an irate business owner or a neighbor complaining that there is a homeless encampment, homeless sleeping on the sidewalk outside of my business, people living in an abandoned house in so-and-so area, we do not have...if people are not breaking the law, we have no authority to force them to leave. All we can do is connect them with social service organizations who can potentially, and sometimes people do not want the help, who can potentially help them to qualify for services, health insurance, mental health services, and direct them in the right places. There are only three (3) staff members on the island who provide those outreach services right now, and they work for Family Life Center. Family Life Center is the sole entity on Kaua'i who has a contract through the State to do outreach work. The amount of money the State provides to them only hires three (3) people. That organization cannot provide substantive outreach work to the number of homeless people that we have on Kaua'i, that

could foreseeably be the sort of thing that this Grant In Aid money could go to. Either to that organization or to another organization to potentially provide additional outreach work. I am not trying to prejudice and say that would be an award, but that is the sort of thing that we could envision these funds being directed to.

Councilmember Cowden: Thank you.

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: Process question. Are we voting on the add and the cut, or are we voting on the cut? I am hoping to just voting on the cut and putting it up for a vote of five (5) later as an add. If we are doing add/cut, then I am okay with that as well.

Council Chair Rapozo: I do not have a question on the cut, but for the flood assistance program under KEMA, I think we need to know if that exists. Is there an account that exists that we could use?

Councilmember Kagawa: I can answer part of it.

Council Chair Rapozo: Okay.

Councilmember Kagawa: I had discussions with the Office of the Mayor and KEMA, and this would be a new program where we gave out some COVID relief money, but under KEMA, we would have to go through a nonprofit. KEMA is the one that whether you have FEMA assistance or State assistance, there is data is collected by KEMA, so they have the assessments, the contact numbers, and the complaints. They have all the records. I think it is only natural that KEMA be the one for the nonprofit agency to work with, whether it be Red Cross, etcetera, to provide support to some of these families. You even saw the State help homeless families in Lahaina with housing in hotels for over one (1) year. They were homeless and they were having government assistance for over one (1) year. That flood did a lot of damage and neither the State nor the Federal government provided any help to these people get back. Did you hear the cost for flood insurance for most of these people in Kōloa? Thirteen thousand dollars (\$13,000) for a single-family house, just for flood insurance. If you are wondering why these people never buy flood insurance, it is because they cannot afford it. They cannot afford thirteen thousand dollars (\$13,000) per year, they had to take the risk without going with flood insurance, because they just cannot afford that. How do we, as government, help when the free market is not helping them? Asking an old person on fixed income to pay thirteen thousand dollars (\$13,000) per year for only flood insurance is not reasonable. I think there needs to be an account where the County can help out if FEMA and the State is not helping at all. It is sad. It is a reality and we are going to have more floods. I hope not, but we are.

Council Chair Rapozo: Big rain coming this weekend. Elton, can I get you to come up? I want to know what the mechanism is. Should it be a disaster assistance program versus flood, because it may not be a flood, it might be a...

Councilmember Kagawa: Yes, we can change the language. I am fine with the language change.

Council Chair Rapozo: In the recent flood, we did not meet the threshold for FEMA assistance for the individual damages. I like that idea, I am just trying to figure out what is the mechanism and how would this work if we created this program.

ELTON S. USHIO, Emergency Management Administrator: Elton Ushio. Council Chair, mechanism, I would have to better review what is being proposed by Councilmember Kagawa. Just hearing what is being discussed right here, it appears that he wants to leverage a nonprofit entity and utilize data that KEMA has collected. As far as our initial damage assessment process and our joint preliminary damage assessment process with FEMA, that took place two (2) weeks ago.

Council Chair Rapozo: If my house got damaged from the flood and I have thirty thousand dollars (\$30,000) of damage, I apply through the County, is that how this is? I would apply for a Grant In Aid through the County, validate my damages and then the County would pay? Is that what you are envisioning?

Councilmember Kagawa: What I am envisioning is a process where they check income levels...this would have to be for affordable and for middle-class and below, some type of check in, how much insurance coverage you have and how much damage you had. It would not be paying for all of the damage, but I am thinking in my mind like ten thousand dollars (\$10,000) to twenty thousand dollars (\$20,000) type of amounts for people who have lost one hundred thousand dollars (\$100,000) in damages. Those details could be worked out by KEMA, the Office of the Mayor, and the Department of Finance. This would be totally something new, but it is not new when the Federal or State government helps out, but it is new for the County. I believe we need to step up because the State and the Federal government cannot.

Council Chair Rapozo: Councilmember Cowden.

(Councilmember Kagawa was noted as not present.)

Councilmember Cowden: I have follow-up. I know I sent a number of people to FEMA with this last flood, and there is not a way if the damage is on private property, right? If people do not have insurance and the flood happened on private property, we do not have assistance for that, correct?

Mr. Ushio: If we are talking about residential damage, Councilmember Cowden, residential damage, if we do not get the FEMA individual assistance or IA designation, which does not appear that we will...

(Councilmember Kagawa was noted as present.)

Mr. Ushio: ...then it falls to assistance through other means, like our local nonprofits. We have an excellent chance of getting Small Business Administration or SBA assistance via low interest loans. Other than that, we do not have too many other resources.

Councilmember Cowden: Yesterday, I spent quite a bit of time looking at all these federal flood protection programs that were out there, partly because we just came back from the Western Interstate Region (WIR) Conference. They were really pushing what the federal elements are for helping. One was called Federal Emergency Flood Protection, is that what we did not get or is that something separate?

Mr. Ushio: Federal Emergency Flood Protection, I would have to look that up, to be honest.

Councilmember Cowden: Okay, I will send an email over, because they came up with a big list, I know seeing it and getting it are two (2) very different things. Getting it in a timely basis. It looked like there were a number of federal pockets that could help us long-term with our flood management strategies, as well as that emergency flood situation that should be public and private.

Mr. Ushio: Councilmember Cowden, because you mentioned some other federal packages, there is the NFIP, National Flood Insurance Program, and that is something that the County of Kaua'i does have interest in and we do have a County Floodplain Manager and to strengthen efforts in that area through what they call a CRS, Community Rating Scale, there is a chance that we could get reduction in flood insurance premiums, etcetera. That is housed externally from KEMA in the Department of Public Works.

Council Chair Rapozo: Councilmember Bulosan.

Councilmember Bulosan: The proposal right now is to remove that four hundred thousand dollars (\$400,000) on the project that you already created systems for that you are developing if it is funded, correct?

Mr. Roversi: The five-year strategic plan that I mentioned is designed...we were doing that before this Grant In Aid project was conceptualized, so we are doing that regardless because it is important that we understand the best strategies and the most successful ways to help address homelessness. But it has a nice conjoining synchronicity with the Grant In Aid program in that it provides an educated and guided way to shape how the money will be utilized.

Councilmember Bulosan: Elton, if we did pull this money, this idea that we are talking about is a new idea that you would have to create...

Mr. Ushio: This has not been done before. It would set a precedent of an area that we have not gotten into previously.

Councilmember Bulosan: Thank you.

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: Again, I am not married to the idea of creating this new flood assistance program, but I do want to make the cut, because I want to see a

track record of...prior to giving the entire thing, that we see some type of track record of what is being accomplished with the initial one hundred thousand dollars (\$100,000) and then I will feel a little bit more comfortable with giving them five hundred thousand dollars (\$500,000). Again, majority of the growing homeless population I see are those coming in with a backpack and staying here for a long time. If we provide assistance towards them, we will never solve our local homeless program, and we are going to invite thousands more to come here, because the states where they are coming from will tell them, that they send them here and that they are doing well. The County cannot afford to take care of those that fly in from the mainland.

Councilmember Cowden: Adam. I have a follow-up question relative to that for

Council Chair Rapozo: Go ahead.

Councilmember Cowden: I know we do a homeless count. Do we have a sense of how many people who have lived here for say less than one (1) year or maybe lived here for ten (10) years or have lived here generationally in a homeless community.

Mr. Roversi: The annual point in time count, which is federal requirement for every state, does not collect data how long someone has been in a particular jurisdiction and whether they were born here, where they came from. I can offer that our Kealaula on Pua Loke for supportive housing project for homeless families, it is the first real project that is County-specific project to address homelessness. The vast majority of people...again, we specific target households families, especially families with minor children, but the average duration of residency for people who have stayed at Kealaula is sixteen (16) years. With many of the residents who were born and raised here. At Kealaula, and that could be because of who we are targeting through the application process and the waitlist process and we are preferencing families with children, the vast majority, I would classify as long-term Kaua'i residents.

Councilmember Cowden: My experience with the houseless community is limited to just pretty regularly visiting the homeless encampments, and so I am just asking if this is consistent with either what Ashton, Farah, or whoever is on the team expresses? The majority of those people, small majority, but the majority are part Hawaiian and local and that the people who do show up tend to get beat up, right? They do not get to stay, because the community is not willing to have them be there. Is that anything you heard? Can I get confirmation?

Mr. Roversi: I cannot comment on that.

Councilmember Cowden: Okay.

Mr. Roversi: Farah, our Homeless Coordinator, who does a lot more on-the-ground work with the community would have some personal insights. I would offer anecdotally that I think the nature of the homeless population that any of us would encounter in our lives has a lot to do with geographic areas. In my opinion, for what it is worth, the Lihu'e area does have a high concentration of what I would call transient homeless

individuals, the types of people that Councilmember Kagawa was talking about, people who appear to have been here relatively short period of time with a backpack, often single males. When we get into other outside of the Līhu'e town core to establish camp areas, so anecdotally there were some significant long-term areas along the coastline in Waimea, there are beyond 'Anini Beach Park along the cliff line, on the North Shore below the Princeville Resort. Some of those outline areas seem to have a much higher concentration of local, people who we would think of as local residents. It depends where you look at where you are in your day-to-day experience you encounter all those individuals, as to what your perception of the make-up of the population would be.

Councilmember Cowden: Do we consider the people who work the farms who definitely get off the plane with their backpacks and they do work trade on the farms, is that considered in the homeless count?

Mr. Roversi: As long as they have a place to stay on the farm they were working for, they would not be counted in our count.

Councilmember Cowden: That is a very visible community that is sort of transient backpack people.

Council Chair Rapozo: Is there any other discussion? I know you gave some potential examples, but until your study or consulting is done we do not know what the plan is, right?

Mr. Roversi: Correct. We do not want to launch a RFP for a grant application until we hone down on that, which should be in October.

Council Chair Rapozo: During the Budget Reviews, I made it very clear that when all these asks for these moneys, has to be accompanied with a plan, some sort of plan and not just "parking money." I can go through this budget and there are many examples of where we are parking money with the intent to do something, but the plan is not established yet. I feel more comfortable approving funds if there is a plan, that we know where the money is going for. This is Grant In Aid, I could assume possibly four hundred thousand dollars (\$400,000) or five hundred thousand dollars (\$500,000) could go to a nonprofit. It could.

Mr. Roversi: I can compare this to our Community Development Block Grant (CDBG) program for example, which is effectively a grant in aid program. We endeavor with about six hundred thousand dollars (\$600,000) that we get annually in that program. We endeavor to target three (3), maximum four (4) projects, because it gives a project enough money to do something significant, but also we are not giving out twenty (20) different small awards that are a nightmare to administer and do not really provide a significant difference...

Council Chair Rapozo: Right, and that is why I think we do not know what is this is going to be for. It is hard. Much like Councilmember Kagawa's flood assistance program—I do not know what that will be, even the Administration does not know. I think Councilmember Kagawa, maybe you...because we have two (2) proposals, right, one with the

cut and one with the cut and add. I would probably just ask that you do the cut. Like how we were trying to find money for land and housing, and talking about raising taxes versus not raising taxes. If you feel like this four hundred thousand dollars (\$400,000) could be better used somewhere else, then I would say to propose the cut and not the add. I am just as uncomfortable giving four hundred thousand dollars (\$400,000) to Elton, who is here saying that they never did this before and he was not sure how this would work. I like the concept, because I think we should be helping those families that got hit by the flood, I think we should, but I think that program should be established, before we “park” money without a plan.

Councilmember Kagawa: That is exactly why I created that line item. We had this massive flood that occurred recently. I am sure you saw the pictures where Po‘ipū Road or Kōloa Road was like a river. It was pretty insane how much water came down. Those same folks that got damaged by Grove Farm ditch, got “nailed” again. There is significant damage. I do not think people have the money to do what they are supposed to be doing. They just got the water out of the house, and they are living in the house. I do not think they did mold protection, etcetera, things they would have done had they had the funds. It is just scary that we can throw out money to a homeless project that we do not know what we are addressing or attacking, but we cannot help our living Kaua‘i residents that have suffered something, a freak nature that is providing financial hardship to them right now. Because Kaua‘i is small, we will have a hard time meeting FEMA’s thresholds, because we are a small island, small community. We cannot make the thresholds, no help there. Maui County can experience one damage and we will help homeless folks live in a hotel for over one (1) year. We are small, we need to be different. We have to provide better assistance for disaster than other islands, because we are not going to meet thresholds that they can meet more easily because they are larger. Again, this is not just for this flood, this is for future floods that are coming and it is only getting worse. Having an item like this, setting up a process, because if we do not put the money, I am not sure how hard they will work to set up a process, but we can do that. We can say to look into the process and then we can appropriate money at any time, I for that as well. There is a way. The budget is only a snapshot. There is an entire year where we can do budget amendments at any time, it takes a little long, but there is a process. I am willing to withdraw the add and then we will vote on the cut right now.

Council Chair Rapozo:

Councilmember DeCosta.

