May 8, 2012

The Honorable Ernest Y. Martin, Chair
& Councilmembers
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Subject: Resolution No. 12-44, CD1 and Proposed FD1

Dear Council Chair Martin and Councilmembers:

I acknowledge the intent behind this proposed charter amendment, which commits the City and County of Honolulu (the “city”) to perpetually fund non-profit organizations, specifically those that have historically relied upon monies allocated to the city by the United States Department of Housing and Urban Development’s (HUD) Community Development Block Grant (CDBG) program. Nevertheless, the current CD1 and/or proposed FD1 contain several concerns and I respectfully ask you to defer the resolution until these are resolved:

1. The CD1’s dedication of one percent of annual property tax revenues (currently about $8 million) or proposed FD1’s dedication of one percent of annual general fund revenues (currently about $10 million) is extraordinarily high in comparison to the total amount of grants historically awarded by the city. In comparison, the resolution’s preamble states the CDBG allocation from HUD has been reduced by only $2.6 million after two years.

2. The dedicated amount is twice (or in the case of the FD1, more than twice) the amount dedicated to the clean water and natural lands fund or the affordable housing fund.

3. The charter amendment presumes that CDBG funding and other federal or state funds will never recover from its decreased levels, or that funds from private sources will never fill the gap.
(4) The charter amendment permanently reduces the city’s flexibility to consider its financial circumstances and various priorities from year to year — including direct services, infrastructure, fiscal stability, unfunded liabilities, public safety and recreation, to name a few — and to appropriate property tax or general fund revenues accordingly.

(5) The proposed grants in aid fund also contemplates grants awarded in the areas of arts, culture, economic development and environment, which are outside the purview of CDBG funding and the designated administering city agency (the department of community services) and for which grants programs currently exist elsewhere within the city.

(6) The requirement that a minimum of a quarter million dollars be “expended annually in each council district” is vague and unenforceable.

(7) The requirement of six votes on the city council to waive the requirements of the proposed charter section, and only under circumstances involving an emergency due to a public calamity or a legal obligation, is highly restrictive and fails to account for other legitimate exceptions, such as fiscal constraints or stability.

(8) The five percent of monies set aside for administrative expenses may not be sufficient to set up and manage the new fund.

In addition to its existing grants programs, the city currently supports all non-profit agencies via real property tax exemptions, the equivalent of which is approximately $26 million per year. While we may respectfully disagree as to whether addressing the recent shortfall in CDBG funds is best addressed in this manner as a matter of policy, I do not dispute the city council’s prerogative as the legislative body to place measures such as this on the ballot for voters to decide. Where I feel particularly compelled to speak up is when I believe the implementation of such a measure will significantly and negatively impact city operations or its fiscal stability. This is the case here. My administration is committed to work with you in resolving these concerns.

Very truly yours,

Peter B. Carlisle
Mayor