



**Mufi Hannemann
Mayor**

State of the City Address
City Council Chamber
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11:00 a.m.

Aloha and good morning, Chairman Dela Cruz ... members of the Honolulu City Council ... distinguished guests ... ladies and gentlemen.

I'm very grateful to Chairman Dela Cruz and the members of the Honolulu City Council for inviting me to speak to you in this chamber, where you work so tirelessly to serve your constituents. Gail, my family, and the members of my administration join me in thanking you for your warm welcome.

This year is a milestone in the history of the City and County of Honolulu. It's our centennial, the anniversary of the establishment, in 1905, of county government in the Hawaiian Islands. It was a cause championed by Prince Kuhio, during a prolonged period of political turmoil and change in these islands.

Our population at the time had pushed past 60,000 and was rising rapidly, as waves of immigrants continued to arrive to work in the sugar and pineapple plantations that then dominated our economy and our landscape, and which would continue to do so for another half-century. The year before, the Chamber of Commerce had spent 500 dollars to promote a nascent tourism industry. The Hawaiian Pineapple Company's Iwilei cannery was a year away from opening, and the founding of the University of Hawaii two years away.

So much has changed since then. Some would argue whether it has been good for us. We often lament the way things used to be: a time of fewer people, less crime, no traffic, more open space, cheaper homes, less hustle and bustle. But change has always been, and will always be, a fact of life.

Through it all, through many years and many generations, this has been our Honolulu, our home.

Having lived through the latter half of Honolulu's 100 years, I've experienced our changing Oahu. And, yes, it has sometimes been difficult to accept, but I still feel blessed to call this my home.

I've been fortunate. I've enjoyed the opportunity to live on the mainland, to travel to distant lands, to visit places I once read about only in books. That's no small feat for a kid from an immigrant family of seven kids from Kalihi. I know many of you come from similar backgrounds, and have shared many of the same experiences.

My endeavors have taken me far from Hawaii, in miles, but not in spirit. And there's been no greater feeling, no greater spirit of pride and homecoming, than to see the green Koolaus, Diamond Head, or the sparkling, blue sea off Waikiki on my return—a sentiment eloquently expressed by Keola and Kapono Beamer in their enduring classic, "Honolulu City Lights."

And that is why I come before you with the deepest appreciation, and with humility and gratitude, that I'm able to work with you to contribute to the betterment of our Honolulu, our home.

COOPERATION, COLLABORATION

Yes, Honolulu is our home, but no home can survive without the support of every member of our island family. What I said in my inaugural address bears repeating today. You may recall that I used Nainoa Thompson and the voyaging canoe *Hokule`a* as an analogy for our times, where a collective, collaborative effort was required to prepare for and complete an arduous journey. Reaching our goals today requires the same kind of commitment. Our progress demands active involvement and a sense of ownership of our home, from all of us.

I was very active in PAL, high school, and collegiate athletics, and I think it's worth mentioning that the lessons I learned from my coaches, like Eddie Hamada of Iolani and Seichi Fujimoto of the Kalakaua Athletic Club, influenced and shaped my working relationships as an adult. In particular, good coaches will drill their players on the fundamentals of teamwork, and on the necessity of having each member make a positive contribution to the success of the team.

Those two themes have resonated in our first year in office, where the collective, collaborative efforts of many in our community, and the teamwork of the members of my administrative team, have brought forth some remarkable things.

We have, for example, enthusiastically embraced the principle of public-private partnerships, endeavors where government, business, community groups, organizations, and individuals unite for the greater good. We've used these partnerships to leverage modest City resources to produce terrific results, which I'd like to share with you.

With Sunset on the Beach, we worked with the Waikiki Improvement Association and invited Hawaiian Telcom to step forward to assume major sponsorship of the popular event. The end result is that they are as popular as ever, but without being so dependent on City funds and resources, as the City Council desired.

This year, for the first time ever, we encouraged the three largest organizations in Chinatown to cooperate on sponsoring a single Chinese New Year celebration, saving themselves and the City considerable time and expense on what have been, for many years, separate observances benefiting from considerable in-kind taxpayer support. Next New Year, we anticipate an even bigger event based on the joint marketing that's being planned.