Councilmember DeCosta: Councilmember Kagawa speaks volumes here because that was the same thing I was trying to do with the housing money to build housing for our local people. You are trying to help our local people. These transient backpack people who come into Kaua‘i, they are not our local homeless people. I believe that when we start making programs, nonprofit programs to help these people, who has been here for three (3) months, six (6) months, or one (1) year, it creates this ambiance that Kaua‘i is the place to send our homeless, because they have a grant in aid program that allows them to get some type of assistance, whether it be food, shelter, etcetera. I personally believe Nalani’s department, OED could use that money in an agriculture (ag) substantial voucher for homeless to work at the Grove Farm ag lot behind Walmart. They will work hours on the farm and get a homeless stipend and they can turn that stipend in for a hot meal or for shelter. Why do we just give out free funding? Why do we not create projects that enable our homeless to be productive? Let us give them an opportunity to be productive. Therefore, if

we want to give the Housing Agency the money, let us partner with our local farmers within the area that they live, it does not need to be only in Lihu'e, they can go to Moloa'a. These people become productive, so we are not giving out "freebies," because I am looking at all of you, I do not think any of you had a freebie lately. I know I have not. Everything I have paid for, I worked for. Let us be creative and hold our homeless accountable and say, "Hey, here is some money, a voucher, hot meal, place to shower and stay, but you need to have three (3) stamps to work for the county park, trash pickup, etcetera."

Council Chair Rapozo: Councilmember Cowden.

Councilmember Cowden: Can you please speak to the Kaua'i Community Alliance? I believe we have about fourteen (14) agencies that are involved there, is that almost like a standing nonprofit consortium that if we did this four hundred thousand dollars (\$400,000), can you speak to this?

Mr. Roversi: The Kaua'i Continuum of...

Councilmember Cowden: It is called the Kaua'i Community Alliance...

Mr. Roversi: Yes, the Kaua'i Community Alliance is...

Councilmember Cowden: And there is the Kaua'i Chapter of Bridging the Gap.

Mr. Roversi: Correct. So, that is what the federal government refers to as Kaua'i Continuum of Care. In order to qualify...it is established as part of a federal funding system. Every county in Hawai'i has a continuum of care. It is essentially an organization of nonprofit groups, all in various ways, in different ways, some through mental health, some through substances abuse, some through direct housing, in addressing homelessness. There are both member organizations and affiliate organizations within that group. The goal of the collective organization is to coordinate efforts amongst the groups, so they are not duplicating the services they provide, and they share information on clients, so that if one organization is focused on mental health and another organization is doing street outreach work, they would connect with each other based on the needs of the people they are encountering. The sorts of organizations that participate would presumably the target entities that would be participating in the application process if this grant in aid program move forward.

Councilmember Cowden: And because they have this nonduplication of services, as Committee Chair for the Public Safety & Intergovernmental Relations Committee, I attend their meeting maybe about every other month. I hear what they are doing and they are pretty well coordinated and they are pretty well connected, and almost all of them have deep roots in the community, and they know who they are reaching out to. My experience is that they are all underfunded. Five hundred thousand dollars (\$500,000) would not even go that far. Maybe they just need another person, a grant writer, is that what you are seeing?

Mr. Roversi: They are all financially strapped, underfunded, and unable to do half as much as they would like or should do. A simple example is that the state ceased participating in the federal emergency support grant program last year, so that was a source of federal funding that flowed through the state and the state just decided that they are not going to accept those moneys any longer. Some of these organizations depended on those funds for the work that they do in our community.

Councilmember Cowden: Therefore, helping these organizations helps those impacted, though I think we need more law enforcement, but there are neighbors and people that are impacted, not just the people who we are assisting. I guess that is...is that consistent with your understanding?

Mr. Roversi: Well, I mean homelessness certainly impacts not just the people who are experiencing homelessness, but it impacts our entire community, whether it is...during COVID we had large populations of homeless people living in County beach parks, which means...

Councilmember Cowden: I had something to do with that.

Mr. Roversi: ...the beach park is not going to be able to be enjoyed by the rest of the community who wants to go there for a picnic, walk their dog, or take their kids to the playground. Providing services to those people is one way of ensuring the rest of the population is less impacted by homelessness as well. If you have a business and you happen to not like the fact that someone is sleeping at your front door every day, through this group of nonprofit organizations, is one way to help potentially get that person relocated so they are not disrupting regular business and everyone else's life.

Councilmember Cowden: Thank you.

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: Are you okay with us leaving you one hundred thousand dollars (\$100,000) and you showing us how that money is working, if you need more funds to the Council with a money bill?

Mr. Roversi: I would certainly prefer the five hundred thousand dollars (\$500,000) that is in the original budget, but we will take what we can get and put whatever is offered to us for homeless services to productive use.

Councilmember Kagawa: Again, if there is need, you can come back to the Council and show us how the one hundred thousand dollars (\$100,000) works, so we can add more to that, to accomplish more things for our local families.

Mr. Roversi: To your point, I did mention this would be a first-time program. The Council did allocate one hundred seventy-five thousand dollars (\$175,000) during COVID in the American Rescue Plan Act (ARPA) funds to the Housing Agency for the homelessness programs. We did grant out about one hundred fifty thousand dollars (\$150,000) of that. The largest chunk went to Family Life Center to provide outreach

work and a balance went to provide furnishings and beds to the new Lima Ola Supportive Housing project for homeless families. Those are two (2) examples of where a similar program was expended last year, but that was a special COVID related program and allocation.

Councilmember Kagawa: Perhaps at a later Council Meeting, I will welcome a report on how that program impacted our communities and served the local families. It would be interesting.

Council Chair Rapozo: Are there any further questions? If not, thank you.

The meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: The motion is to...

Councilmember Kagawa: Vote on the cut?

Council Chair Rapozo: The motion was to reduce the "Homelessness" grant by four hundred thousand dollars (\$400,000) and transfer the moneys to KEMA for a new "Flood Assistance Program" under Grant In Aid.

Councilmember Kagawa: Can we amend the motion?

Council Chair Rapozo: Do you want to just do the cut?

Councilmember Kagawa: If we just do the cut, then we have four hundred thousand dollars (\$400,000) to put towards tax relief or other things, but if we can do the cut vote, then we know we can vote for the add.

Council Chair Rapozo: Can you withdraw the original motion?

Councilmember Kagawa withdrew the motion to reduce the "Homelessness" Grant In Aid line item by four hundred thousand dollars (\$400,000) and transfer the moneys to Kaua'i Emergency Management Agency (KEMA) for a new "Flood Assistance Program" under Grant In Aid. Councilmember DeCosta withdrew the second.

Councilmember Kagawa moved to reduce the "Homelessness" Grant In Aid line item by four hundred thousand dollars (\$400,000), seconded by Councilmember DeCosta.

Council Chair Rapozo: Roll call.

The motion to to reduce the "Homelessness" Grant In Aid line item by four hundred thousand dollars (\$400,000) was then put, and failed by the following vote:

FOR MOTION:	DeCosta, Kagawa, Rapozo	TOTAL – 3,
AGAINST MOTION:	Bulosan, Carvalho, Cowden, Kualii	TOTAL – 4,
EXCUSED & NOT VOTING:	None	TOTAL – 0,

RECUSED & NOT VOTING: None

TOTAL – 0.

JADE K. FOUNTAIN-TANIGAWA, County Clerk: Motion fails.

Council Chair Rapozo: Next proposal.

Councilmember Cowden: I have one (1).

Council Chair Rapozo: Okay.

Councilmember Cowden: I moved to amend as circulated relative to what effectively is a tax cut to the Non-Owner-Occupied Residential tax class by raising the threshold of the tiers.

Council Chair Rapozo: That will come up when we do the tax rates.

Councilmember Cowden: Okay.

Council Chair Rapozo: We are looking for cuts and adds as far as the...

Councilmember Kagawa: I have a cut.

Council Chair Rapozo: You have another one? Okay, Councilmember Kagawa.

Councilmember Kagawa moved to cut “Repl EQ 357 Dozer” (Department of Public Works) and transfer the moneys to Department of Public Works for a new “Islandwide Resurfacing / Road & Bridge Repairs” under Other Services, seconded by Councilmember Bulosan.

Council Chair Rapozo: Do you want to explain your proposal?

Councilmember Kagawa: It is a cut/add, I apologize. Because it is a Highway Fund, it cannot be moved out of the fund, so it will move to a new Islandwide Resurfacing / Road & Bridge Repairs under Other Services account. The reason why I am cutting the dozer is because I have gotten many calls saying that they question that the bulldozer will be used enough to make sense for us to purchase. They suggested that we lease or rent and then if the Council shows that we use it that often, then we go to purchase. The thought was about when we had that big red equipment by the golf course and that thing just sat there, and when we asked why it was sitting, we were told that it was too big. They wanted a smaller one to maneuver, and that was a nice equipment with some Japanese name on it. It just sat there in front of the golf course. I think sometimes we must listen to the “birdies” out there and know that we tend to just buy equipment at the County, like at the landfill and we tend to sometimes not take care of it very well, following training, and if we were a private sector, we would be fired when we perform like that. Again, sometimes leasing is better than purchasing outright, especially if we are not sure, coming from the bottom up, not sure and questioning whether we need such a large equipment every day. I am just proposing it. If the

Department of Public Works feels different and convinces you folks, then I am okay. Thank you.

Council Chair Rapozo: Thank you, Troy, and let me just say this before you start. I, too, have some concerns of the amount of equipment. As I look through...this is just one (1) example, the dozer, but there is a lot a new excavator, several new excavators at one hundred twenty thousand dollars (\$120,000) a piece. I did get the justifications and it is kind of all the same, replacing this equipment or "if we get this, then we can temporarily assign workers to operate the equipment." I know the Mayor said he gets nervous when we ask the Administration to propose cuts, but all of these...the information we got, and I appreciate all the departments sending the justification sheets, but this was not available prior to the meeting we had with the Mayor. I just want to be sure that what we are asking for is what we need. I think collectively, I know there were some cuts in the Supplemental that equated to about eight million dollars (\$8,000,000) in new equipment and vehicles, trucks, etcetera. Eight hundred thousand dollars (\$800,000) is just one, but I just want to know from you that you have reviewed all the requests. I just do not want to see equipment sitting and not being used. Like what Councilmember Kagawa and Councilmember DeCosta said, I did receive calls from employees, apparently, they watch the Council Meetings too, I guess, I do not know, and they were concerned that a lot of the equipment pieces are not being used. "We do not have the need for as many pieces," and that they could get by with some motor pool format, where not every piece of this two hundred thousand dollar (\$200,000) piece of equipment is going be used every day of the week, and that it could be shared between geographic areas. I am not going to go through this list and try to micromanage you folks, but I just want to know from you and hear from you that you reviewed the list and is that, in your opinion you believe that all of these pieces of equipment will be used on a regular basis.

There being no objections, the rules were suspended.

TROY K. TANIGAWA, County Engineer: Troy Tanigawa, County Engineer. Yes, we did look at the list. We scrutinized it. What we are requesting here with this piece of equipment are pieces of equipment that we will use or must use regularly. It will add to our capabilities that we have through rental of equipment now. A good example of how we use those excavators with the attachment is what happened at Kaiakea. There was a hillside, large area with scrub brush trees and using that type of equipment we are able to take down that brush and maintain that area in a way that it was done where we did not have to apply for a permit, because it was actually a grinding brush instead of yanking trees out.

Council Chair Rapozo: But, Troy, that is not something we do every day.

Mr. Tanigawa: It is not.

Council Chair Rapozo: That is once per year, maybe.

Mr. Tanigawa: And the reason why that was done was because of the fire hazard for the adjacent fire station, as well as the school is just up to the hill from there with more attention to fire mitigation, we feel that type of equipment would help us greatly, including roadside maintenance. That piece of equipment will be more flexible for

taking down brush behind guardrails and in other hard to reach areas that we have not been able to reach very easily before.

Council Chair Rapozo: Is this the dozer that you are talking about? The eight hundred thousand dollar (\$800,000) dozer.

Mr. Tanigawa: The dozer is another piece of equipment that we feel would be a good addition to our capabilities. Bryson can get into more details of how the Highways & Roads Construction Division utilizes it, but I will say that in addition to what the division would normally use that piece of equipment for. We have assisted the Kaua'i Fire Department (KFD) with brush fire response and a piece of equipment like that significantly adds to preventing spread of brush fires.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I am all about being fiscally responsible, I think Councilmember Kagawa has a good point, let us either rent a machine if we are not using it every day, but sometimes we have situations in the County where we have to use that machine at 8:00 p.m. or 9:00 p.m. I remember when we had the floor, recently, we got called out to a reservoir in Ōma'ō, it was very hazardous, working into the "wee hours" of the night. In a situation like that, would you be able to rent equipment from a company? At 9:00 p.m., you cannot rent a piece of equipment, right? We would have to use our own equipment. Please make me believe how this dozer fits into that element, that equation of the night of the flood, you folks had to go out there, midnight, with County equipment to render this hazardous situation. Help me understand, do we need the dozer, or can we do without the dozer?

BRYSON VIVAS, Executive Assistant to the Mayor: Bryson Vivas. Good morning, Council. For the dozer, for that specific incident, a dozer was not needed, it was more so excavators.

Councilmember DeCosta: Okay.

Mr. Vivas: Let us say that something did break and then there was debris cleanup that needed to be done, then we could probably bring a dozer to help with the cleanup. Any of those late at night, or even an excavator late at night is difficult. We would have to reach out to contractors we know that has equipment and do some type of emergency support from a contractor. Getting a rental late at night is not possible. As for operations with our dozer, the majority of our work happens at our materials baseyard in Līhu'e. What we use the dozer for is pushing of the road cuttings that gets brought to our materials baseyard. Majority of that work for that machine is for setting the stockpiles, creating the areas for the job sites for the material. As for projects, let us say there is a flood and the beaches have debris on the sand, we would use the dozer for that type of support, also fire mitigation, if KFD requests support as well.

