

Hawaii State Association of Counties

Counties of Kauai, Maui and Hawaii, City & County of Honolulu



MINUTES
HSAC EXECUTIVE COMMITTEE MEETING
November 27, 2013
Honolulu Hale, Council Committee Room
Honolulu, Hawaii

I. CALL TO ORDER

The HSAC Executive Committee was called to order by President Mel Rapozo at 10:03 a.m. The following members comprising a quorum were present:

County of Kauai: President Mel Rapozo

County of Hawaii: Vice President Dennis "Fresh" Onishi

City and County of Honolulu: Secretary Stanley Chang

County of Maui: Treasurer Michael Victorino

Others Present: Honolulu City Council Chair Ernest Martin
Maui County Council Chair Gladys Baisa

Kauai County Councilmember Mason Chock
Kauai County Councilmember JoAnn Yukimura
Maui County Councilmember G. Riki Hokama

Hawaii County Mayor Billy Kenoi
Honolulu City and County Mayor Kirk Caldwell

Ray Soon, Honolulu Mayor's Chief of Staff
Beth Tokioka, Kauai County Mayoral staff
Danny Mateo, Maui County Mayoral staff

Honolulu staff Denisse Gee
Honolulu staff Brandon Mitsuda
Kauai staff Ashley Bunda
Maui staff Kirsten Hamman

Nathan Eagle, Honolulu Civil Beat



II. APPROVAL OF AGENDA

The Committee approved the agenda.

III. MINUTES

The Committee approved the minutes of the October 22, 2013, Executive Committee meeting.

IV. REPORTS

A. Treasurer's Report

The following item was approved by the Executive Committee:

1. Treasurer's Report for October 2013 as submitted by the HSAC Treasurer.

B. County Reports

1. Maui County Report. Treasurer Victorino reported that the county is finalizing its state Legislative Package in preparation for the 2014 state Legislative session.
2. Hawaii County Report. Vice President Onishi deferred the county report to the next Committee meeting.
3. City and County of Honolulu Report. Secretary Chang reported that Congresswoman Tulsi Gabbard is a co-chair of a newly created multi-jurisdictional, non-partisan caucus for elected officials under the age of 40.
4. Kauai County Report. President Rapozo introduced newly appointed Councilmember Mason Chock. Councilmember Chock replaced former Councilmember Nadine Nakamura who resigned to accept the county's Managing Director position.

C. NACo Report. Treasurer Victorino deferred his report.

D. WIR Report. Vice President Onishi deferred his report.

V. UNFINISHED BUSINESS

- A. Discussion relating to the policy for the use of estimated funds derived from the "NACo Prescription Drug Marketing Fee" budget line item in FY 2014.

Secretary Chang distributed to the Committee a handout regarding the NACo County Leadership Institute (CLI) program. He proposed using the NACo Prescription Drug Marketing Fee revenues to sponsor a councilmember to participate in the CLI program. In response to a query, he informed the Committee that the total cost would be approximately \$3,000. He further clarified that only 25 individuals are accepted by NACo to participate in the annual CLI program. He concluded by explaining that most states have a state association director who would nominate individuals to NACo for CLI program participation; however, as HSAC does not have an executive director, the Committee could rotate through the four counties for nominations to the CLI program.

President Rapozo reminded the Committee that Maui County also submitted a proposal to fund a university educational scholarship with NACo Prescription Drug Marketing Fee revenues.

This item was deferred.

- B. Communication from HSAC Secretary Stanley Chang transmitting for the Executive Committee's consideration proposed amendments to the HSAC Bylaws.

Secretary Chang distributed copies of the proposed bylaw amendments and a table of the summary of proposed bylaw changes. He explained that the bylaw amendments were proposed by Kauai County, the City and County of Honolulu and Maui County. He also distributed a draft of the 2014 HSAC Legislative Priorities for the Committee's discussion and feedback.

This item was deferred.

VI. NEW BUSINESS

- A. Communication from HSAC Secretary Stanley Chang and Honolulu City Council Chair Ernest Y. Martin requesting approval of \$5,000 in seed money for the FY 2014 HSAC Annual Conference to assist the City and County of Honolulu in providing a deposit as may be required to secure conference facilities.

This item was approved.

- B. Communication from Kauai County Council Chair Jay Furfaro regarding proposals approved by the Kauai County Council on October 9, 2013, for inclusion in the 2014 HSAC Legislative Package.

This item was received and filed.

- C. Communication from HSAC Treasurer Michael Victorino transmitting proposed amendments to the FY 2014 HSAC annual operating budget for consideration by the Executive Committee.