Hard-working farmers beleaguered and frustrated by the theft of their crops led us to join with the Oahu Farm Bureau, Prosecuting Attorney Peter Carlisle, the Honolulu Police Department, and Council Chairman Donovan Dela Cruz to give these small business owners a voice and develop ideas to curb this crime.

In 2005, more than 7,000 people—many of them students—devoted many hours of their time for adopt-a-stream, adopt-a-block, and storm drain stenciling programs to reduce pollution. These efforts succeeded with the cooperation of the volunteers, the City, our schools, and the State departments of Transportation and Health.

The Honolulu Fire Department secured the land under its Valkenburgh Street training center, thanks to the efforts of Senator Dan Inouye, the U.S. Navy, and City Council, particularly Councilman Romy Cachola.

At the Honolulu Zoo, we've been able to build a new home for Rusti and his companion, Violet; open a modern veterinary clinic; and, next month, open the Keiki Zoo, thanks to the Department of Enterprise Services and Zoo staff, Honolulu Zoo Society, and private donors. The zoo will look better than ever when a brand new entrance is completed later this year. We're also working toward a public-private partnership to operate the zoo.

The City, thanks to Economic Development Director Jeanne Schultz, spearheaded a partnership with the Building Industry Association to develop a 4.8 million dollar construction training facility, using a federal grant we'll help to secure. We'll need between 10,000 and 26,000 more construction workers in the next few years, and this program will go a long way toward training them.

The hit television series, "Lost," continues to delight audiences, support our film industry, and generate jobs and revenue. The castaways landed in Hawaii because of the efforts of many public and private parties, with our City Film Commissioner Walea Constantinau playing a starring role.

The highly successful Honolulu City Lights has for years a cooperative venture of hundreds of City volunteers and private benefactors. December's event was chaired by newly appointed Neighborhood Commission Executive Secretary Joan Manke. We

brought City Lights to Kapolei for the first time, thanks to business and community groups, including the Friends of Honolulu City Lights and the City and County of Honolulu Federal Credit Union.

The same goes for the centennial of the City and County of Honolulu, which has been blessed by the leadership of a Centennial Commission appointed by the City Council and mayor, and an outpouring of support from the community for all the events they've sponsored since the celebration began last July. Culture and Arts Coordinator Michael Pili Pang, along with Wayne Panoke, are leading the administration's involvement. The commission has raised nearly 300,000 dollars thus far for Honolulu Hale Ho'okipa, the restoration of City Hall. In late March, we can look forward to one of the best ohana-oriented events on the calendar when a four-day festival is held on Magic Island. For local residents, we hope the festival will recapture many hanabata day memories.

Our Royal Hawaiian Band, under the direction of Bandmaster Michael Nakasone, is bringing music to our schools in record numbers. The band performed at 27 schools in 2005, triple the number of the year before. Our musicians are helping the Department of Education and our private schools promote arts in education.

A team effort by Hawaii's government leaders, the Chamber of Commerce, and others staved off an attempt to place the Pearl Harbor Naval Shipyard on the base closure list. I was more than happy to join Senators Akaka and Inouye and Congressmen Abercrombie and Case in Washington, D.C., to lobby against the closure because it would have meant 5,000 residents losing their jobs right here in Honolulu.

The Mayor's Review, under the leadership of volunteer senior advisor Paul Yonamine, and related volunteer groups like the Asset Management, Revenue Enhancement, Tax Policy, Information Technology Oversight, and Affordable Housing committees, have all shown great results as we tap the expertise and ideas of business, labor, and the community to improve City government, proving once again there's no shortage of talent here in Hawaii.

We offered a compromise on street performers, working with Waikiki businesses, the ACLU, and City Council, that would accommodate the interests of these parties and avoid costly legal challenges.

And nowhere were the rewards of a public-private partnership more successfully demonstrated than in our move toward a mass transit system that will meet the needs of Honolulu long into the future. We could not have come this far without a determined effort on the part of the entire community. What was remarkable was the diversity of support for transit: 19 Senators and 32 Representatives at the Legislature ... Democrats, Republicans, and non-partisans ... our most prominent business leaders and organizations, like the Chamber of Commerce ... labor, particularly the building trade unions ... the *Honolulu Advertiser*, *Honolulu Star-Bulletin*, and *Pacific Business News* ... some Neighborhood Boards ... and so many others.