Councilmember DeCosta: We had fires out in Waimea and Kekaha, the *mauka* plains, I remember we had County equipment. That dozer made a firebreak, is that what you are talking about?

Mr. Vivas: Not when I was here.

Councilmember DeCosta: But in situations like that.

Mr. Vivas: In situations like that, we would support.

Councilmember DeCosta: Do we have a dozer now?

Mr. Vivas: We have a dozer now. It is an older dozer; it is about twenty (20) years old. I know I had it down as 2012, but it is 2005. It is about twenty (20) years old, and it is an older...

Councilmember DeCosta: What is the working condition of that older dozer?

Mr. Vivas: It works. It is not the best. It is weathered, it is rusty, but it still works.

Councilmember DeCosta: How often does it sit, not being used?

Mr. Vivas: Out of the month, it works about two (2) weeks out of the month, pushing material at the Marine Camp.

Council Chair Rapozo: Where?

Councilmember DeCosta: Every other day.

Mr. Vivas: At our stockpile camp by the Wailua Golf Course. That is where all the coal plain material from all the paving jobs that we do, it goes to that baseyard.

Council Chair Rapozo: Is that the only dozer we have?

Mr. Vivas: For...

Council Chair Rapozo: I received a call...

Mr. Vivas: For the Roads Division, that is the only dozer we have.

Council Chair Rapozo: We have one (1) dozer for the entire island?

Mr. Vivas: For the Roads Division.

Council Chair Rapozo: What about the other divisions?

Mr. Tanigawa: The Solid Waste Division has one (1) dozer at the landfill now, and we had a second dozer appropriated in this current budget. We just received bids on that. The other factor I would like to put out on the table for your consideration is we

looked at the cost. The current bid for a dozer that we got is roughly six hundred sixteen thousand dollars (\$616,000). The annual rental cost, because we are renting a dozer now, because our current dozer is down, the rental cost is about seven thousand dollars (\$7,000) and eight thousand dollars (\$8,000). You are looking at more than ninety thousand dollars (\$90,000), if you rent it throughout the year for annual cost.

Council Chair Rapozo: The one that is down is at the landfill?

Mr. Tanigawa: Correct.

Council Chair Rapozo: Yours is still up.

Mr. Tanigawa: The Roads Division's one is still operational. In six (6) years, just over half the life of the equipment, you would have paid for it already, paid for itself. That is something else I wanted you folks to consider as well.

Council Chair Rapozo: Are there further questions?

Councilmember Carvalho: How long would it take to rent or lease it from the time you actually get it?

Mr. Tanigawa: It is about a year production.

Councilmember Carvalho: A year?

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: You said you put in for a new dozer in the budget for the landfill.

Mr. Tanigawa: Correct.

Councilmember DeCosta: But also get one broken that we are renting to subsidize the broken one, correct?

Mr. Tanigawa: In its place right now.

Councilmember DeCosta: Do we have funding allocated to fix that broken one, so we have two (2) older dozers at the baseyard that you do the asphalt moving, so in case one of the 20-year-old dozer go down, we have another? What were we going to do with the dozer out at the landfill that we are renting now to...well, it is being fixed, dead, or what?

Mr. Tanigawa: The bulldozer is a critical piece of equipment for the landfill operations.

Councilmember DeCosta: Correct, but you will buy a brand new one, correct?

Mr. Tanigawa: You need it on a daily basis.

Councilmember DeCosta: You are buying a brand new one.

Mr. Tanigawa: Correct. What the second one is for is backup. It is a backup bulldozer that we can have a better preventative maintenance program for our dozer operator, or our dozer equipment at the landfill. We can take one (1) dozer offline, put the other dozer into service, and have a regular rotation so we have a better lifespan for our equipment.

Councilmember DeCosta: Are we going to fix the one that is broken right now?

Mr. Tanigawa: Yes. There is a budget, it is currently being fixed now. I believe there is a few more months before it can be returned back to us.

Councilmember DeCosta: I am just trying to understand, we have currently three (3) dozers, one is down and we are replacing it with a rental, one of those dozers is at the baseyard, twenty-year-old, we put in the budget for the brand new dozer that is already allocated and coming, and now we are applying for one (1) more brand new dozer. Is that correct? We will have two (2) new dozers. One (1) at the landfill and one (1) that will be at our baseyard.

Mr. Tanigawa: Correct.

Councilmember DeCosta: And then we are going to have two (2) rotating dozers to fit in the maintenance and/or if something breaks?

Mr. Tanigawa: Well, right now, we can keep the Roads Division's current dozer and have it as a spare and repair it as long as it makes sense to.

Councilmember DeCosta: Right, but you have one (1) at the landfill that is down now, that you are going to repair also, right?

Mr. Tanigawa: The landfill operation, we need two (2) dozers there. We need two (2) bulldozers at the landfill operation. We are not looking at loan out the dozer to the Roads Division.

Council Chair Rapozo: Councilmember Carvalho.

Councilmember Carvalho: Just for clarification, you need the two (2) dozers at the landfill, right?

Mr. Tanigawa: Correct. A bulldozer is needed on a daily basis at the landfill.

Councilmember Carvalho: Two (2) has to be there.

Mr. Tanigawa: Yes.

Councilmember Carvalho: And then the other one...

Mr. Tanigawa: One (1) would be our primary and the other would be a spare. We have two (2) dozers that will be in and out of service. When one (1) dozer is put out of service, it will be maintained, being worked on, while the other dozer is in service. That would be a continuous rotation throughout the year.

Council Chair Rapozo: Let us bring it back to the Roads Division's bulldozer. Councilmember Kagawa.

Councilmember Kagawa: I did not get any calls besides the bulldozer cut. Why do you think they do not trust the Department of Public Works with buying this bulldozer and say that it will not be used? They said that leasing would be better. Why would some of your employees say that? It is not criticism, they are just saying that they should use a bulldozer, but it is not going to be used that much when we need to purchase that eight-hundred-thousand-dollar piece of equipment, where our track record of breaking it and then we have problems with fixing it. A lot of times they said the breaking is because of the operator's mistake. Is there a history of the County not taking care of these large pieces of equipment and having it sit?

Mr. Tanigawa: I think it is up to management personnel to make sure equipment is addressed properly, operated properly, maintained properly, it goes in for a regular maintenance check, etcetera. Maybe in the past there was not a good program in place, but I would like to think that we have new eyes on it and we look at it differently, also there are new personnel, operators in place, too.

Councilmember Kagawa: When the complaints came in, they said they hardly even use the equipment, but it sounds like you folks use them often, so there is a big disagreement from the working folks and you folks on how much the County really uses the equipment. So, we do...or plan to use the equipment a lot?

Mr. Tanigawa: Regularly.

Councilmember Kagawa: Going back to one of the ones we saw, the big red equipment, what was the problem with that equipment? It was before your time. Was it because the machine was too big?

Mr. Vivas: Are you talking about the excavator?

Councilmember Kagawa: Yes.

Mr. Vivas: The information I received from that one was that there were times when the excavator's...

Councilmember Kagawa: This was before the Mayor's time, when the big red equipment was just sitting there.

(Councilmember DeCosta was noted as not present.)

Mayor Kawakami: I just came up here to add value to the conversation. Historically what was happening is equipment requests were being submitted from the baseyards from the “boots on the ground,” to management. The equipment that was ordered was not necessarily the machinery and the equipment that the “boots on the ground” were requesting. Oftentimes, they were ordered much larger than what was requested and for practical reasons, it is very hard to use that equipment without shutting down the entire road, so you can imagine the morale when you have people out there on a daily basis, trying to get a job done, putting in equipment requests. It is no fault of any individual; it is just the way that it was done. The only reason why I know this is because early on I went out with the Roads Division crew to assess what it is they do and all of these concerns came up. What should have changed culturally within our organization is that management now listens closer to what their people are telling them they need to get the job done. A lot of this equipment on this equipment list came directly from me from being out there with those crews. We come to a part of our operation that because we have resurfaced so many of our County roads, the crews are spending a lot less time running around the island, which is what they used to do, patching potholes and instead we are part of our operation where they can do a lot of the maintenance work, but currently, they are sharing equipment. It is hard to do a complete job, if they have a key piece of machinery that is being shuttled between baseyards. You know how that goes. I have a ton of friends who borrow my tools and return them back to me broken. What we are really trying to do is build up that baseyard crew, our roads crew, our logistics crew, and even more so now if you pay attention to what the State Legislature just did, they reinstated the fire marshall position. A lot of what I am picking up as far as the conversation and the dialogue, a lot of the work for fire mitigation is going to end up on our Roads Division crew because one of the biggest things that we have to focus on is keeping all of that fuel, which is buffalo grass, etcetera, maintained. It is putting tremendous pressure on the Roads Division, logistics, and DPW to be able to maintain the level of expectation that our community continues to have. Equipment should not be just sitting, and if it is, we need to reassess because what should be happening is what our people are requesting should be the machinery and equipment they are receiving.

Councilmember Kagawa: Okay.

Councilmember Cowden: I have a follow-up.

Council Chair Rapozo: Go ahead.

Councilmember Cowden: Thank you so much for what you are saying. Just to make it easy for me, because I do receive calls that I usually do not get in the middle of, but where I am hearing from people who work the line, whether it is the Roads Division or DPW, that the people ordering the equipment are not the people who have ever driven equipment, so that is a challenge. What mechanism is there in place so if someone who is going to have a single-axle vehicle when they want a double-axle vehicle? What mechanism is in place for them to be able to push that up the chain, so it gets to the person who buys it?

Mayor Kawakami: It depends, too, right? Everyone has wants, needs, wishes, and dreams, but it boils down to what is practical and affordable. I would not know the difference between a single-axle and a double-axle, quite frankly, I do not know what that is. It comes down to often their first selection is going to be out of reach, so we work with them to find alternatives that do work. There should not be that disconnect. If, what you are hearing is a continued disconnect, is something different than what I am hearing when I actually go out there to work with them, but if you hear that, let us know so we can address it.

Councilmember Cowden: When asking the question about the axle, is that there is just so much weight that can be carried in the double-axle, because of its back wheels, so it take a lot longer. You cannot do as much work on the single shift, you cannot get as much work done. Those are the types of things that I am hearing. I am just feeding it back to you.

Mayor Kawakami: Okay.

Council Chair Rapozo: Are there further questions?

Councilmember Cowden: Yes.

Council Chair Rapozo: Regarding the dozer?

Councilmember Cowden: Yes. If we rent, you are saying that it is not effective to rent. You cannot rent it in a cost-effective way, is that what I heard?

Mr. Tanigawa: No, what I mentioned is that compared to the cost it would cost us to rent versus the actual outright purchase of a piece of equipment, we would actually save money in the long run.

Councilmember Cowden: Just where my agitation comes from is that all these pieces of equipment have electronic control units (ECUs) that seem to go bad. I sit there and I worry when we are buying, it seems like there are chips in them, and they fail, but if they fail when we are renting them, it is not our loss. If we are leasing or buying them, it is our loss. Hi, Russell.

RUSSELL IZUMO, Automotive Equipment Superintendent: Russell Izumo, Auto Shop. Good afternoon. Can you repeat the question again?

Councilmember Cowden: I just worry about these electronic control units and so if you buy a vehicle, if it blows out within four (4) or five (5) years, that we do not actually get the cost, and so if we rent them, that is on the agency who rents out the equipment.

Mr. Izumo: All the equipment you buy nowadays is going to have electronic controls, there is no way around it.

Councilmember Cowden: Right. If we rent the equipment, if the electronic controls go out, that would be the problem of the renter.

Mr. Izumo: Certain types of equipment and brands, we have the ability to replace our own use and reprogram our own use.

Councilmember Cowden: On this bulldozer, do we have it?

Mr. Izumo: We have Caterpillar software and we work closely with them on the maintenance side to keep the landfill operations running. We are probably going to use that towards the Roads Division's dozer.

Councilmember Cowden: Are you confident in this dozer, it is a Caterpillar dozer?

(Councilmember DeCosta was noted as present.)

Mr. Izumo: It is probably going to make the bid.

Councilmember Cowden: We do not know yet, but probably.

Mr. Izumo: Yes, we do not know yet.

Councilmember Cowden: Alright.

Councilmember Kagawa: I am ready to vote.

Councilmember Cowden: Alright, so where are you at?

Council Chair Rapozo: Are there further questions? If not, thank you. Is there any discussion?

The meeting was called back to order, and proceeded as follows:

Councilmember Cowden: Where is Councilmember Kagawa at? Did you change your mind?

Councilmember Kagawa: No, I am not changing my mind.

Council Chair Rapozo: We do not discuss the vote. We vote.

Councilmember Cowden: Well, we usually do. We say how we are voting.

Councilmember Kagawa: We are going to take forever if we keep it up.

Councilmember Cowden: Alright.

Councilmember Kagawa: We are asking questions knowing that we are going to vote “no,” then just vote no.

Councilmember Cowden: Alright.

Council Chair Rapozo: Here we go. Roll call.

The motion to cut “Repl EQ 357 Dozer” (Department of Public Works) and transfer the moneys to Department of Public Works for a new “Islandwide Resurfacing / Road & Bridge Repairs” under Other Services was then put, and failed by the following vote:

FOR MOTION:	Cowden, Kagawa, Rapozo	TOTAL – 3,
AGAINST MOTION:	Bulosan, Carvalho, DeCosta, Kualii	TOTAL – 4,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Tanigawa: Motion fails.