This item was deferred.

- D. Communication from Honolulu City Clerk Bernice K. N. Mau transmitting Resolution 13-238, CD1, relating to the 2014 HSAC Legislative Package.

This item was received and filed.

- E. Communication from HSAC President Mel Rapozo transmitting the final Income and Expense Report for the FY 2013 HSAC Annual Conference.

This item was received and filed.

- F. Discussion and Approval of the HSAC "Audited Financial Statements (with Independent Auditors' Report) for the years ended June 30, 2012 and 2013.

This item was deferred.

- G. Requesting the presence of the Hawaii Council of Mayors (HCOM) to discuss HCOM's 2014 state Legislative Priorities.

Ms. Tokioka and Mr. Mateo confirmed that HCOM are most interested in three legislative proposals, as follows: 1) Repealing the sunset date on the beach liability exemptions; 2) Preserving the counties' allocation of the transient accommodation tax (TAT); and 3) Broadening the counties' authority to levy a surcharge to the state's general excise tax (GET). They informed the Committee that these three legislative proposals are the key issues that HCOM wishes to partner with HSAC to collectively lobby at the upcoming state legislative session.

In response to a query, Ms. Tokioka informed the Committee that Kauai County would support limiting a counties' GET surcharge to a maximum of 1.0%. Mr. Mateo informed the Committee that Maui County would probably limit its GET surcharge to 0.5%.

Mayor Kenoi informed the Committee that in his latest conversations with his fellow Mayors and individual state legislators, he does not support any negotiations in regards to the TAT, if TAT revenues are going to be used as a "horse trade" by the state Legislature in exchange for authorizing the counties to levy a county GET surcharge for tangible goods. He explained that during the most recent severe economic crisis, the counties conceded to the state a portion of the TAT, however, the economic climate is no longer in severe crisis. He emphasized that he will not support any legislation addressing the TAT because the TAT should not be "on the table" in his opinion. He reminded the Committee that the TAT enabling statute clearly stated that the TAT was created for only three purposes: 1) Build a state convention center; 2) Tourism marketing; and 3) Offset the economic impact of tourism on the counties. As such, the TAT is not a gift to the counties. Instead, he supports "playing defense" in regards to the TAT by preserving current allocation levels and "playing offensive" with a county GET surcharge. He stated that if all counties have the option to levy a county GET surcharge then the counties will have more revenue options besides real property tax monies.

Mr. Soon confirmed that Mayor Caldwell supports the removal of the current sunset on the City and County of Honolulu's current 0.5% surcharge to the GET. He also confirmed that Mayor Caldwell will not seek to remove the current restrictions to the City and County of Honolulu's 0.5% GET surcharge that limit the uses to only rail. He concluded by informing the Committee that Mayor Caldwell also supports reducing the percentage, from ten to two percent, that is automatically deducted from the gross proceeds of a county's GET surcharge and earmarked to reimburse the state for costs associated with handling the assessments, collection and disposition of the county GET surcharge.

In response to a query, President Rapozo clarified that HSAC bylaws require every County Council to approve a particular legislative proposal in order for the proposal to be included the final HSAC Legislative Package. As such, because Kauai County rejected Hawaii County's specific TAT legislative proposal, HSAC currently has no position on any TAT legislative proposal. However, he reminded the Membership that section 12 of the HSAC bylaws states: "The Executive Committee may add legislative items to the HSAC Legislative Package during the Legislative Session if the measures promote the counties' home rule authority and/or increase the counties' revenue," under which the issue of TAT clearly qualifies.

Mr. Soon informed the Committee that Mike McCartney, President and Chief Executive Officer of the Hawaii Tourism Authority (HTA), advised that the counties should not pursue any proactive TAT legislation but instead request sponsorship of other revenue enhancement legislation. He explained that Mr. McCartney advised that if the counties do not

actively seek adjustments to the TAT then the state Legislature may not be inclined to reduce or eliminate altogether the counties' current TAT revenues allocations.

Maui County Councilmember Hokama informed the Committee that he does not support any county GET surcharge legislative proposal for the purposes of the upcoming state legislative session. He opined that more research is needed to determine the pros and cons of levying a county GET surcharge. He opined that a county GET surcharge will immediately benefit counties with a large tax base such as the City and County of Honolulu and may lead to a greater divide between urban and rural counties. He opined that this legislative proposal will punt the political burden of levying higher taxes to the counties instead of the state.