I would be remiss if I didn't give credit to Senate President Bobby Bunda, Senate Vice President Donna Mercado Kim, House Speaker Calvin Say, Vice Speaker K. Mark Takai, and Majority Leader Marcus Oshiro; to transportation chairs Lorraine Inouye and Joe Souki; to money chairs Brian Taniguchi and Dwight Takamine; to Senate intergovernmental affairs chair David Ige; and to Governor Lingle for their backing. On the City Council, Nestor Garcia, Gary Okino, and Transportation Chair Todd Apo, all strong backers of mass transit, led the charge in working with our administration, headed by former Transportation Director Ed Hirata and transit planning chief Toru Hamayasu, to bring us to this point.

At the Chinatown Gateway Park, some clever construction work by then Design and Construction director and now Managing Director Wayne Hashiro enabled the City to complete the repairs for 85,000 dollars instead of the original estimate of 550,000 dollars, and we formed a public-private partnership with the Hawaii Theatre, Indigo Restaurant, and Plumbers and Fitters Union to work with the City to maintain the area.

Just as I love our Honolulu city lights, as a keiki o ka aina I have tried to use my influence to preserve our lands, the resource that makes Hawaii unique.

As a Councilmember, I led the charge to create a special fund to preserve Hanauma Bay. And just last month, we saved Waimea Valley from development through the combined efforts of the City; the U.S. Army, through the Trust for Public Land; Office of Hawaiian Affairs; State Department of Land and Natural Resources; National Audubon Society; the landowner and his representative; and mediator Clyde Matsui. I was determined that the issue be resolved without resorting to a trial, and that the City, which had originally committed 5 million dollars for the property, not have to spend a penny more than we had budgeted. The balance of the 14 million dollar settlement came from the other parties, all of whom shared a common vision, made compromises, and worked very hard to achieve a goal. I'd like to tip my hat to the Department of the Corporation Counsel and to First Deputy Donna Woo, who represented the City in the negotiations; to the City Council for your support of the settlement package; to Deputy Managing Director Trudi Saito for helping me to devise the City's strategy; and to the countless citizens who spoke passionately to save Waimea.

A spillover benefit of our Waimea success was that we also had the opportunity to assure the Trust for Public Lands and Army that the City would work with them and their partners to save the Pupukea-Paumalu parcel from development, and to join in future joint projects to protect our aina.

There's one other shining environmental opportunity that merits mention. Kawai Nui Marsh is a precious natural resource, a pristine open space on the Windward side that is a treasure and a timeless reminder of Oahu's beauty. The preservation of this asset and its use for environmental education have been hung up on a maintenance disagreement for far too long. However, as with Waimea Valley, I believe a spirit of compromise must prevail for the greater good. Toward that end, we've prepared documents to convey the marsh to its proper steward, the State Department of Land and Natural Resources. Like

we did in clearing debris and sediment in the Manoa Stream channel on behalf of the State for flood prevention, I've asked my Director of Facility Maintenance to continue to maintain Kawai Nui's Oneawa drainage canal and even offer to offer to give the State our amphibious excavator to aid in their conservation projects. Hopefully, these gestures, offered in the spirit of cooperation, will result in a new dawning for Kawai Nui.

Our emphasis on public-private partnerships, on bringing people together, reflects the endeavors of so many people, so many organizations, all of them willing to work together and, most importantly, to make the sacrifices and compromises that are in the interests of our home, our Honolulu. You can expect my administration to make them the hallmarks of our tenure at City Hall.

PROGRESS

Using the past as prologue, I will use my words of last year as the launching point to describe our progress and touch on our goals for the coming fiscal year.

Budget

You can expect another no-frills budget, a repeat of the current year. Our focus will continue to be on the nuts-and-bolts of City government, on those basic public services that place a premium on public safety; the maintenance of our roads, parks, and public facilities; transportation and traffic; the sewage system; and solid waste management. These priorities remain immutable.

Our proposed Fiscal Year 2007 operating budget, which we will submit next week, will be 1.49 billion dollars. This budget will reflect increases in debt service; pay raises, which are negotiated on behalf of all public employees statewide; dramatically higher energy and fuel costs; money to comply with strict federal pollution mandates and to pay for recycling; and filling critical manpower needs in our parks, road repair, and other front-line services.