Council Chair Rapozo: Let us take a lunch break.

There being no objections, the Committee recessed for a lunch break at 12:33 p.m.

The meeting was called back to order at 1:45 p.m., and proceeded as follows:

(Councilmember Bulosan was noted as not present.)

Council Chair Rapozo: Welcome back. Councilmember Kagawa.

Councilmember Kagawa moved to cut the salary and benefits for proposed new position “Facilities Maint Ops Asst (6 Months)” (Department of Parks & Recreation, Facilities Maintenance) and transfer the money to Kaua’i Emergency Management Agency (KEMA) for a new “Flood Assistance Program” under Grant In Aid, seconded by Councilmember Cowden.

Councilmember Kagawa: With the benefits, Social Security, Health Fund Contribution, and Retirement Contribution, total cut would be sixty-four thousand one hundred fifty-three dollars (\$64,153).

Council Chair Rapozo: Councilmember Kagawa, did you want to explain your proposal?

Councilmember Kagawa: It is just a straight cut.

(Councilmember Bulosan was noted as present.)

Councilmember Kagawa: If I can elaborate a little bit.

Council Chair Rapozo: Yes, because the proposal that was just handed out showing the funds will be transferred to KEMA.

Councilmember Kagawa: Yes, but obviously that is not going to work, because it failed the first time. I will just leave it in...if we can amend and vote on the cut.

Councilmember Kagawa withdrew the motion to cut the salary and benefits for proposed new position "Facilities Maint Ops Asst (6 Months)" (Department of Parks & Recreation, Facilities Maintenance) and transfer the money to Kaua'i Emergency Management Agency (KEMA) for a new "Flood Assistance Program" under Grant In Aid. Councilmember Cowden withdrew the second.

Councilmember Kagawa moved to cut the salary and benefits for proposed new position "Facilities Maint Ops Asst (6 Months)" (Department of Parks & Recreation Facilities Maintenance), seconded by Councilmember Cowden.

Councilmember Kagawa: The rationale is that I spent eight (8) years as Chair of the Parks & Public Works Committee from 2012 to 2020. We went through the exercise of moving the maintenance section out of the Building Division, back then and I worked hard with former Mayor Carvalho, and then with former Parks & Recreation Director Lenny Rapozo, and I think it was felt that we take care of the buildings, and the Parks could get some of their overlooked maintenance addressed. We went through the exercise, and we moved it out. We moved an EM-5 and an EM-3, which was an SR at that time. We show in the budget that we just have an EM-3 and there are a couple pages of employees under there.

Councilmember Cowden: Which page?

Councilmember Kagawa: Page 169. When we moved the EM-5 back in 2014, we moved both EM-5 and the EM-3, and the entire department, and now the EM-3 is the only position shown on the page, so I think when it was moved the job description must have come with management powers to oversee this department. I think it was moved to the first page, page 156. I do not know if we are going to continue to allow them to move positions or not, is my issue. When we did it back when we did it, why did we move it out if now we are looking for management of the Facilities Maintenance? That is just the observation I had because I was involved in the transition back when we did it. I do not know if you have questions of the Department of Parks & Recreation, but for me it is budgetary measure that we always frown upon when they come up with budgets and we ask, "Where is this position," and they respond, "It is moved here," but for this one I never got notice as to why we moved the EM-5 out and then now we have a need for more management.

Council Chair Rapozo: Which page is this position?

Councilmember Cowden: Page 156.

Councilmember Kagawa: It shows up on page 170. They reduced it to six (6) months based on Council's input and the regular budget session. If you look at page 156, there is an EM-5 that has the Facilities Improvement Manager, which I think it should have

actually...if we need help there, it could show up on page 169, where we have two (2) EMs overseeing that department.

Council Chair Rapozo: Okay.

Councilmember Kagawa: But, again, this is just my observation on the past and the process of moving it as you want going into the next budget and then asking for management position now, just for me does not make sense.

Council Chair Rapozo: Are there any questions? Is the Department of Parks & Recreation here?

Councilmember Cowden: Yes, let us hear from them.

Councilmember Kagawa: Again, this was before Mayor Kawakami came in, the position was already moved. In someways, you kind of except things to still flow a little bit, if the intention was that we move the entire department and then now we are shifting away management to other areas.

Council Chair Rapozo: Director Porter, can you explain the need?

There being no objections, the rules were suspended.

PATRICK T. PORTER, Director of Parks & Recreation: Pat Porter, Director of Parks & Recreation. This position is a middle management position. When Councilmember Kagawa was talking about the EM-5 and EM-3, this position would fall under the organizational structure of the EM-3, the Facilities Maintenance Division. Our current organizational chart shows we have an EM-3 directly supervising the United Public Workers (UPW) Unit 1 employees. This position will be doing is putting a middle management in between the EM and the UPW. From discussions with Human Resources (HR), our current organizational chart is really lacking that middle management position and it is actually the only one in the County that is structured this way. What we are trying to do with this position is just bring it up to speed with the rest of the organizational structures in the County and provide that additional middle management, so that you do not have a division head directly supervising UPW, blue collar workers.

Councilmember Cowden: I have a question.

Council Chair Rapozo: Go ahead.

Councilmember Cowden: Is that existing supervisor, the division head, asking for this position? Is it because that person requested or is it for consistency with the rest of the County?

Mr. Porter: Both.

Councilmember Cowden: Is that someone who sets up the plumbing fixtures and the electric?

Mr. Porter: Yes, so all of the plumbers, the carpenters, maintenance workers, and electricians fall under the Facilities Maintenance Division. This person would oversee that portion of the Facilities Maintenance, because we also have the janitor's section, which has that level supervisory over the janitor's section. This would provide that level of supervisory oversight for the trade side.

Councilmember Cowden: Currently, that position is not filled?

Mr. Porter: It does not exist.

Councilmember Cowden: It does not exist, right, so it usually takes about three (3) to four (4) months to be able to fill it even if we had someone good.

Mr. Porter: Yes.

Councilmember Cowden: So?

Mr. Porter: We did six (6) months in our proposal.

Councilmember Cowden: You did six (6) months, so are we asking simply to remove the position?

Council Chair Rapozo: You have the EM-5, which sits in the administration, right, under you?

Mr. Porter: Correct.

Council Chair Rapozo: And then you have Facilities Maintenance Admin EM-3, right?

Mr. Porter: Yes.

Council Chair Rapozo: Is this like a working supervisor?

Mr. Porter: No, it would be an Hawai'i Government Employees Association (HGEA) position, so it is not a working supervisor.

Council Chair Rapozo: What is "F"? It says, F-10.

Mr. Porter: That is the class. It is an HGEA position. It is not considered blue collar or a working supervisor, because a working supervisor stays within the UPW union.

Council Chair Rapozo: So, this person will oversee, because you have a Custodial Service Supervisor, which is an "F" also?

Mr. Porter: Yes.

Council Chair Rapozo: Who would this person oversee, the new position?

Mr. Porter: The carpenters, the maintenance workers, the electricians, and the plumbers, so the trades.

Council Chair Rapozo: The trades.

Mr. Porter: Yes.

Council Chair Rapozo: Who do they report to now?

Mr. Porter: They report directly to the division head, the EM-3, so there is no middle management in between.

Council Chair Rapozo: Oh, okay. If this position is approved, then who does that EM-3 manage?

Mr. Porter: Would manage the two (2) F-2s and they would have their organizational structure under them.

Council Chair Rapozo: Okay. Janine, did you want to say something?

JANINE M.Z. RAPOZO, HR Manager III: Just to answer your question on what the "F" meant. That stands for foreman, it is a Unit 2 level position, so that is like right above. They usually supervise Unit 1 positions, the blue collar. That is where the "F" came from.

Council Chair Rapozo: Thank you.

Councilmember DeCosta: You told the Council that all of your divisions have that middleman expect this division.

Mr. Porter: Correct.

Councilmember DeCosta: And you see the middleman helps a lot with carrying out the duties and responsibilities of the workforce. Do you see it being something that you need?

Mr. Porter: Yes.

Councilmember Cowden: What is getting done now?

Mr. Porter: Right now, the division head is directing all of those crews.

Councilmember Cowden: But are those crews getting their work done or is it having trouble getting work done?

Mr. Porter: Yes.

Councilmember Cowden: They are getting it done?

Council Chair Rapozo: Depends who you ask.

Mr. Porter: It is heavy flow, but this organizational structure that if we come up with, you can grow into that organizational structure. It is the correct way that it is supposed to be.

Councilmember Cowden: Is it likely to be in the internal...you would probably hire someone who is in one of the lower positions?

Mr. Porter: We do not know. For our supervisors, we always want to keep appropriate span of control for our supervisors, and so that certain amount of resources for every supervisor, and so right now the Facilities Maintenance side is a little bit out of that span of control. That EM position is overseeing a little bit more than what a proper span of control would be, so by adding this position it will bring that oversight better to the entire division.

Councilmember Cowden: We do not know, but it might be an internal promotion, seems to me like an internal promotion is probably going to understand things better than if we get someone who has not done a frontline work.

Mr. Porter: Yes, and someone who knows trades, that has been in the trades industry, definitely.

Ms. Rapozo: I just wanted to add one (1) other thing about the position is that it does create an organizational structure for succession, because right now if you have the working supervisor and then you have the EM, these working supervisors will not qualify for that position, so we are trying create some level of succession within the organization.

Councilmember Cowden: If they have that position, and the main person leaves, then can they move up?

Ms. Rapozo: Correct.

Councilmember Cowden: Alright.

Council Chair Rapozo: Help me understand, because right now we have an EM-3 who is basically supervising all of the trades people. That is what you just said.

Mr. Porter: Trades and custodian.

Council Chair Rapozo: That EM-3 makes, according to the budget, one hundred twenty thousand dollars (\$120,000) per year. Now, we are going to bring in a new person who is going to get paid about eighty thousand dollars (\$80,000) per year, and he is going to do all the trades, but this EM-3 who gets one hundred twenty thousand dollars (\$120,000) will now supervise two (2) people. I am trying to understand the logic.

Ms. Rapozo: That is correct. They will have two (2) people, but they have the entire division. That person is really supposed to be the administrator who does all the budget for that area, the procurement, the contracts, those types of things. This mid-manager, sort of position that is being created would be more like the operations manager, making sure the day-to-day is happening with all of the trades.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: I have to trust that you know what is best for your division, I just do not want us to duplicate responsibilities and paying money to another person that is already accomplishing, because apparently the EM-3 is accomplishing the responsibilities. I know we had an EM-3 walk out of the Real Property Tax Division, and so I do not want to see this person overloaded also. This person might have too much responsibility, I do not know. Do you feel like this is a must for this position?

Mr. Porter: Yes, I do.

Councilmember DeCosta: Okay.

Council Chair Rapozo: Are there any further questions? If not, thank you. Is there any further discussion? Councilmember Kagawa.

The meeting was called back to order, and proceeded as follows:

Councilmember Kagawa: I want to belabor this. I think when we moved it over to the Buildings Division, there was an EM-7, an EM-5, and an SR-26 that was overseeing the entire maintenance. We worked together and we left the EM-7, because he could oversee the permits and code enforcement. We moved the EM-5 and the SR-26 and then it morphed into an EM-3, so they had two (2) managements already back when we moved it, so if you are short, why do you just not move it back? Everyone just needs to vote how they want.

Councilmember Cowden: I just have a simple...

Councilmember Kagawa: I am just bringing up from what I knew from the past, because it is worth something when we serve multiple years and we see the need for the change and you do with the change, and the next one comes in, and they start moving positions around. For me, where does it end?

Councilmember Cowden: Is the position still in the Building Division from when we moved it?

Councilmember Kagawa: No, the EM-5 is under Parks, page 156.

Councilmember Cowden: But you said we moved it to the Building Division?

Councilmember Kagawa: No, we moved it from the Building Division.

Councilmember Cowden: Oh, from the Building Division.

Councilmember Kagawa: And the EM-7 was left at the Building Division.

Councilmember Cowden: Oh, okay.

Councilmember Kagawa: It is something that we worked on way back then and now instead of two (2) EMs running it, there is just one (1).

Council Chair Rapozo: I always question why our Facilities Maintenance is on Parks and not the Building Division. I agree with you that when the change was made, the Council was assured that this was going to save money, it is going to be more efficient, more effective, and I think what you are saying is as...again, it is no “dig” on the Administration, because this is a new administration. They are entitled to make the change. I do not know if it is a blessing or curse, but when you sit on this Council for enough terms, you see the changes and promises, and then we revert. In essence now, we are getting more managers, more additional upper-level management in a system that we were told we did not need to back when we made the agreement to make the change. I see what you are saying, Councilmember Kagawa. Councilmember Carvalho.

Councilmember Carvalho: Just overall structurally, I understand the management part and all the different positions in the departments. Now, fast forward to today, I know there is a new team in place and different *kuleana* responsibilities that need to be follow-through also, to me, structurally, I remember that. At the same time, today is today, and there is a different structure in place that need support.

Council Chair Rapozo: If there is no further discussion, let us take a roll call.

The motion to cut the salary and benefits for proposed new position “Facilities Maint Ops Asst (6 Months)” (Department of Parks & Recreation Facilities Maintenance) was then put, and failed by the following vote:

FOR MOTION:	Kagawa, Rapozo	TOTAL – 2,
AGAINST MOTION:	Bulosan, Carvalho, Cowden, DeCosta, Kuali'i	TOTAL – 5,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Motion fails.

Council Chair Rapozo: Okay, next.

Councilmember Kagawa: Final proposal.

