



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII 96813-3077

COMMITTEE ON BUDGET

Voting Members:

Ann H. Kobayashi, Chair
Joey Manahan, Vice Chair
Carol Fukunaga
Trevor Ozawa
Kymberly Marcos Pine

MINUTES

REGULAR MEETING
WEDNESDAY, JANUARY 13, 2016

COUNCIL COMMITTEE MEETING ROOM
2ND FLOOR, HONOLULU HALE
HONOLULU, HAWAII 96813

Note: The video of the full proceedings of this meeting can be viewed at <http://honolulucountyhi.iqm2.com> or a copy of the video may be requested by calling the City Clerk's Office at 768-5822.

CALL TO ORDER

The regular meeting of the Committee on Budget was called to order by Committee Chair Ann H. Kobayashi at 9:11 a.m. Voting Members, Fukunaga, Manahan, Ozawa and Pine were present at the meeting. Nonvoting members, Council Chair Martin and Councilmembers Anderson, Elefante and Menor also attended the meeting.

STAFF PRESENT

Steve Uyeno, Senior Advisor to Committee Chair Kobayashi
Catherine Pligavko, Analyst, Office of Council Services
Lloyd Yoshioka, Attorney, Office of Council Services
Duane Pang, Deputy, Department of the Corporation Counsel, assigned to the Committee
Gail Uehara, Council Committee Aide, Office of the City Clerk

ORDER OF BUSINESS

APPROVAL OF MINUTES

The minutes of the Committee on Budget special meetings held on November 5 and 9, 2015, and regular meeting held on November 18, 2015 were approved as circulated.

AYES: MANAHAN, PINE, KOBAYASHI – 3.
NOES: None.
EXCUSED: FUKUNAGA, OZAWA – 2.

FOR ACTION

1. RESOLUTION 16-9 – COMMITTEE REPORT 15

ACCEPTANCE OF GIFT. Relating to the acceptance of a gift to the City from the Association of Government Accountants Hawaii Chapter (AGA Hawaii) valued at approximately \$1,500 for travel expenses to participate in the 2016 AGA National Leadership Training and Awards Luncheon on February 23 and 24, 2016 in Washington, D.C.

There was no testimony from the Administration or the public.

Resolution 16-9 reported out for adoption.

AYES: MANAHAN, PINE, KOBAYASHI – 3.
NOES: None.
EXCUSED: FUKUNAGA, OZAWA – 2.

2. RESOLUTION 15-321 - COMMITTEE REPORT 13

CDBG AND HOME PROJECTS SELECTION COMMITTEE. Selecting members for the CDBG and HOME selection committee.

Administration/Others

Dr. Tin Myaing Thein, Nominee

There was no public testimony.

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In response to the Committee's questions, Dr. Thein gave an explanation of her nonprofit experience and efforts to search for other types of funding to fulfill the needs of the community.

Committee Chair Kobayashi thanked Dr. Thein for her willingness to serve on the Committee.

The Committee Chair requested that nomination forms for more nominees be submitted prior to the next Council meeting.

Resolution 15-321 reported out for adoption.

AYES: MANAHAN, PINE, KOBAYASHI – 3.
NOES: None.
EXCUSED: FUKUNAGA, OZAWA – 2.

Related communications:

CC-1 Councilmember Fukunaga, submitting nomination consideration for Dr. Tin Myaing Thein.
CC-8 Council Chair Martin, submitting nomination consideration for Robert Agres, Jr.

3. RESOLUTION 16-4 - COMMITTEE REPORT 14

SALARY COMMISSION. Relating to the appointment of _____ to serve on the Salary Commission of the City and County of Honolulu.

There was no testimony from the Administration or the public.

Committee Chair Kobayashi explained that the nomination of Calvert G. Chipchase was replaced by Kimi Yuen for consideration to serve on the Commission.

Resolution 16-4 amended to a CD1 and reported out for adoption.

AYES: MANAHAN, PINE, KOBAYASHI – 3.
NOES: None.
EXCUSED: FUKUNAGA, OZAWA – 2.

CD1 TO RESOLUTION 16-4 (Submitted by Councilmember Kobayashi) –
The CD1 (OCS2016-0047/1/14/2016 2:31 PM) makes the following
amendments:

- A. Names Claire Kimi Mikami Yuen as the Council's appointee to the
Salary Commission.
- B. Makes miscellaneous technical and non-substantive amendments.