It bears repeating that the Mayor's Review discovered years of unchecked spending had left the City reeling from its long-term debt, which today exceeds 3 billion dollars. The amount we pay on our debt and other fixed costs is projected to grow steadily as we devote money to making mandated and critical repairs to our aging infrastructure.

Our proposed capital budget, of which 55 percent is for sewer and waste management, is 629 million. We will also continue to invest in our roads, parks, public facilities, and other core City services that will yield both near- and long-term benefits for our Honolulu.

I'd like to acknowledge the work of Budget and Fiscal Services Director Mary Pat Waterhouse and her staff for their work on this undertaking.

Now let me describe some of our specific plans and projects for the coming year.

Technology

Our computer software is decades-old, almost predating the personal computer in some instances, but we're in the midst of a massive overhaul of the key component of this system that will integrate our financial and human resources data. Human Resources Director Ken Nakamatsu and Information Technology Director Gordon Bruce assure me that this multi-year project will result in a state-of-the-art fiscal and personnel system that will support our efforts to improve government operations through the expansion of information-based services.

We have begun repairing the 24 telecommunications towers that form the backbone of our emergency response system. We estimate that we'll need 13 million dollars more over the next several years to bring them up to standard. We're spending 2 million dollars this year to begin that process and are reconstructing three facilities. We're seeking another 3 million dollars for the upcoming fiscal year to continue our work.

I'm happy to report that we're closing the communications gaps between our first-responders. Where agencies once had separate radio systems and could not communicate with one another, we now have interoperable radio communications on the 800 megahertz band among all City first-responders and their federal and State counterparts.

We're nearing completion on the updating of our emergency operations plan that charts our response to emergencies, a plan that hadn't been touched since 1991. With a nod to Civil Defense chief Bill Balfour, we now have evacuation plans for the Honolulu Municipal Building and Kapolei Hale, and have in store several far-reaching ideas that I'll describe later.

Public Facilities

Sadly, some things in Honolulu that should have changed long ago have not. Anyone who sat uncomfortably through the recent Eagles concerts or other events might have looked forward to the replacement of the aging air-conditioner at the 40-year-old Neal Blaisdell Center arena. Bids came in higher than the 4 million dollars we originally budgeted, so the Council will receive a request for an additional 1.5 million dollars for this much-needed project. At the same time, we'll ask for 2.3 million dollars to replace the risers for the arena, an old, labor-intensive system that limits our ability to reconfigure the arena to accommodate back-to-back events, a priority for Enterprise Services Director Sid Quintal.

Public Safety

The City has benefited handsomely from the work of our public safety team: new Fire Chief Kenneth Silva, Chief of Police Boisse Correa, Emergency Services Director Libby Char, and Medical Examiner Kanthi De Alwis.

The Honolulu Fire Department battled a thousand brush fires during the summer of 2005, an unbelievable drain on its resources. We're doing our part to support the department's priorities by renovating and repairing the long-neglected fire stations. We're spending 2 million dollars now and we're asking for another 3 million dollars in the 2007 fiscal year to do more.

We approved a million dollars for two new fire engines and can expect delivery sometime in March of three new fire engines, the third funded through a federal grant and earmarked for operation in Waianae. We're proposing to purchase another two fire engines this coming year to continue our replacement of aging inventory.

On the emergency services side, we introduced ambulance service for Nanakuli and Makiki, established a Kaaawa rapid response unit, and expanded Makakilo to 24-hour service. This coming year, we're seeking one million dollars to construct a Wahiawa ambulance facility and 400,000 dollars to continue our lifeguard tower replacement program.

The Honolulu Police Department received 2.7 million dollars to purchase 61 new patrol vehicles this fiscal year. We'll be asking for another 2.4 million dollars for 48 more cars and 5 motorcycles for a fleet that experiences heavy use. We are proposing an appropriation of 10 million dollars for the expansion of the police crime laboratory and a smaller sum for planning to improve the Waianae Police Station.

Roads

Our declared "war on potholes" has taken place on several fronts, as I described last year, under the direction of Facility Maintenance Director Laverne Higa and Design and Construction Acting Director Eugene Lee and their teams.