Council Chair Rapozo: Go ahead.

Councilmember Kagawa: I hope this proposal is a win. I still have faith in you folks. It is about the history, again, when you go through the initial approval of the GET.

Council Chair Rapozo: Just for those watching and are here, this is the first time that we are seeing the proposals as well, so that is why we look the way we do.

Councilmember Kagawa moved to reduce the General Excise Tax (GET) Fund contribution to the Transportation Agency by five million five hundred thousand dollars (\$5,500,000), transferring the five million five hundred thousand dollars (\$5,500,000) to the GET Fund, Department of Public Works, Other Services, Islandwide Resurfacing / Road & Bridge Repairs, with five million five hundred thousand dollars (\$5,500,000) added to the GET Fund, Transportation Agency by the Reserve Fund, seconded by Councilmember Cowden.

Councilmember Kagawa: When we approve the GET, we expected about twenty-five million dollars (\$25,000,000) per year with some going to the Transportation Agency in 2020. A portion of that did go to the Transportation Agency, I have the numbers, and it is pretty similar. The only difference is that now what we are proposing in this budget is out of the thirty-five million dollars (\$35,000,000), so it went up ten million dollars (\$10,000,000) to now, half percent GET. Now, this budget proposed about eleven million two hundred thousand dollars (\$11,200,000) going to the Transportation Agency, which leaves approximately twenty-three million dollars (\$23,000,000) for roads and bridges and this action is projected to sunset in 2030. My concern is that when it sunsets and transportation is too reliant on GET money, where is that money coming from? We are talking about sustainability, where is the money going to come from, but if we discipline ourselves now to not make the Transportation Agency so reliant on the GET Fund, we would be better prepared come 2030. We will be better able to adequately fix and repair every road and bridge that we promised that we would be able to in 2020, when we asked for the Council's approval of the half percent GET on every sales item. That is my proposal. I am ready to vote.

Councilmember Cowden: I have a question for the Roads Division.

Council Chair Rapozo: You are saying the GET Fund, you are going to take five million five hundred thousand dollars (\$5,500,000) that was in the Transportation Agency and move it to the Roads Division?

Councilmember Kagawa: Yes.

Council Chair Rapozo: And then what is...

Councilmember Kagawa: Islandwide Resurfacing CIP.

Council Chair Rapozo: What is this other five million five hundred thousand dollars (\$5,500,000) that you are saying, "with five million five hundred thousand dollars (\$5,500,000) added to the GET Fund, Transportation Agency by the Reserve Fund"?

Councilmember Kagawa: Yes, we are going to replenish the Transportation Agency from the Reserve Fund.

Council Chair Rapozo: I do not think we can touch the Reserve Fund now. We do not even have the final Annual Comprehensive Financial Report (ACFR) yet, so I cannot even tell you what the Reserve Fund requirement is. Can someone from the Finance Department tell me what we have?

Councilmember Kagawa: If we cannot do it, then obviously I will withdraw.

Council Chair Rapozo: It is just that the Reserve is set by a policy.

Councilmember Carvalho: Yes.

Council Chair Rapozo: It is thirty percent (30%) of the prior year's Operating Budget.

Councilmember Kagawa: Yes, but we always have a lapse, somehow.

Council Chair Rapozo: I do not know; I have not seen that. I do not know what that number is. Can someone come up and help me out with this? Let me know how much we can spend from the Reserve Fund, because then we can do a lot more. I was always told that the Reserve is the reserve and we do not touch the Reserve Fund. If you tell me there is a fund balance in the Reserve Account, we need to know, because we might have to reassess some things.

KEN M. SHIMONISHI, Budget Administrator: *Aloha*, Council Chair, and Members of the Council. Ken Shimonishi, Budget Administrator. You are right, we do not have an exact final version of the ACFR, which would validate for us what is the overall Fund Balance of the General Fund and thus the Reserve Fund. For purposes of our budget, we have used what we were given as the most recent financial statement, and in total, the Fund Balance of about one hundred two million dollars (\$102,000,000). The calculated minimum Reserve is seventy million three hundred thousand dollars (\$70,300,000). The amount available for reserve is seventy-eight million eight hundred thousand dollars (\$78,800,000), and so that left about eight million six hundred thousand dollars (\$8,600,000) in excess above our reserves. That is what we have used roughly or near that number in that balancing of the budget, maybe about three hundred thousand dollars (\$300,000) available in that difference between what is used in the Operating Budget versus what we calculated. Again, I want to impress upon the Council that this is based on the draft financials that we have as of...

Council Chair Rapozo: Right, are you saying that the eight million six hundred thousand dollars (\$8,600,000) is already in this budget proposal to balance?

Mr. Shimonishi: Correct.

Council Chair Rapozo: Where would we get five million five hundred thousand dollars (\$5,500,000)?

Mr. Shimonishi: That would be in fact tapping into the Reserve itself, which would be going against the policy of the Reserve as well as the structurally balanced budget.

Council Chair Rapozo: That is what I was trying to say. There is an entire process to “tap” the Reserve Fund, right? There is a process that this Council goes through by moving money out of the Reserve Fund.

Mr. Shimonishi: Correct. The Reserve Fund has stated items that it can be used for.

Council Chair Rapozo: Correct.

Mr. Shimonishi: Funding reoccurring or operating budget items are not one of them.

Council Chair Rapozo: Right, it is for emergencies. I think this Council and prior Councils added affordable housing in there, so that is an allowable use now.

Mr. Shimonishi: Correct, up to twenty percent (20%) of the Reserve Fund can be used towards affordable housing.

Council Chair Rapozo: I am just saying that if we follow this proposal, five million five hundred thousand dollars (\$5,500,000), then you are shorting the Reserve. It would be below the required amount.

Mr. Shimonishi: Based on...

Council Chair Rapozo: On the estimates, which is all we have right now.

Mr. Shimonishi: Correct.

Council Chair Rapozo: That may change. When we get the ACFR numbers at that time, if wanted to move five million five hundred thousand dollars (\$5,500,000) into the Transportation Agency, if it is available, then we could.

Mr. Shimonishi: Correct, or other...

Council Chair Rapozo: Or whatever it needs to go.

Mr. Shimonishi: Well, I think we would probably want to look at the Reserve Fund policy again, because the excess of reserves also has uses as well.

Council Chair Rapozo: Correct.

Councilmember Cowden: I thought our reserve was thirty percent (30%).
What is the Reserve?

Council Chair Rapozo: Based on the estimates from the last financial statements, we have three hundred thousand dollars (\$300,000) available.

Councilmember Cowden: I thought it was thirty percent (30%), so it would be one hundred thirty-two million dollars (\$132,000,000) this year. What is the Reserve?

Mr. Shimonishi: The Reserve is based on thirty percent (30%) of the General Fund's most recent audited financial statements. When the audit financial statements come out ending June 30, 2023, we are expecting the General Fund revenue to be around two hundred thirty-four million dollars (\$234,000,000).

Councilmember Cowden: Okay, thirty percent (30%) of that.

Mr. Shimonishi: Thirty percent (30%) of that.

Council Chair Rapozo: Okay, thank you.

Councilmember Carvalho: Going back again, I know that the entire purpose of the Reserve was to...just in case there are disaster situations, that was the whole purpose. I remember that. Working closely within our Administration to looking at what process to go through to secure funding, but again, those specific funds were set aside for that, right?

Mr. Shimonishi: That is correct. The Reserve Fund, disaster response, self-insurance provision, revenue volatility, unfunded mandates and legal claims, or affordable housing infrastructure, or land acquisition. That is the Reserve Fund in it of itself. If we have excess Reserve Fund, then we can transfer for capital program, deferred maintenance, transfer to affordable housing projects. We previously had roads resurfacing, but we took that out because we now have the GET Fund, as opposed to when we adopted this, anyway, affordable housing projects, transfer to existing long-term debt or reduction efforts in debt service, and then reappropriate to offset one-time shortfalls contributing to budget year operating expenditures.

Councilmember Carvalho: Council Chair, you remember the personal resolution, right, the Council and the Administration towards to make sure that this new program was in place. I know it is difficult, we need funding all the time, but this was set aside specifically what you just said and to me was very important. I totally support Councilmember Kagawa and his efforts to make sure that we reach out, but is there not also funding in the Department of Public Works for roads and maintenance, too, correct? I just wanted to talk about this specifically.

Council Chair Rapozo: It is difficult to approve a proposal that goes against our Reserve Policy.

Councilmember Cowden: When you are talking about the excess of the Reserve and it is capital improvements, and deferred maintenance, it seems like what he is asking for would fall under those two (2) elements.

Mr. Shimonishi: The proposal is to reduce the Transportation Agency's Operating Budget and back filled that by using the Reserve.

Councilmember Cowden: Maybe we can take the excess of the Reserve and put it into road resurfacing, that would go into it, right?

Mr. Shimonishi: Deferred maintenance, yes, you could.

Council Chair Rapozo: You are talking about three hundred thousand dollars (\$300,000), that is what we are talking about, excess. That is what our estimate shows.

Councilmember Cowden: It is not much.

Council Chair Rapozo: And we do not even know what it is, I mean that could be different, and that is why without the ACFR, it is very difficult to...that is my suggestion is stay away from the Reserve Fund, because we ran into trouble if we get the ACFR back and we under valued the amount, we need to put that money in. That is just the way it works. That Reserve is the reserve and that is why it is called that. It is not to be used to balance the budget.

Ms. Shimonishi: Just as a reminder to the Council, once the ACFR is issued, typically we send over a calculation of the Reserve and any excess deficiencies, right.

Council Chair Rapozo: Right.

Councilmember Cowden: Have the ACFR always been after the budget? I thought it came before the budget, which is a better time for it.

Ms. Shimonishi: Correct, typically it is done around maybe December/January.

Councilmember Cowden: That is what I thought, so it is late.

Ms. Shimonishi: The turnover is in the County and so that occurred.

Council Chair Rapozo: It is what it is. We rely on the most recent numbers and that is where we are at. Councilmember Kagawa, I guess if you...

Councilmember Kagawa: If I can comment?

Council Chair Rapozo: Yes.

Councilmember Kagawa: I would like to take a vote and reflect my concerns because again, you are bringing up a lot of concerns about how we violate this and that, now, but in 2030, you take away the GET Fund, how are you going to pay for the transportation?

Council Chair Rapozo: I am not arguing with you. I am just saying...

Councilmember Kagawa: Eleven million two hundred thousand dollars (\$11,200,000), if it sunsets, where are you going to get that money? I rather be responsible now and try to make us not so reliant on the GET for funding transportation and discipline ourselves, so that when and if it sunsets, what is our plan?

Council Chair Rapozo: Councilmember Kagawa, what you are doing is you are not disciplining anyone because you are taking Reserve money and putting...so no one is going to be disciplined. We cannot rely on the Reserve Fund to pay for transportation going forward.

Councilmember Kagawa: Well...

Council Chair Rapozo: That is not an allowable use of the fund.

Councilmember Kagawa: Well, if it passes, they would wait for the ACFR and when the ACFR comes out, they can replenish whatever is short by cutting whatever they feel should be cut from their budget to make a balanced budget. I am probably not going to get the votes, but I mean I just want to take a vote on it. I do not think it is illegal. We are dealing with estimates.

Council Chair Rapozo: Yes, I know.

Councilmember Cowden: Can I ask a question of the Roads Division?

Council Chair Rapozo: Sure.

Councilmember Kagawa: At some point we need to landbank, remember, we need landbank some money for the GET Fund, so that when there are big projects, we have enough money to fix those things that are more expensive than we thought.

Councilmember Cowden: If we had an additional five million five hundred thousand dollars (\$5,500,000) this year, could you handle that many road resurfacing projects, are there enough contractors, workers to be able to consume that no problem?

TODD OZAKI, Executive Assistant to the Mayor: Todd Ozaki, for the record. First, Councilmember Kagawa, thank you for the offer, in essence. Councilmember Cowden to answer your question, could we? Yes, but at the moment I would say our funds are adequate with our road resurfacing for this upcoming fiscal year. There are some challenges with getting aggregate, which the construction crews are slowing down, but what we have in place now seems adequate for what we are intended to do.

Councilmember Cowden: If you had more money, you might not be able to add two (2) more projects?

Mr. Ozaki: We could certainly encumber the funds, but what you would actually see on the road may be delayed.

Councilmember Cowden: Okay, that is what...

Council Chair Rapozo: What about bridges though, because that also includes bridges, and we got some serious deterioration of bridges, which do not require aggregate, right?

MICHAEL MOULE, Chief of Engineering Division: Good afternoon. Michael Moule, for the record, Chief of Engineering Division. We do have a lot of other projects besides road resurfacing that GET funds could be spent on, including bridges, and matching federal aid projects. I do think I agree with Mr. Ozaki that we could encumber the funds one way or another, if needed, next fiscal year. The challenge is...I could not say offhand that we have a bridge project that is ready to expend next fiscal year, but between our two (2) programs, I think we can probably spend it or encumber it, but there might be delays in actually getting the work done because everything in place to do the work.

Councilmember Cowden: Niumalu Road, we just made that one, but we cannot drive over it anymore, right?

Mr. Moule: Yes, a scour underneath the foundations, yes.

Councilmember Cowden: Could we fix that?

Mr. Moule: We already are moving towards fixing that as quickly as we can at this point. We are trying to see if we can get a temporary structure on it, and also looking to do a permanent replacement. I think there is CIP money for that right now. That one will likely be ready next fiscal year for replacement. Could use GET funds for that instead, that would free up CIP funds, but I am pretty sure the CIP funds are ready.