Related communications:

- CC-3 Councilmember Ozawa, submitting nomination consideration
for Calvert G. Chipchase.
- CC-10 Councilmember Ozawa, submitting nomination consideration
for Kimi Yuen.

4. RESOLUTION 16-12 - COMMITTEE REPORT 16

APPLICATION AND EXPENDITURE OF FUNDS FROM THE STATE
DEPARTMENT OF HEALTH, ALCOHOL AND DRUG ABUSE DIVISION
FOR THE WORKHAWAII DIVISION. Authorizing the Director of the
Department of Community Services or the Director's designee to apply for
and, if approved, accept and expend funds from the State Department of
Health, Alcohol and Drug Abuse Division for the WorkHawaii Division and to
enter into an intergovernmental agreement with the State Department of
Health, Alcohol and Drug Abuse Division for said funds.

Administration/Others

Gary K Nakata, Director, Department of Community Services
(DCS)

Lei Nakamura, Assistant Administrator, WorkHawaii Division, DCS

There was no public testimony.

Director Nakata testified in support of the Resolution and stated that the grant
would go toward assisting those with substance abuse problems.

Resolution 16-12 reported out for adoption.

AYES: MANAHAN, PINE, KOBAYASHI – 3.
NOES: None.
EXCUSED: FUKUNAGA, OZAWA – 2.

Related communication:

D-4 Department of Community Services transmitting
Resolution 16-12.

5. BILL 77 (2015) - COMMITTEE REPORT 11

REAL PROPERTY TAX EXEMPTIONS FOR HOMES. Amending the ordinances relating to the real property tax exemption for homes.

The following amendment was posted on the agenda.

PROPOSED CD1 TO BILL 77 (2015) – (Submitted by Councilmember Kobayashi) The proposed CD1 (OCS2016-0002/1/6/2016 4:19 PM) makes the following amendments:

- A. Conforms the bill with language established in Ordinance 15-51 and changes subsections (G) and (H) to subsections (H) and (I) since Ordinance 15-51 added a new subsection (G).
- B. Changes subsection (I) to allow the application of the home exemption to certain homes damaged or destroyed as a result of a fire.
- C. Makes miscellaneous technical and non-substantive changes.

Administration/Others

Gary Kurokawa, Deputy Director, Department of Budget and Fiscal Services (BFS)

Deputy Director Kurokawa stated that the BFS has serious reservations about the proposed Bill 77 (2015), CD1 which allows a home exemption claim to continue during periods when ordinarily an unoccupied residence is disallowed an exemption. He suggested some amendments to the Bill as detailed in Communication D-14.

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The following individuals testified:

1. Natalie Iwasa (comments)
2. Arvid Youngquist (comments)

Committee Chair Kobayashi recommended that the posted CD1 amendment to Bill 77 (2015) be further amended to make minor non-substantive changes.

Committee Member Pine stated that she filed a Financial Disclosure Statement. (Communication CC-312)

Bill 77 (2015) amended to CD1 and reported out for passage on third reading.

AYES: MANAHAN, PINE, KOBAYASHI – 3.
NOES: None.
EXCUSED: FUKUNAGA, OZAWA – 2.

CD1 TO BILL 77 (2015) (Submitted by Councilmember Kobayashi) – The CD1 (OCS2016-0068/1/20/2016 3:41 PM) makes the following amendments:

- A. Conforms the Bill with language established in Ordinance 15-51 and changes subsections (G) and (H) to subsections (H) and (I) since Ordinance 15-51 added a new subsection (G).
- B. Changes subsection (H) as follows:
 1. Allows the continuation of the exemption if an owner moves to a temporary residence outside the city during a sabbatical or temporary work assignment;
 2. Requires that the owner submit a change in status report specifying when the sabbatical or temporary work assignment will start and end;
 3. Requires that the owner notify the director when the home will be reoccupied;
 4. Requires that failure to comply with the subsection will result in the imposition of taxes, interest and penalties.

C Changes subsection (I) as follows:

1. Allows the continuation of the exemption if an owner vacates a home and moves to a temporary residence within the city as a result of the owner's home being damaged or destroyed by fire;
2. Requires that the owner submit a change in status report that provides evidence that the fire caused the home to be uninhabitable and the date the fire occurred;
3. Requires that the owner notify the director when the home will be reoccupied;
4. Requires that failure to comply with the subsection will result in the imposition of taxes, interest and penalties.