First, we're filling potholes, to the tune of nearly 47,000 in calendar year 2005. About 5,300 of those were reported on our phone and Internet pothole hotline. We're glad to see the State Department of Transportation join us in this battle. I've been thanked for work on State highways, and I'm sure the governor has received similar compliments for City streets. At the end of the day, it doesn't matter if the City or State gets the credit, only that the job gets done and our roads are improved.

Second, we're repaving roads. By this December, we'll have spent 66 million dollars over a two year period to rehabilitate and reconstruct 181 miles, using a comprehensive approach that's long-lasting and easy to maintain.

We completed roads in Pupukea, Kahuku, Makakilo, Palolo, and Waipahu, while work on Waimano Home Road and Harding Avenue is in progress. Budget and staff resources permitting, we're scheduling work for Beretania Street, Kilauea Avenue, the much-traveled Keeaumoku Street, University Avenue, Hamakua Drive, Manoa Valley, Ala Wai Boulevard, and Alewa Drive, to begin this calendar year and on into 2007. Then, we are

requesting 30 million dollars in the 2007 fiscal year for the rehabilitation of North King Street, from Liliha to Ola Lane; Keolu Drive in Kailua; Moaniani, Waipio Uka, Ka Uka, and Ukee in Central Oahu; and Moanalua Road and Kaahumanu Street in the Aiea-Waimalu area.

We introduced last year a pilot project to reconstruct failed pavement areas in selected areas. Dubbed “localized rehab,” this method is a fast-track repair and resurfacing of streets in subdivisions and neighborhoods. We’ve successfully tested it in Waipahu and are beginning a project in Village Park, having paved 50 miles so far, with another 20 to go.

Sewers

Sanitation projects—meaning sewers and other waste disposal—will account for the largest single item in our capital improvement budget for the 2007 fiscal year. We raised sewer fees last year and vowed to use that money for sewer work and nothing more. As you can see, we’re delivering on that promise.

We’re completing upgrades to the Sand Island Waste Water Treatment Plant, valued at 176 million dollars, the Kalaheo Avenue sewer project, and the Ala Moana pump station modifications.

Last year, we announced plans to replace 6,600 feet of sewer line on Lewers Street and Ala Wai Boulevard at a cost of 30 million dollars; design is underway and construction is expected to begin in early 2007. The Saint Louis Heights sewage project, announced last year, is also expected to begin about the same time. That work will involve 45,000 feet of sewer line and cost 20 million dollars.

A project to begin in a matter of months is the long-awaited and, to some, much-dreaded Kapiolani Boulevard project, which involves replacing underground water and sewer systems that are more than 70 years old. The success of this project, and all the sewer work for that matter, will depend on cooperation, communication, and an understanding public, which I know Board of Water Supply Manager and Chief Engineer Clifford Lum and his City colleagues will encourage and support during what will be a lengthy construction period.

Sewer reconstruction in the Wanaao Road and Keolu Drive areas of Kailua, with a price tag of 31 million dollars, will begin in the middle of 2007. We’ll be working on sewers on Renton Road, Halona Street, Kaneohe Bay Drive, and Houghtailing Street. We’ll be improving sewers in Waimalu, Kalihi, Nuuanu Valley, Wilhelmina Rise, Waialae Iki, Kulouou, and Waimanalo. We’re making an emergency replacement of the Niu Valley force main, and doing similar work at Fort DeRussy. We’re strengthening the Hart Street pumping station and the Honouliuli and Sand Island waste water treatment plants—and these are just the big projects.

I suppose any mayor would much rather be talking about, say, new parks and gyms today, but I think you'll all agree the decidedly unglamorous priority of sewers is far too important and pressing to be ignored any longer.

Solid Waste and Recycling

There seems to be a perception fueled by some that we haven't done enough about solid waste. Let me refute that right now.

As soon as we took office a year ago, we knew, like the Council did, there were problems at the Waimanalo landfill. Environmental Services Director Eric Takamura and members of our administration met with the operator, Waste Management, to order improvements. A new management team was retained, and the company has since reduced leachate levels and odors, improved grading, reduced litter, and corrected its recordkeeping and other deficiencies. Even the State Department of Health admitted the City had made significant strides in correcting past shortcomings.