Councilmember Cowden: I am just looking for, if we had money, can we get more...because what I hear Councilmember Kagawa say is, "Let us get as much done as we can right now," and so encumbering it is different than doing it, but I am hearing you say you can probably encumber it. It sounds like whether it is a bridge or road resurfacing, you cannot do it.

Mr. Moule: Again, we would have to go back and look and see what we are looking for in funds upcoming. The other challenge that we are having with lots of our projects now is inflation has significantly up for construction like this. All our projects are seeing additional costs. That is part of the reason why I think I am confident we will be able to spend the money if we had it, because with our federal aid projects and other projects with County match or County funds, we are seeing increases in costs and I am allowed to pull project into a fiscal year that is ready for next fiscal year, for example, if we had those funds.

Councilmember Cowden: Because inflationary pressures are one of the things that concerns me. The more we push out, the more it is going to be unattainable to be able to pay for, so that is where I tend to be in alignment with Councilmember Kagawa. Our infrastructure to me is one of the most important things that we need to be addressing and

that is almost like emergency funding to be fixing these things before the bridge scour out. Thank you.

Council Chair Rapozo: Are there further questions? If not, thank you. Is there any further discussion?

The meeting was called back to order, and proceeded as follows:

Councilmember Kagawa: Even with this cut, it still leaves the Transportation Agency with about six million dollars (\$6,000,000) from GET. Six million dollars (\$6,000,000) out of thirty-five million dollars (\$35,000,000) would leave us twenty-nine million dollars (\$29,000,000) per year, if we had that number to fix roads and bridges. I think that number looks much better than twenty-four million dollars (\$24,000,000) per year. It is a lot. Just to get the bus off total reliance of GET is financial discipline that is sustainable. I am voting to support and voting on an estimate of the Reserve, and I do not think we are breaking any laws by underfunding something that is based on an estimate.

Council Chair Rapozo: I would totally support it without the transfer from the Reserve, but with that in, I cannot support it. I think we had a lot of discussion. I always had an issue with thirty percent (30%) going into the Reserve, I thought it should be twenty percent (20%). Every Council I ever been on thinks thirty percent (30%) is the way to go, and that is what we have. They are estimates but I think they are close estimates, and at this moment based on what Mr. Shimonishi said, we have about three hundred thousand dollars (\$300,000), possibly, in excess funds in the budget, and this is for five million five hundred thousand dollars (\$5,500,000), that is a huge difference. Obviously, I am not going to support it. Is there anyone else? Councilmember DeCosta.

Councilmember DeCosta: Councilmember Kagawa has a good point, if we are not fiscally responsible now, when will we become fiscally responsible? I look at our bus transient accommodation service, we hit a small group of people on Kaua'i. We fund this agency every year. I am not a "Reserve touch person" I believe our reserve is our savings. If you do not have savings, you can hit some bad times, but I think the philosophy behind what Councilmember Kagawa is saying holds truth.

Council Chair Rapozo: Councilmember Carvalho.

Councilmember Carvalho: Obviously, the Reserve is a reserve, and it is set aside for...believe me, we have been through numerous emergency situations, and it is all laid out that way. It is important that we provide what we can for our existing departments, but at the same time, it is important to have this reserve. As we all know, things will happen. It is not "if" but it is "when."

Council Chair Rapozo: Is there anyone else? Councilmember Kagawa.

Councilmember Kagawa: Since this is my last proposal, can I thank the staff for preparing it. I know it seems fruitless that it did not pass, but I just want to thank the staff for bringing forth my work. They work hard. I want to thank them.

Council Chair Rapozo: Imagine if the Sunshine Law allowed us to discuss these things before? We would have a better idea and not waste anyone's time, but that law prohibits us from doing so. I would have liked to have an opportunity to "talk story" with all the members on their proposals, but we cannot do that. With that, roll call.

The motion to reduce the General Excise Tax (GET) Fund contribution to the Transportation Agency by five million five hundred thousand dollars (\$5,500,000), transferring the five million five hundred thousand dollars (\$5,500,000) to the GET Fund, Department of Public Works, Other Services, Islandwide Resurfacing / Road & Bridge Repairs, with five million five hundred thousand dollars (\$5,500,000) added to the GET Fund, Transportation Agency by the Reserve Fund was then put, and failed by the following vote:

FOR MOTION:	Cowden, Kagawa	TOTAL – 2,
AGAINST MOTION:	Bulosan, Carvalho, DeCosta, Kualii, Rapozo	TOTAL – 5,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Motion fails.

Council Chair Rapozo: Next. Are we done?

Councilmember Kualii: No. I have three (3) proposals by request of the Council Chair, and I will start with the first one, which is an add.

Councilmember Kualii moved to increase the appropriation for Performance Audits from three hundred fifty thousand dollars (\$350,000) to five hundred thousand dollars (\$500,000) (Office of the County Clerk, Council Services, Other Services), seconded by Councilmember Kagawa.

Councilmember Kualii: This is a one-hundred-fifty-thousand-dollar add.

Council Chair Rapozo: The audits are really the only...let me just explain. The audits are really our only power in the legislative body that we have, and I have been working with some audits with the Office of the County Clerk, but it does not look like we are getting out before the end of the fiscal year. My intention is to propose five (5) audits going forward, and audits are not cheap. This is just an add. Councilmember Kualii also has proposals for the two (2) cuts. My proposal is to fund this is the removal of the one-hundred-thousand-dollar from Agriculture in OED. We had a presentation during the budget regarding the shipping study with (inaudible .015 :46:43) on Port Allen, as well as the fifty thousand dollars (\$50,000) for the Kua'i Community College (KCC) training program with the Kua'i Community Correctional Center (KCCC). Let me just start with Port Allen. I have been in discussions with the State, including Councilmember Kagawa, they have absolutely no intention of improving that harbor. The cost that it will take, the volume of product that utilize that harbor is just...they are not going to do it. If the University of Hawai'i group want to do a study, I think that the State should fund it and should work with the Department of Transportation, because regardless of what that study shows, the cost to

rehabilitate that pier and that harbor is much more than what the State is willing to pay. I got that straight from them. As far as the KCC and KCCC program, I just think it was in their developmental stage and again, I think if that is something that becomes to fruition and there is a solid plan in place, I am very much open to soliciting that request during the fiscal year. For fifty thousand dollars (\$50,000), that is definitely money that we could find in our Operating Budget to move, so those two (2) cuts would fund the add of the one hundred fifty thousand dollars (\$150,000) to the audit. Councilmember Kagawa.

Councilmember Kagawa: Are we voting on all right now? I mean, I am willing to support it.

Council Chair Rapozo: Councilmember Kualii's motion was for the add of one hundred fifty thousand dollars (\$150,000) and the method of paying that would be through the OED cut.

Councilmember Kagawa: Second.

Council Chair Rapozo: Councilmember Kualii made the motion on the add.

Councilmember Kualii: Should that be all in one (1) motion?

Council Chair Rapozo: Can we do it all in one (1) motion or do it individually?

Councilmember Kualii withdrew the motion to increase the appropriation for Performance Audits from three hundred fifty thousand dollars (\$350,000) to five hundred thousand dollars (\$500,000) (Office of the County Clerk, Council Services, Other Services). Councilmember Kagawa withdrew the second.

Councilmember Kualii: Move to amend as circulated, the three (3) pieces of papers as one (1) motion.

Councilmember Kualii moved to remove one hundred thousand dollars (\$100,000) from the Office of the Economic Development, Other Services, Agriculture, noted to be intended for "Shipping study with UHERO" (Port Allen) and remove fifty thousand dollars (\$50,000) from the Office of Economic Development, Grant In Aid, Workforce, for KCC Training Program, and increase the appropriate for Performance Audits from three hundred fifty thousand dollars (\$350,000) to five hundred fifty thousand dollars (\$500,000) (Office of the County Clerk, Council Services, Other Services), seconded by Councilmember Kagawa.

Council Chair Rapozo: Is there any discussion? Seeing none, roll call.

The motion to remove one hundred thousand dollars (\$100,000) from the Office of the Economic Development, Other Services, Agriculture, noted to be intended for "Shipping study with UHERO" (Port Allen) and remove fifty thousand dollars (\$50,000) from the Office of Economic Development, Grant In Aid, Workforce, for KCC

Training Program, and increase the appropriate for Performance Audits from three hundred fifty thousand dollars (\$350,000) to five hundred fifty thousand dollars (\$500,000) (Office of the County Clerk, Council Services, Other Services) was then put, and carried by the following vote:

FOR MOTION:	Bulosan, Carvalho, Cowden, DeCosta, Kuali'i, Rapozo	TOTAL – 6,
AGAINST MOTION:	Kagawa	TOTAL – 1,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Motion passes.

Council Chair Rapozo: Thank you. Next. Are there anymore proposals?
If not, perfect. With that...

Councilmember Kuali'i: No, no, no. We are not even finished. Who is next?

Council Chair Rapozo: We do have some time allocated for tomorrow and we can get through this, we have a 5:00 p.m. public hearing, but we can go to 5:00 p.m., if we can finish by 5:00 p.m. We will not rush. We have tomorrow to wrap up, after our Council Meeting. Who is next?

Councilmember Cowden: I have my little tax proposal, but that is a cut.

Council Chair Rapozo: Is there anymore adds or cuts?

Councilmember Cowden: My proposal is an RPT change.

Council Chair Rapozo: We are doing adds and cuts right now, are there any further adds or cuts? Do you need some time, Councilmember DeCosta?

Councilmember Kuali'i: Do you want to come back to what we proposed earlier?

Council Chair Rapozo: We can move on. We can go to Councilmember Cowden and then go back to yours.

Councilmember Kuali'i: This is what we first started with.

Council Chair Rapozo: Is it ready?

Councilmember Kuali'i: Yes.

Council Chair Rapozo: Okay, let us go to that one.

Councilmember Kuali'i: Is this an amendment?

Council Chair Rapozo:
starting off with a new proposal.

No, the other proposal was withdrawn, so we are

Councilmember Kualii moved to create a Tier 1 for the Vacation Rental tax class, as follows: "Tier 1 – portion of taxable value less than or equal to one million dollars (\$1,000,000)" and create a Tier 2 for the Vacation Rental tax class, as follows: "Tier 2 – portion of taxable value more than one million dollars (\$1,000,000) and up to and including two million five hundred thousand dollars (\$2,500,000)" and create a Tier 3 for the Vacation Rental tax class, as follows: "Tier 3 – portion of taxable value exceeding two million five hundred thousand dollars (\$2,500,000)" (total Vacation Rental real property tax revenue increase across all tiers = four million one hundred fifty-one thousand two hundred twenty-six dollars (\$4,151,226)), with a corresponding half percent (0.5%) increase to the Public Access, Open Space, Natural Resources Preservation Fund and a corresponding two percent (2%) increase to the Housing Development Fund, and increase the tax rate for the Hotel and Resort class from the proposed ten dollars and eighty-five cents (\$10.85) to eleven dollars and seventy-five cents (\$11.75) (total Hotel and Resort class real property tax revenue increase three million four hundred ninety-four thousand five hundred twenty-seven dollars (\$3,494,527)), with a corresponding half percent (0.5%) increase to the Public Access, Open Space, Natural Resources Preservation Fund and a corresponding two percent (2%) increase to the Housing Development Fund. The total remaining budgetary increase of seven million four hundred fifty-four thousand six hundred eight dollars (\$7,454,608) will be transferred to the Housing Development Fund, seconded by Councilmember DeCosta.

Councilmember Kualii: From what we talked about earlier, the main thing that is being changed or added is the creation of the tiers for the Vacation Rental category and only that category. Tier 1 – one million dollars (\$1,000,000), eleven dollars and thirty cents (\$11.30), Tier 2 – between one million dollars (\$1,000,000) and two million five hundred thousand dollars (\$2,500,000), eleven dollars and seventy-five cents (\$11.75), and Tier 3 – more than two million five hundred thousand dollars (\$2,500,000), twelve dollars and twenty cents (\$12.20), the rate. On the other piece of information is Tier 1 has approximately forty percent (40%) of the total units, Tier 2 has fifty percent (50%) of the total units, and then Tier 3, the highest tier has ten point five percent (10.5%) of the units. Is there any discussion? I mean, I think we discussed this a lot. Are there questions?

Councilmember DeCosta: Yes.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: This was not my initial proposal, my proposal went straight across the board TVR, Hotel & Resort. I believe...I like how we say, "They priced us out of paradise," well, we should price them into putting us back into paradise. I am looking at this and I am going to have to support it, because that is the only way to get our Housing Agency the type of money they need to land bank. For the record, we are saving our Vacation Rental people one million seven hundred sixty thousand nine hundred ninety-nine dollars (\$1,760,999). We are giving them that much of a tax break. The same

people who have those rental units in short-term rental, not long-term for our local families here on Kaua'i, the working families. I will be supporting this.

Council Chair Rapozo: Is there anyone else? If not, roll call.