D Makes miscellaneous technical and non-substantive changes.

Related communications:

CC-312 Councilmember Pine, filing a Disclosure of Interest Statement.
D-14 Nelson H. Koyonagi, Jr., submitting testimony on proposed CD1 to Bill 77 (2015).

6. BILL 78 (2015) – COMMITTEE REPORT 12

RELATING TO SPONSORSHIPS. Establishing a process to obtain sponsorships for City facilities, parks, programs, equipment, and tangible property within set guidelines and procedures for the purpose of optimizing non-property tax revenue sources.

Administration/Others

Michele K. Nekota, Director, Department of Parks and Recreation

There was no public testimony.

Director Nekota testified in support of the Bill.

In response to the Committee's inquiries, the Director agreed to work with the appropriate parties on the Bill.

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Bill 78 (2015) reported out for passage on second reading and scheduling of a public hearing.

AYES: MANAHAN, PINE, KOBAYASHI – 3.

NOES: None.

EXCUSED: FUKUNAGA, OZAWA – 2.

Related communication:

M-73 Shirley Swinney (support)

7. Bill 23 (2015), CD1 – COMMITTEE REPORT 10

RELATING TO THE TRANSPORTATION SURCHARGE. Amending the Ordinance pertaining to the county surcharge on general excise and use taxes.

The following two amendments were circulated at the meeting:

PROPOSED CD2 TO BILL 23 (2015), CD1 (Submitted by Council Chair Martin) – The CD2 (OCS2016-0045/1/12/2016 1:57 PM) makes the following amendments:

- A. Changes the existing subsection 6-60.2(a) to require that the surcharge moneys will be a general fund realization. The current language states that the surcharge moneys shall be deposited in the general fund.
- B. Requires that the expenditure of surcharge moneys levied from January 1, 2007 to December 31, 2022 (SECTIONS 2 and 3 of the bill) and from January 1, 2007 to December 31, 2027 (SECTION 4 of the bill) be limited to a maximum amount of \$4.815 billion and may be expended only on the minimum operable segment and associated debt financing costs. Notwithstanding these restrictions, any surcharge moneys collected in excess of the \$4.815 billion may be expended for:
 - (1) Contingency and other reserves as recommended by the Federal Transit Authority and as detailed in the Final Financial Plan for the Full Funding Grant Agreement;

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- (2) ADA accessibility improvements to the minimum operable segment of the locally preferred alternative for the mass transit project;
- (3) Planning and design costs for route expansion; and
- (4) Infrastructure improvements to rail station areas to support affordable housing,

provided that these additional surcharge expenditures may be expended only after HART provides for Council review an update on the expenditures to date on the mass transit project and the anticipated use and amount of the additional surcharge expenditures above the \$4.815 billion limit.

- C. Requires that HART submit to Council, no later than January 1, 2017, any and all costs associated with: 1) contingency and other reserves as recommended by the Federal Transit Authority and as detailed in the Final Financial Plan for the Full Funding Grant Agreement; 2) ADA accessibility improvements to the minimum operable segment of the locally preferred alternative for the mass transit project; 3) planning and design costs for route expansion; and 4) infrastructure improvements to rail station areas to support affordable housing.
- D. Requires that no surcharge moneys may be expended for any purpose if the expenditure of such moneys will result in the project ending cash balance falling below the amount set forth in the Final Financial Plan for the Full Funding Grant Agreement.
- E. Requires that prior to and as a prerequisite for any transfer of moneys received from the surcharge, HART shall submit to the Council a currently updated cash balance summary that contains all revenues and expenditures, including both capital expenditures and operating and maintenance expenditures.
- F. In SECTION 2 and SECTION 3 of the Bill, adds a new subsection (j) to clarify that "capital costs" means the same as defined in HRS Section 46-16.8, as it may be amended, for a county with a population greater than 500,000.

- G. In SECTION 4 of the Bill, revises the definition of "capital costs" to track the language of, rather than refer to, HRS Section 46-16.8, because that section of the HRS is scheduled to be repealed in 2027.
- H. Makes miscellaneous technical and non-substantive changes.