One of my early priorities was bringing equity to no-call, regularly scheduled, bulky-item and white-goods pickup, and we're making good on our promise to take it island-wide. We started pickup last March on the Leeward Coast and added the North Shore and Windward Oahu to Kahaluu later in the year, with excellent results. We're continuing our roll-out, and next week, we'll introduce pickup to the Halawa-to-Makakilo area, extend it to Wahiawa and Mililani in May, and complete the entire island by July with service to Waimanalo, Kailua, and Kaneohe.

With respect to curbside recycling, we've grown accustomed to the notion that trash pickup is free and limitless. We have twice-a-week refuse pickup. We have twice a month green waste pickup. And we have once a month bulky-item pickup. We all expect this for free. Compounding the situation is the past administration committed more than 2.5 million dollars to purchase and distribute 50,000 blue bins to homes, without a feasible plan to put them to use. That's why next week we're beginning "greencycling," or free, automated curbside recycling of green waste.

With our planned rollout, we hope to reduce the amount of green waste sent to our landfill by 60,000 tons over the next two years, and increase that to 90,000 tons when the program reaches maturity. In comparison, twice-monthly curb-side collection of mixed recyclables would cost every household 300 dollars per year, while removing only 20,000 tons of waste from the landfill. Lastly, the state's HI-5 program is doing quite well, recycling a significant portion of the mixed material. The City plans to further support HI-5 by opening redemption centers on City grounds in Waikiki and Nuuanu and providing 40 more recycling bins at schools and other sites. Not only do we expect to reduce waste by 19,000 tons, but we're also helping schools and non-profit organizations to raise money, a worthy goal Councilmember Ann Kobayashi shares with us.

We can also do much more to educate the public. For example, just last November, we put on a highly successful Discover Recycling Fair at the Blaisdell Center that attracted

more than 6,000 people, most of them students. As Councilmember Rod Tam recently said, recycling begins with our children. That's why we plan to repeat the fair this coming September 21 to 23.

Much of the credit for our refuse and recycling success must go to our City employees, as well as the cooperative spirit of the United Public Workers.

On April 1, the Synagro plant will begin converting sewage sludge into fertilizer pellets. That will remove more than 8,000 tons of sludge from the waste stream and reduce much of the odor generated from dumping it at the landfill. We're also working with the Navy to recycle sludge, a move that will compost another 2,100 tons in the waste stream.

In working with Public Works Chairman Rod Tam, I'm pleased to announce that we've selected a consultant to update the City's integrated municipal solid waste plan.

We're partnering with Hawaiian Electric in an unprecedented way to explore new, alternative energy technologies fueled by municipal solid waste. This should improve the City's capacity to convert trash to energy, cut the amount of waste going to the landfill, and reduce our dependence on imported oil.

Despite these steps, the City Council just approved a measure calling for the closure of the Waimanalo landfill in 2008, reversing a decision they made just 14 months ago. There are enormous economic, logistic, and permitting challenges associated with that decision, particularly given that no alternative site has been recommended. Compounding the City's predicament is the previous administration's signing in 1999 of an agreement with the landfill operator, allowing for a 15-year extension, although they publicly promised later to vacate the dump site by 2008.

As I ponder the ramifications of the Council's latest vote and whether I should accept or reject Bill 37, this much is clear: It's time we institute a community benefits package. It is patently unfair to assume it's okay for only one part of our precious island to be the repository for all of Oahu's opala, and that the residents who live closest to the landfill will simply have to grin and bear it. I will include in our 2007 budget a 2 million dollar community benefits program for the people of the Leeward Coast to offset the landfill nuisance. We propose a package split evenly between grants for the district and capital improvements. Additionally, we are committed to improving the Waianae Police Station and completing the Waianae emergency access road. We will convene a committee of residents from Honokai Hale to Makua to decide how the grants will be apportioned, and suggest that the package could be used to help with homelessness and drug abuse, aid young people and seniors, or provide some financial incentive for those living in proximity to the landfill.

Transportation and Traffic

Traffic is our leading quality-of-life challenge. The City will make headway when we launch a ferry service from Barbers Point to Aloha Tower this year, as promised. New

Transportation Director Melvin Kaku is soliciting proposals so a ferry operator can be selected and service begin by this summer. Several hundred commuters from Waianae, Makakilo, and Kapolei can take the shuttle bus to the ferry terminal at Barbers Point; arrive at Aloha Tower after 45 minutes on a comfortable, state-of-the-art vessel; and catch a shuttle bus to Ala Moana, Waikiki, or downtown. The ferry and bus combination, plus City-State cooperation, makes this a unique venture never tried in previous incarnations.