The motion to create a Tier 1 for the Vacation Rental tax class, as follows: "Tier 1 – portion of taxable value less than or equal to one million dollars (\$1,000,000)" and create a Tier 2 for the Vacation Rental tax class, as follows: "Tier 2 – portion of taxable value more than one million dollars (\$1,000,000) and up to and including two million five hundred thousand dollars (\$2,500,000)" and create a Tier 3 for the Vacation Rental tax class, as follows: "Tier 3 – portion of taxable value exceeding two million five hundred thousand dollars (\$2,500,000)" (total Vacation Rental real property tax revenue increase across all tiers = four million one hundred fifty-one thousand two hundred twenty-six dollars (\$4,151,226)), with a corresponding half percent (0.5%) increase to the Public Access, Open Space, Natural Resources Preservation Fund and a corresponding two percent (2%) increase to the Housing Development Fund, and increase the tax rate for the Hotel and Resort class from the proposed ten dollars and eighty-five cents (\$10.85) to eleven dollars and seventy-five cents (\$11.75) (total Hotel and Resort class real property tax revenue increase = three million four hundred ninety-four thousand five hundred twenty-seven dollars (\$3,494,527)), with a corresponding half percent (0.5%) increase to the Public Access, Open Space, Natural Resources Preservation Fund and a corresponding two percent (2%) increase to the Housing Development Fund. The total remaining budgetary increase of seven million four hundred fifty-four thousand six hundred eight dollars (\$7,454,608) will be transferred to the Housing Development Fund was then put, and carried by the following vote:

FOR MOTION:	Bulosan, Carvalho, DeCosta, Kualii, Rapozo	TOTAL – 5,
AGAINST MOTION:	Cowden, Kagawa	TOTAL – 2,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Motion passes.

Council Chair Rapozo: Are there any further adds or cuts? If not, Real Property Tax proposals? Councilmember Cowden.

Councilmember Cowden: That is when people rent their houses, they do not own their houses, they rent them. Last year, we made a change to our Real Property Tax that combined both the houses that are empty part of the year, with just the regular market rate rentals, but it might be that someone can give us the very specifics of how much is rented versus part-time, but there is a lot of people who are renting at market rate, even high market rate. This change is that threshold, which currently is at one million three hundred thousand dollars (\$1,300,000) to put the first threshold at two million dollars (\$2,000,000). What we saw is that one million six hundred thousand dollars (\$1,600,000), we had that up a couple weeks ago...

Council Chair Rapozo: Councilmember Cowden, do you want to make the motion and get a second, and then you can...

Councilmember Cowden: Okay, the first tier would be two million dollars (\$2,000,000) and the second tier would be five million dollars (\$5,000,000), and so that would cost the revenue five million one hundred thirty-eight thousand three hundred eighty-nine dollars (\$5,138,389). I grabbed it from the Reserve Fund and I understand that is problematic. Can I make a comment?

Councilmember Kagawa: I think he wants you to read the motion.

Councilmember Cowden: Oh.

Council Chair Rapozo: Make your motion, get a second, and then you can talk about it.

Councilmember Cowden moved to increase the valuation ceiling of the Non-Owner-Occupied Residential tax class for Tier 1 to less than or equal to two million dollars (\$2,000,000), and the ceiling of Tier 2 to five million dollars (\$5,000,000), and the floor of Tier 3 to five million dollars (\$5,000,000) (total real property tax revenue decrease across all tiers = four million nine hundred forty-eight thousand seven hundred sixty-eight dollars (\$4,948,768)), with a corresponding twenty-four thousand seven hundred forty-four dollars (\$24,744) reduction to the Public Access, Open Space, Natural Resources Preservation Fund and a corresponding ninety-eight thousand nine hundred seventy-five dollars (\$98,975) reduction to the Housing Development Fund. The total budgetary reduction of five million seventy-two thousand four hundred eighty-seven dollars (\$5,072,487) will be accounted for by a five million seventy-two thousand four hundred eighty-seven dollars (\$5,072,487) transfer from the Reserve Fund, seconded by Councilmember Kagawa.

Councilmember Cowden: Can I make a comment?

Council Chair Rapozo: Sure.

Councilmember Cowden: I know that this is probably a difficult one, because we have the Reserve Fund challenge. I want to thank the Office of the Mayor for really positively listening to my concerns when we had our individual meeting. I saw that they did decrease the regular budget from what would have been...it went down by a little over five million dollars (\$5,000,000), so almost everything that I wanted to transfer out for, those decreases happened. I appreciated them listening to some of the ideas where I thought we could cut things, so those cuts came out, but this particular change did not come out and so I just wanted to make the comment that when we pass something to get seventy million dollars (\$7,000,000) to eight million dollars (\$8,000,000) to go into our Reserve Fund, it takes fighting gravity to build these houses that might take five (5) to seven (7) before anyone can turnkey. What I am trying to do is keep people in houses that they are already living in, and they are paying the rent on. We are pushing people out of the houses. People end up homeless. We needed more housing yesterday. I worry that our new tax tiers are going make

a lot more people housing insecure than if we raise those tiers. We saw one million six hundred thousand dollars (\$1,600,000) was an average or median for across the island, it is like two million seven hundred thousand dollars (\$2,700,000) from 'Aliomanu to the end of the road. We are pushing people out with the way this is done. I realize people have a lot, some of them will get a break, some of the people who we do not mean to get a break will get a break, but what I am hoping is we do not push people out of the rental properties that they already have. That is what my heartfelt pitch is, is that it is great to think about what we can do for those who are already out of the houses or who we can fix maybe five (5) or ten (10) years from now, but what about people right now, and so I feel distressed that we dropped the budget and then did not help that particular cost.

Council Chair Rapozo: Councilmember DeCosta.

Councilmember DeCosta: Could you help me understand what is your definition of Non-Owner-Occupied classification? What does that mean?

Councilmember Cowden: It means two (2) things now. It means definitely market rate rentals, which are not long-term affordable leases, like you cannot even hold on to a house in these expensive areas for that low long-term lease.

Councilmember DeCosta: Help me understand, these are homes that are not lived in by the owner, these are second homes...

Councilmember Cowden: No. Well, there are some of those, but...

Councilmember DeCosta: ...owned by...

Councilmember Cowden: People who pay rent for a house that they live in, they are working class people. They might pay three thousand dollars (\$3,000) per month.

Councilmember DeCosta: These are not homeowners, so they are not living in the house, right, Non-Owner-Occupied...

Councilmember Cowden: Right, they are tenants, tenants, they rent the house. They are not wealthy enough to own their own house.

Councilmember DeCosta: Yes, they do not pay the tax, the owner pays the tax.

Councilmember Cowden: But just like it goes right on through the visitor, it goes right on through the tenant. If the owner gets an extra eight thousand dollars (\$8,000) per year on the tax, they have to push that back to the tenant.

Councilmember DeCosta: On that two million dollars (\$2,000,000), which is your first tier, that is a two-million-dollar assessment on a Non-Owner-Occupied second home that they own.

Councilmember Cowden: It is not necessarily...

Councilmember DeCosta: It is a second home, because...

Councilmember Cowden: But it is not like they live in it second time, they own a rental house, like if they have a house that they rent to another family...

Councilmember DeCosta: And the five million dollars (\$5,000,000) is the same thing? Five million dollars (\$5,000,000) assessed value to a Non-Owner-Occupied, so this is someone who has a second house worth five million dollars (\$5,000,000)?

Councilmember Cowden: Yes, which is not very much. This is for people...

Councilmember DeCosta: I understand.

Councilmember Cowden: ...who are renting houses, and so like people are paying seven thousand dollars (\$7,000), people are crowded in houses...

Councilmember DeCosta: I understand, you answered my question.

Councilmember Cowden: ...and so I am caring for the people who are working and paying rent. I am not trying to protect the person who is wealthy enough to have a house that they just come and visit. I am trying to protect the renters and we combined them last year. We were going to come up with something better but we never did, we did not accommodate that change. We are treating people who are regular working-class tenants like it is a luxury second home. I am trying to tax it differently.

Council Chair Rapozo: Are there any further questions? You know my position based on the Reserve Fund, I cannot support any proposal that is going to be tapping the Reserve Fund, especially since we do not have the ACFR. Councilmember DeCosta.

Councilmember DeCosta: I ran some numbers and I wanted to run that numbers to our Affordable Rental Program that our County has. The County has something in place to take care of local people who own second, third, and fourth homes. I am in that program. Across the nation, it is a rule of thumb that thirty percent (30%) of your gross income should go to our rent or mortgage, nothing more than that. Nothing more than that. According to our County Affordable Housing Program, in order for a person to be paying thirty percent (30%) or less, he or she would have to make eighty thousand dollars (\$80,000) per year and that equivalent to forty-one dollars (\$41) per hour. I do not think there is one (1) service already in position across the island, whether you are a bell person, waiter, working in an icecream shop, that makes forty-one dollars (\$41) per hour. Our County has a program in place that assessed thirty percent (30%) as a person making eighty thousand dollars (\$80,000). Those people that you are trying to protect have a program they can go into. It is called Affordable County Housing. I believe we are trying to take care of an investment market and I am afraid we are going to open up to mainlanders to buy second and third homes for a tax break at the five million dollars (\$5,000,000). Who owns a second home that is worth five million dollars (\$5,000,000)?

Councilmember Cowden: All kinds. All kinds. Because it is just where it is sitting. It is not the value of the home, it is where it is sitting, and people who have homes

that they rent even for that affordable rate, right down there on Weke Road, because they have owned it for so long, they lose money every year—ten thousand dollars (\$10,000) to twenty thousand dollars (\$20,000), just paying insurance on it. Unless you have beneficial landlords, there is no place for people to live, there is no place for people to get employees to work because there is no housing. It is not the same across the island. It is incredibly expensive. I am trying help the people who are the working middle-class working poor who are not able to own a home. Trying to be able to have those landlords be able to rent to them at some sort of level that they can afford. There are all types of things, you put it on Craigslist, you can get it for seven thousand dollars (\$7,000) or ten thousand dollars (\$10,000) per month, that is how much things are renting for. I was trying to hold on to houses for people.

Council Chair Rapozo: A message to the landlords, get in on the Affordable Housing Rental Program, you get the low rate, the cap, all the benefits, and you help a local family.

Councilmember Cowden: And you cannot afford to take care of the landscaping for that price.

Council Chair Rapozo: Is there any further discussion? If not, roll call.

The motion to increase the valuation ceiling of the Non-Owner-Occupied Residential tax class for Tier 1 to less than or equal to two million dollars (\$2,000,000), and the ceiling of Tier 2 to five million dollars (\$5,000,000), and the floor of Tier 3 to five million dollars (\$5,000,000) (total real property tax revenue decrease across all tiers = four million nine hundred forty-eight thousand seven hundred sixty-eight dollars (\$4,948,768)), with a corresponding twenty-four thousand seven hundred forty-four dollars (\$24,744) reduction to the Public Access, Open Space, Natural Resources Preservation Fund and a corresponding ninety-eight thousand nine hundred seventy-five dollars (\$98,975) reduction to the Housing Development Fund. The total budgetary reduction of five million seventy-two thousand four hundred eighty-seven dollars (\$5,072,487) will be accounted for by a five million seventy-two thousand four hundred eighty-seven dollars (\$5,072,487) transfer from the Reserve Fund was then put, and failed by the following vote:

FOR MOTION:	Cowden	TOTAL – 1,
AGAINST MOTION:	Bulosan, Carvalho, DeCosta, Kagawa, Kuali'i, Rapozo	TOTAL – 6,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Motion fails.

Council Chair Rapozo: Okay. Next. Are there any further proposals? Staff, is that it? I did have one (1), it was for the seven-hundred-fifty-thousand-dollar rodeo area, I did have a chance to speak with the Parks Director. As I stated in the Budget Reviews, I was not going to support anything that did not have a plan, we just do not just “park” money. To Pat’s credit, he did share with me on the break before we started today, so I am not going

to introduce that. I am going to keep it in there. I will be keeping tabs, though, to make sure that plan is moving. I thank the MKayor for putting that in there and even increasing it, because I think it is important, but again, I am not a fan of parking money. It was a draft and ready to go and we are not going to introduce it today. I just ask that we move on that.

Councilmember Kagawa: Just to piggyback on the discussion. I am not a horseback rider, but I do see the importance of sustainability for the island. We need to expand cattle industry, pig hunting industry, those types of things, and rodeo goes hand in hand with making sure we grow in those areas, so that we can be more sustainable as far as having meat on our island. It is not "rocket science" to establish some type of rodeo facility, I think fencing and moving some dirt around. I feel confident that they can start moving on some of those improvements for the rodeo. Mayor Kawakami is committed to it. He wants to see progress in that area, so I want him to have that flexibility, so I appreciate the Council Chair backing off on the cut.

Councilmember Carvalho: I, too, support rodeo, going from the old days with my *'ohana*, dad folks, cowboys, cowgirls, and now seeing all the young ones coming up being really interested in rodeo, in general. I think this is a good effort, pulling it together, whatever we can do to support it. It is a really good thing, and it is about time that we take action, a place where kids, our elders, and our families can congregate in that rodeo arena scene is so important. I look forward to it and whatever way we can do to support, I am totally there, and I really look forward to talking about it and giving more effort in this rodeo plan. Thank you.

Council Chair Rapozo: Are there further comments? It does not have to be about the rodeo.

Councilmember Kualii: Yes, but it is. My dad and my godfather were partners in rodeo, way back when, and I have a cousin today who competed nationally in the last couple of years. I see the support and need even in Anahola, where we have a small arena. The only thing I wanted to put forward is that work in partnership with the State and even potentially with Hawaiian Home Lands.

Council Chair Rapozo: Councilmember Bulosan.

Councilmember Bulosan: Will we do final comments on the 29th?

Council Chair Rapozo: The final comments will come when we pass the budget. A lot of things can happen between now and then. This is just...

Councilmember Cowden: What can possibly happen between now and then? I am really honestly asking, because it feels like it is over with. I feel like we agreed to toss a bunch of people out of their houses. What can possibly happen between now and then? What would happen.

Council Chair Rapozo: Nothing is final until we pass the budget. When we get to the budget, that is where if you want to try again, you can. For all intents and purposes, this is the decision-making.

Councilmember Cowden: This is the decision-making, so what is going to change? Where is something going to change?

