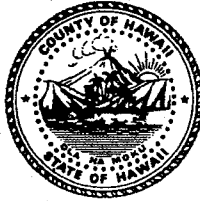


William P. Kenoi
Mayor



Nancy E. Crawford
Director

Deanna S. Sako
Deputy Director

County of Hawaii

Finance Department

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November 5, 2009

Edmund Haitzuka, Chairman
Hawai'i County Charter Commission
County Council Chambers
Ben Franklin Building, 2nd Floor
333 Kilauea Avenue
Hilo, HI 96720

RE: Charter Amendment Proposal No. CA-15
Set-aside of 2% Real Property Tax for Land Acquisition

This letter is submitted in opposition to the proposed Charter amendment to set aside 2% of real property tax revenues for the purpose of acquiring land for open space and creating a related fund and commission.

The Finance Department is opposed to any set-aside of real property tax or other general fund revenues for a particular purpose. Such earmarks make the benefiting programs the highest priorities of the County, as they are funded before any money is made available for general operations of the County. No programs should be exempt from the budgetary process.

The proposed amendment would create a set-aside of two percent (2%) of all real property tax revenue. While the amount would fluctuate with increasing or decreasing property tax revenue, it would be independent of any other budgetary issues. The County could be in the position of requiring major cuts to core programs due to large losses of other types of revenue, such as transient accommodations tax (TAT), or extraordinary expenditures resulting from unanticipated events. The two percent (2%) set-aside would continue to take priority over every County core function, including funding for maintenance, improvement or protection of the acquired property.

As stated in the description of this amendment, it mirrors Chapter 2, Article 42, of the Hawai'i County Code. The Public Access, Open Space, and Natural Resources Preservation Fund commission and 2% set-aside currently exist. The

fund and commission existed and was funded prior to the current set-aside of property taxes that was established by voters in 2006. It has and continues to function as intended to acquire special places on this island.

We oppose the inclusion of this proposed Charter amendment as a ballot item. However, if the Charter Commission determines that the amendment should be placed before the voters, we request that changes be made to both the language and the percentage amount for set-aside.

The current proposed language is better suited to the County Code than to the County Charter. The Charter section should provide a broad view of the purpose and the basics of the law, without great detail. It can then contain a statement similar to "The council shall by ordinance establish procedures for the administration and expenditure of the revenues in this fund."

Secondly, two percent (2%) of our real property tax revenue is a large amount to set aside for any purpose. Using the current year budget, two percent (2%) would be a little over \$4 million. That is larger than the entire budget of the Planning Department. It is approximately the amount of the Data Processing Department and the Office of Corporation Counsel combined. It is significant to our operations. In other counties the revenue to be set aside is more often one half of one percent (.5%) of real property taxes. We request a similar amount be considered if the proposed amendment moves forward.

Thank you for this opportunity to present our concerns and suggestions. If you have any further questions, we would welcome your call.

Sincerely,



Nancy Crawford
Director of Finance