Kauai County Councilmember Yukimura emphasized that the counties are entitled to TAT revenues because visitors primarily use county services and infrastructure and not state resources. She opined that any increase to the GET will be a regressive tax that unduly burdens low and medium income residents. She reminded the Committee that at the October Committee meeting she proposed that HCOM and HSAC consider creating a portfolio of revenue sharing or taxing powers. She further reminded the Committee that she specifically proposed the following legislative policies to be included in this portfolio: 1) A liquor tax increase to be used for drug and alcohol abuse prevention programs; and 2) A conveyance tax for housing. She concluded by proposing that the Committee and HCOM consider her portfolio concept and specific policy issues for the upcoming state legislative session.

Treasurer Victorino reminded the Committee that each county will have their individual county legislative packages to advocate during the upcoming state legislative session. He opined that each county's state legislative package will include legislative proposals that impact only their respective county interests. He concluded by opining that a combined HSAC and HCOM legislative package should only include issues that equally affect all four counties, for example, repealing the sunset date on the beach liability exemptions.

President Rapozo reminded the Committee that the state Legislative session opens on January 15, 2014.

Maui County Council Chair Baiša informed the Committee that she supports the HCOM legislative proposal to authorize the counties to levy a county GET surcharge up to 1.0% with no use restrictions. She opined that whether a county GET surcharge or a higher property tax rate is assessed upon county residents, the counties are in dire need of revenues.

In response to a query, Mayor Caldwell reported that HCOM is scheduled to next meet on December 6, 2013. He opined that the upcoming state legislative session is a prime opportunity for the counties to enact the HCOM GET legislative proposal. He stated that in his opinion, funding a rail and public transportation system is essentially a social justice issue because it ensures that all residents have transportation equality. He reiterated that if HSAC and HCOM stand together on critical legislative issues, the state Legislature must and will listen to the counties.

This item was deferred.

H. Discussion and Approval of the 2014 HSAC Legislative Package, as follows:

- a. A Bill for an Act Relating to Transportation
- b. A Bill for an Act Relating to Liability
- c. A Bill for an Act Relating to Health

President Rapozo summarized each of the above legislative proposals.

This item was approved.

I. Discussion relating to an HSAC Legislative Priority Policy Statement.

Secretary Chang distributed an example of the 2013 Washington State Association of Counties Legislative Priority Policy Statement. He stated that the HCOM legislative priorities as discussed earlier would be appropriate to include in the proposed 2014 HSAC Legislative Priority Policy Statement.

President Rapozo expressed concern with the following specific bullet points on the earlier distributed 2014 HSAC Legislative Priorities draft Policy Statement: 1) Reducing gun violence; and 2) Climate change. He requested more information regarding those two bullet points prior to making a decision on the final draft language of a 2014 HSAC Legislative Priorities Policy Statement.

This item was deferred.

J. Discussion relating to HSAC's Lobbying Plan in preparation for the 2014 state legislative session.

Treasurer Victorino requested deferral until after the HCOM meeting on December 6, 2013.

This item was deferred.

- K. Discussion relating to the 2014 Western Interstate Region (WIR) Annual Conference to be hosted by Kauai County.

President Rapozo distributed a handout to the Committee outlining the marketing plan and strategy to promote the 2015 WIR annual conference to be held in Kauai County. He requested that each county identify staff members who would be able to attend the different NACo and WIR conferences and assist in the planned marketing efforts.

Vice President Onishi informed the Committee that Mr. McCartney, HTA, offered to provide HTA assistance to market the 2015 WIR annual conference.

Treasurer Victorino proposed that any elected officials that are attending the various NACo and WIR conferences on the list should also be assigned to man the marketing booth at these conferences.

Vice President Onishi queried whether HSAC is able to pay for the travel expenses of county staffers attending the various NACo and WIR conferences for the purpose of assisting in planned marketing efforts.

Maui County Councilmember Hokama reminded the Committee that past protocol calls for each county to pay for such expenses. Treasurer Victorino queried whether the HSAC budget line item "Promotional" could be used to pay for such expenses.

This item was received and filed.

VII. ANNOUNCEMENTS

- A. Schedule next meeting.

The next Executive Committee meeting was scheduled to be held on December 23, 2013, at Honolulu Hale.

- B. Other announcements.

Mr. Mitsuda announced that during the 2014 HSAC annual conference, the Committee and General Membership meetings have been scheduled for June 13, 2014.

VIII. ADJOURNMENT

The meeting was adjourned at 12:15 p.m.

Very truly yours,

A handwritten signature in black ink, appearing to read 'STC', is written over the typed name.

STANLEY CHANG

Secretary

Hawaii State Association of Counties