PROPOSED CD2 TO BILL 23 (2015), CD1 (Submitted by Councilmember Pine) – The CD2 (OCS2016-0046/1/13/2016 8:56 AM) makes the following amendments:

- A. Deletes Section 6-60.2(b) in Sections 2, 3 and 4 and re-letters subsequent paragraphs as necessary.
- B. Replaces the subsection previously identified as 6-60.2(d) in SECTIONS 2, 3 and 4 of the CD1 with the following language:

"The Honolulu Authority for Rapid Transportation shall provide the following reports to the council on an annual basis: an updated comprehensive financial plan that contains all projected revenues and expenses, including both capital costs and operating and maintenance costs."
- C. Adds a new subsection (f) to Section 6-60.2 in SECTIONS 2 and 3 to clarify that capital costs means the same as defined in HRS Section 46-16.8, as it may be amended, for a county with a population greater than 500,000.
- D. Revises the definition of "capital costs" in Section 6-60.2(f) in SECTION 4 to track the language of, rather than refer to, HRS Section 46-16.8, because that section of the HRS is scheduled to be repealed in 2027.
- E. Adds a new subsection (g) to Section 6-60.2 in SECTIONS 2, 3 and 4 to require the Honolulu Authority for Rapid Transportation give informational briefings as may be requested by the council committee on transportation.
- F. Makes miscellaneous technical and non-substantive changes.

Administration/Others

Michael D. Formby, Director, Department of Transportation Services
(DTS)

Daniel A. Grabauskas, Executive Director and CEO, Honolulu
Authority for Rapid Transportation (HART)

Ivan Lui-Kwan, Finance Committee Chair, Board of Directors, HART
Don Horner, Chair, Board of Directors, HART

Gary Kurokawa, Deputy Director, Department of Budget and Fiscal
Services

Executive Director Grabauskas and Finance Committee Board Chair Lui-Kwan testified that they are looking forward to working with the Committee to advance a form of the Bill which can be brought to the Federal Transit Administration (FTA) for feedback.

Council Chair Martin explained the highlights of his proposed amendments to the Bill as follows: a) raised the initial cap from \$910 Million to approximately \$1.1 Billion, and b) addressed the FTA's concerns for the contingency and other existing reserve accounts.

Committee Member Pine explained, for the record, her proposed amendments to the Bill. However, she deferred to Council Chair Martin's proposal for discussion because both versions appear to be similar.

Director Formby testified on behalf of the Administration in support of a bill which provides for the local funding without the need for further action. The Director also testified that the Administration supports the additional Council oversight and increased reporting by the HART to the Council. Although the Department supports the intent of the CD2, the Administration has concerns and wants to make sure that amendments to the Bill are accepted by the FTA.

The following individuals testified:

1. Barbara Hudson (oppose) (M-90)
2. Roy Nakamura (oppose) (M-87)
3. Bob Nakata, FACE (comment) (M-81)
4. Richard DeConti (oppose)
5. Joli Tokusato, Unite Here Local 5 Hawaii (comment) (M-79)
6. Frank Genadio (oppose) (M-83)

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7. John Brizdle (oppose) (M-86)
8. Arvid Tadao Youngquist (comments)
9. Natalie Iwasa (oppose)
10. Barbra Armentrout (comments)
11. Cynthia Frith (comments)
12. Nathaniel Howard (support)
13. Catherine Graham, FACE – Faith Action for Community Equity (oppose) (M-89)
14. Elaine Kam (oppose)
15. Michael Uechi, M.D. (oppose)
16. Jesse Ponce de Leon (oppose)
17. Dr. Kioni Dudley (comment)

In response to queries, Executive Director Grabauskas and Board Chair Horner provided the following information:

- A clarification that 40,000 vehicle trips rather than 40,000 vehicles could be eliminated from traffic by the Honolulu Rail Project.
- The revised Financial Plan would be completed by the end of the month.

The following topics were discussed by the Committee:

- Risk Register
- TheBus plan for route changes
- Ala Moana Rail Station location
- Honolulu Rail Project route extension to the University of Hawaii at Manoa

In response to the Committee's inquiry, Deputy Director Kurokawa stated that based on today's dollars, property taxes could increase an estimated 9 percent across all tax categories. He explained that with a 30 percent subsidy from the fare box recovery ratio, \$90 Million would be needed to cover the Honolulu Rail Project's operation and maintenance cost of \$120 Million.

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Committee Member Pine explained her suggested amendments to Council Chair Martin's CD2 version. The Council Chair stated that prior to making further changes to the Bill, he awaits clarification from the Attorney General.