Council Chair Rapozo: We could get the numbers from the ACFR, there are a lot of things that can change. Until we officially pass the budget, it is not final. I could change my mind about the rodeo. I just will say I think this is an exercise in, and again, as I said earlier, we are seeing these proposals for the first time and all you know this, you do this every year, but for the people watching, we get these proposals today. It is a very short period of time to digest but this is the process. I think when you make comments like, "We are kicking people out of the house," that is your opinion.

Councilmember Cowden: I am generally right.

Council Chair Rapozo: Well...

Councilmember Cowden: I have been in the past.

Council Chair Rapozo: I think if anyone should be really, really disappointed, that would be Councilmember Kagawa. Not one (1) proposal. I do not say that to be funny. I am just saying we come here with our history, with our experiences, and what we think is best, and we toss it on the table and we vote. This is not a "pity party." We put our best out there. I think I shared with all of you about the Reserve Fund. Maybe I did not get a chance to talk to you, Councilmember Kagawa, but Reserve Fund is not a source of funds that we use for budgetary decisions. It is just not. There is no right or wrong. This is the democratic process, where the votes fall. I think the bottom line is that this is the exercise that the Charter gives us to do this, and that is what we did today. That is just how it works.

Councilmember DeCosta: I am going to thank Nalani Brun; I think we cut your budget and we never asked you to come up and tell us if you had plans in place working on those grants. You just sat there. I am impressed with your humility and how you conduct yourself with a lot of respect. Maybe I should have called you up and asked you...I am sorry about that. The process is that we are the eyes and ears and decision-makers of our constituents' tax dollars. Believe me, I play football with Councilmember Kagawa, he is one of my best friends, but if I have to vote against him, because I believe touching the Reserve Fund is not the thing to do, I am going to do it. If he has to vote against me, he will, but I need to tell you something...

Council Chair Rapozo: He did.

Councilmember DeCosta: The person who came out above and beyond winner and he has not been here in one month due to his new son, is Councilmember Bulosan. He has contributed a lot today, first time back. The point I wanted to make is that please watch the comments we put on the floor, when we put something out, because it is not personal. We are doing this for the betterment of Kaua'i. I am a horseman, everyone knows that, I had my kids go through high school. I am not involved now in the horse industry as far as rodeo, but Maui has a county rodeo, Hawai'i Island has a county rodeo. This is a group that we have forgotten. My goodness, we make skateparks and pickleball parks now. Why? It is important. Those people enjoy to play. We have children who qualify for national rodeos

and they cannot even practice on Kaua'i unless they go to a private facility and ask permission. Hats off to the group of people for taking this roll on. Please, Council Chair Rapozo, do not cut it. This is a good thing. I think they going let Councilmember Kagawa ride out on a horse to rope the first calf.

Councilmember Kagawa: It is not about the wins and loses and how bad, it is that we are the checks and balance for this County and if we have this big of a budget and the Council receives no calls, no concerns, whether it be bulldozer, whether it be the Kōloa flooding help, then we would have a County Council that is not doing the proper check on the Administration and bringing proposals straight out. Like you said, we can only share here or we can bring it to the Council Meeting, but this directly affects the budget and we want to encourage our constituents to continue to call us, our County workers, if they have something that they really feel is not working, we should hear the concerns, and those were reflected in my budget proposals. I am proud that people feel comfortable that they can bring up some of these things and know that I will do something about it or at least try to. That is what we are here for. At the end of the day, we all friends and we will work on the next task ahead. I think the Mayor can appreciate it having sat on both sides, as well as former Mayor Carvalho, that there is a different roll. They carry out the budget and we try and make sure we make the budget as responsible as possible. Thank you.

Council Chair Rapozo:

Councilmember Kualī'i.

Councilmember Kualī'i: Our decision-making process, on the calendar we have today and tomorrow, so really there is no rush. Councilmember Cowden or any other councilmember, if you put a proposal forward and it does not get passed because someone has an objection to one (1) specific part of it, nothing prevents you from rewriting your proposal and trying to overcome the objections. That is what happened with the first big proposal that we worked on. There were changes and we got to a place where there were five (5) votes, but honestly, if we had to work until tomorrow, I have no problem with that. It is really important that you make the most of the process and do not just "pooh-pooh" the process because you did not get the vote you wanted, but instead potentially, and this for all of us, you can rework. That is the deliberation in the back and forth and trying to gain support that you may need to get what you are trying to do.

Councilmember Cowden: Let me ask for clarification. If I find five million dollars (\$5,000,000) to take out of this budget, like, I have already come up with it, and it had already come out, I already shared where I thought it could get taken...I appreciate that it was hold out where I thought there was excess. I had eleven million dollars (\$11,000,000) to pull out, and it got pull out, some of it got filled in with things, and I appreciated the things that it got filled in with. I know that a couple years ago, when we dropped it to one million three hundred thousand dollars (\$1,300,000) and I said this is going to hurt so many, and we saw the incredible problem that we had, in terms of people not being able to hang on to their houses or continue to be able to do the rentals. The pressure and the prices have gone up even since then, so I want to respect what the mayor's group has said, "Please, do not cut us further," and they have cut a lot. They cut what I felt was important to cut. I am just...when I am sore, you can hear the injury in me, it is not because, "I, Felicia, did not get something," it is that I am worried when I look at how many people keep continuously leaving the island, particularly in the region where I live. We have restaurants that have four (4) shifts open

that were meant to have fourteen (14). We do not have workers, we cannot keep doctor's offices open, we cannot keep things open because we have no people left to actually do the work. The people who are renting at these market rates, you can have a whole lot, you know, so we have no one...everyone is riding in the chart, but there is no one left to pull it. By the way, people come to our island and "fluff out" part of this economy, because of that area Anahola to the end of the road. It is an important part and we are "gutting it" of our people. When you hear the injury in me, it is not my ego. It is my sense of responsibility to keep a healthy community.

Councilmember Kualii: I would just say that none of it is personal, but I would say, too, that it is we may have different ideas, because we all share the same concern, but we have different ideas of how we address those concerns. Ultimately, you can only put a proposal forward and then people can vote on them.

Councilmember Cowden: Yes, I know.

Councilmember Kualii: If this proposal does not work because it fails 1:6, maybe there is a different proposal to address the same problem.

Councilmember Cowden: So, you are saying I can ask for that...

Councilmember Kualii: But our proposal, too, which was a totally different proposal that started with Councilmember DeCosta, and both of them, Councilmember DeCosta and Council Chair Rapozo expressed very clearly their concerns about housing, people moving away, so all of us have that same hurt and pain.

Councilmember Cowden: Right, but we are just moving more of them away.

Councilmember Kualii: It takes proposals. Do you know what I mean?

Council Chair Rapozo: I want to clarify because Councilmember Cowden referenced the one million three hundred thousand dollars (\$1,300,000) the last time, you have to understand, I am assuming you are referencing the Residential Investor.

Councilmember Cowden: Yes, I think it was about 2019.

Council Chair Rapozo: Yes, and the Residential Investor is apples and oranges, because that was one million three hundred thousand dollars (\$1,300,000) where they got a high tax rate.

Councilmember Cowden: But, but...

Council Chair Rapozo: In the tiers, the one million three hundred thousand dollars (\$1,300,000) is the low tax rate.

Councilmember Cowden: Right, but what happened when they did that? Is, some many people who were just regular homeowners and they had tenants in them. They had not turned in their lease agreements because it did not exist then.

Council Chair Rapozo: No, but what I am saying is...

Councilmember Cowden: The part of the bunch of people were long-term renters.

Council Chair Rapozo: What I am saying is the impact to the person the owns a one-million-four-hundred-thousand-dollar home with this scenario is nowhere near what happened to them with the Residential Investor. It is a completely different scenario. It is not fair to rely on this to the Residential Investor, that was a bad bill.

Councilmember Cowden: I hope you are right.

Council Chair Rapozo: I hope so, too. I think this is fair, it is the fairest way. When the CAFR/ACFR comes out, this Council has the opportunity as does the Administration by sending over proposed bills to amend this budget anytime. Once we get the ACFR, we understand where we are with the Reserve Fund, and at any time throughout the year, we do a money bill.

Councilmember Cowden: But we do not.

Council Chair Rapozo: We can do a money bill.

Councilmember Cowden: But we do not change the tax rate at any time of the year, and that is the thing that pushes that monthly rental rate up.

Council Chair Rapozo: Again...

Councilmember Kualii'i: We never did it at budget before either, and we just did it today.

Council Chair Rapozo: Yes, I think this is the first time we have ever touched the tax rates as we have. In all my years, we have never done it. This was because I think we realized that if we do not do something drastic to increase the housing inventory on this island, and to discourage this becoming someone's Disneyland, then expect the same. We will be here next year crying about our kids leaving, we are going to be doing the same old darn things. I am willing to take a chance on this. In speaking to the Finance Department and everyone else, when you look at the median prices of these vacation rentals, the impact is not going to be insurmountable to them. Some people will pay that is how this works. Everyone has a choice. If you want to invest on Kaua'i, well, guess what, it comes with a price. It is a small price. Look at the property taxes on the mainland. They cannot invest over there because it is too much, so they come here, like Councilmember DeCosta said. If you make it too easy and too cheap, you get more investors coming in.

Councilmember Kualii'i: I do want to say a special heartfelt *mahalo nui loa* to our budget team, the Department of Finance, and Real Property Tax. I do not know if you could tell, but it was a ton of work for them to scramble and redo those proposals of the big one that we passed with the tax rate increases. When they completed the work, then I made another change, they went back and put in another hour into it, so it was a ton of work and

they just crammed it out with their spreadsheets. It was fast and amazing. I have never seen them respond like that, with such a big job. Thank you.

Council Chair Rapozo: Go ahead.

Councilmember DeCosta: For the people watching, you mentioned that we might be in an area where there is no turning back with our children moving away to live on the mainland. When I look at the numbers I ran and I look at what we did today, with the seven million four hundred thousand dollars (\$7,400,000) insert into housing that allows us to not use federal funds, but to use our own money, maybe we can compete with that estate for sale on the North Shore. Maybe now we can get one hundred (100) acres in Kīlauea, Kahiliwai and put some workforce housing in your neighborhood to help protect the people you want to protect that work at the shaved ice shop or Princeville Hotel, but until we did this, no one had answers. This Council took a bold step. Councilmember Kualifi introduced the tiers. Council Chair Rapozo made a strong argument on how we can landbank. I believe there is a glimmer of hope now that maybe we can get a chunk of land, rezone it, because we have that ability, and create workforce housing at one hundred twenty percent (120%) AMI or greater, putting some of our college kids in a nice home. In closing, the County has a three-bedroom home on affordable rent at two thousand five hundred seventy-seven dollars (\$2,577) per month. That is the rent you can collect for a three-bedroom home. A person who pays thirty percent (30%) of their wages has to make at least eighty thousand dollars plus (\$80,000+), can you tell me one (1) service worker on the North Shore that makes that? Not one of them. Those people with the expensive homes, who are charging expensive rent, they are not trying to keep people in their homes.

Councilmember Cowden: There are nine (9) cars in the yard.

Councilmember DeCosta: Thank you.

Councilmember Cowden: Nine (9) working adults in that house.

Council Chair Rapozo: Is there anything else?

Councilmember Kualifi: We have procedural things.

Council Chair Rapozo: We will do that after the public hearing. We are going to take a recess from Decision-Making, we will come back at 5:00 p.m., do the public hearing, then reconvene Decision-Making, everything will be finalized, and then we can wrap it up. With that, we are at recess.

There being no objections, the Committee recessed at 3:15 p.m.

The meeting reconvened at 5:03 p.m., and proceeded as follows:

Council Chair Rapozo: Councilmember Kualifi.

Councilmember Kualii moved to accept the Real Property Tax rates submitted by the Mayor in Resolution No. 2024-13, as modified by the Council, seconded by Councilmember Kagawa.

Council Chair Rapozo: Is there any discussion or public testimony?
Seeing none, roll call.

The motion to accept the Real Property Tax rates submitted by the Mayor in Resolution No. 2024-13, as modified by the Council was then put, and carried by the following vote:

FOR MOTION:	Bulosan, Carvalho, DeCosta, Kagawa, Kualii, Rapozo	TOTAL – 6,
AGAINST MOTION:	Cowden	TOTAL – 1,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Council Chair Rapozo: Next.

Councilmember Kualii moved to allow Council Services Staff the ability to make adjustments to balance the budget, seconded by Councilmember Kagawa.

Council Chair Rapozo: Is there any discussion or public testimony?

Councilmember Cowden: Can you state the motion again?

Councilmember Kualii: I moved to allow Council Services Staff the ability to make adjustments to balance the budget.

Councilmember Cowden: Okay.

Council Chair Rapozo: Yes, when we do the budget, sometimes when you round numbers up, it would be ninety-six cents (\$0.96) versus ninety-seven cents (\$0.97), this just gives the County Clerk and the Staff the opportunity to make those minute changes to make sure we have a balanced budget. This is just for formality we do every year. Is there any discussion or public testimony? Seeing none, roll call.

The motion to allow Council Services Staff the ability to make adjustments to balance the budget was then put, and carried by the following vote:

FOR MOTION:	Bulosan, Carvalho, Cowden, DeCosta, Kagawa, Kualii, Rapozo	TOTAL – 7,
AGAINST MOTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Seven (7) ayes.

Council Chair Rapozo:
Decision-Making process.

Thank you. With that, this concludes today's

There being no objections, the meeting was adjourned at 5:05 p.m.

Respectfully submitted,



Darrellyne M. Caldeira
Council Services Assistant II

APPROVED at the Committee Meeting held on July 3, 2024:



MEL RAPOZO
Chair, Committee of the Whole