Councilmember Elefante expressed his concerns about the cap limitation and infrastructure improvements. The Councilmember noted that he had filed Disclosure of Interest Statements. (Communications CC-130, 131, 132, 133 and 134)

Committee Chair Kobayashi explained her reasons for voting to support amending the Bill to a CD2 version and for voting against passage on third reading.

The Committee Chair recommended that the Bill be amended to Council Chair Martin's hand-carried CD2 version as discussed in Committee.

Bill 23 (2015), CD1 amended to CD2 (OCS2016-0045/1/12/2016 1:57 PM).

AYES: FUKUNAGA, MANAHAN, OZAWA, PINE, KOBAYASHI – 5.
NOES: None.

Committee Chair Kobayashi called for a motion to report out Bill 23 (2015), CD2 for passage on third reading. Committee Vice Chair Manahan so moved and it was seconded by Committee Member Pine. For clarification, Committee Vice Chair Manahan reiterated that the motion was to report out Bill 23 (2015), CD2 for passage on third reading.

Bill 23 (2015) CD2 reported out for third reading.

AYES: FUKUNAGA, MANAHAN OZAWA, PINE – 4.
NOES: KOBAYASHI - 1.

Related communications:

CC-130

thru CC-134 Councilmember Elefante filing Disclosure of Interest & CC-330 Statements.

M-74 Garry P. Smith (oppose)

M-75, M-76 Paulette Tam (support)

M-77 Brooke Wilson, Pacific Resource Partnership (support original Bill 23 (2015))

M-78 David Gierlach, Housing Now! Coalition (oppose)

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- M-79 Joli Tokusato, Unite Here Local 5 Hawaii (comment)
- M-80 Reverend Steven Costa, Episcopal Church West Oahu FACE (oppose)
- M-81 Reverend Bob Nakata, Co-Chair, FACE Housing Task Force (comment)
- M-82 Reverend Amy C. Wake, First United Methodist Church (oppose)
- M-83 Frank Genadio (oppose)
- M-84 Margaret Graybill, FACE (oppose)
- M-85 Tom Berg (oppose)
- M-86 John Brizdle (oppose)
- M-87 Roy Nakamura (comments)
- M-88 Gladys Quinto Marrone, BIA Hawaii (comment)
- M-89 Catherine Graham, FACE – Faith Action for Community Equity (oppose)
- M-90 Barbara Hudson (comment)

SUNSHINE ITEM

At this juncture, the Committee Chair called for a motion, pursuant to HRS, Section 92-7, the Sunshine Law, to add Resolution 16-13 to the agenda. Committee Vice Chair Manahan motioned and it was seconded by Committee Member Pine to add the item to the agenda, with no objections from the five members present.

RESOLUTION 16-13 – COMMITTEE REPORT 17

LEASE EXTENSION FOR THE KANEOHE ELDERLY APARTMENTS PROJECT. Authorizing the extension of a lease of City property to Kaneohe Meli Partnership LP for the Kaneohe Elderly Apartments project under Section 28-3.4, Revised Ordinances of Honolulu.

Administration/Others

Gary K Nakata, Director, Department of Community Services
(DCS)

Keith Ishida, Division Chief, Community Based Development
Division, DCS

Makani Maeva, Ahe Group, Kaneohe Elderly Apartments project
Paul Fortino, Southport Financial, Kaneohe Elderly Apartments
project

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Director Nakata testified in support of the Resolution noting that this is the first authorization of a lease extension under a Bill recently adopted to preserve affordable housing.

Representatives from the Kaneohe Elderly Apartments project testified in support of the Resolution.

In response to the Committee's question, the DCS representatives and the Kaneohe Elderly Apartments project representatives clarified that the phrase "Section 42 of the Code" being referenced in Attachment A is the Low-Income Housing Credit section of the Internal Revenue Code.

The following individual testified:

Arvid Youngquist (support)

Resolution 16-13 reported out for adoption.

AYES: FUKUNAGA, MANAHAN, OZAWA, PINE, KOBAYASHI – 5.
NOES: None.

Related communication:

D-11 Department of Community Services transmitting Resolution 16-13.

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ADJOURNMENT

There being no further business, the meeting was adjourned at 11:51 a.m.

Respectfully submitted,



Glen Takahashi
City Clerk

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DATE APPROVED

February 10, 2016