This will be a key element of what we call our multimodal transportation system that includes the ferry, our proposed rail transit, improved synchronization of traffic signals, and other elements that, in total, will help to ease the growth of congestion.

We're also helping to reverse the commute by encouraging more business activities in West Oahu. I hold weekly meetings at Kapolei Hale and my cabinet meets there monthly. We helped Hoku Scientific locate to Kapolei and are providing Community Development Block Grants to Easter Seals and Goodwill Industries to establish operations. We're also supporting the Salvation Army's plans to build a major community center.

We continue to have one of the best bus systems in the nation, thanks to the work of Roger Morton and Oahu Transit Services, and we're conducting a marketing program to boost ridership. We're introducing demonstration projects to enable passengers with laptop computers to enjoy wireless Internet access, which we also hope to offer on the ferry, and have begun selling newspapers on selected express buses. We've begun a pedestrian safety project that includes revisions to City design guidelines and relocates bus stops to improve bus efficiency and discourage jaywalking on major thoroughfares. We can credit Deputy Transportation Director Alfred Tanaka for this initiative.

Customer Services

One of our priorities has been to improve City services, particularly by using information technology to our advantage so our customers will spend more time on-line rather than waste time in-line. It's a goal embraced by Customer Services Director Jeff Coelho, given his extensive business know-how in building customer relations.

During the past year, we added to our online inventory by introducing such Web-based services as the pothole hotline, driver's test appointments, motor vehicle fee and title inquiries, vanity plate orders, and car dealer registrations.

As I promised in my campaign, Satellite City Halls at Ala Moana Center, Pearlridge, and Windward Mall are now open until 9 every Wednesday evening. People are discovering these new hours and making good use of them. I'd like to acknowledge the HGEA for their cooperation in making this service possible.

We added driver's license renewals at the Hawaii Kai Satellite City Hall during the summer, much to the delight of Councilmember Charles Djou's constituents. We hired

part-time road test examiners during the summer and Christmas holidays to meet peak demand. We're in negotiations to bring driver's license road testing and renewals back to the Windward side, which I know will please Councilmember Barbara Marshall and Chairman Dela Cruz. And I'll be working with the Armed Forces Committee I formed last year to explore opening a Satellite City Hall on a military base to serve this large clientele.

Planning and Permitting

At the Planning Department, you will recall that Director Henry Eng, Deputy David Tanoue, and their staff instituted a number of improvements to trim the time it takes to obtain a building permit. A pay-only/pick-up line that opened last January has already served more than 7,000 customers. The agency made available a part-time information officer to guide first-timers and owner-builders through what can be a bewildering application process. No less than 12,000 customers have been served.

Despite staffing shortages, our employees keep coming up with new ways of doing business. Last June, we began allowing permit applicants to start the process online by providing project information prior to visiting the permit center. The volume of applications has tripled, and we're saving counter personnel 35 man-hours a month. We're happy to report that the lines and waiting times are much shorter and there's been a huge drop in complaints.

The website continues to be expanded and improved. Links now give trade group members 24-7 access to important permit and property information. Hits have increased from 472,000 in December 2004 to an average now exceeding 850,000 a month, an amazing increase.

Beginning March 1, we'll introduce online issuance of permits that require no plans, like solar installations or electrical meter and interior plumbing replacements for single-family dwellings. What's significant is that these permits may be applied for, paid, and issued over the Internet. Then, beginning May 1, we'll be adding permits for residential fences, repairs, and demolitions to our online offerings. We estimate that this will cover 4,200 applications and save 3,500 man-hours of staff time.

These manpower savings will enable the City to devote more time to reviewing larger, more complex building projects, reducing our backlog, and better responding to customers.

Parks

As with our roads and sewers, we are playing catch-up with our parks program. We will request roughly 28 million dollars this coming year to repair or maintain parks facilities, including making ADA improvements, repairing gyms, reconstructing waste water systems, building restrooms at the Waipio soccer field, and making the necessary improvements to ensure the safety and longevity of these much-used sites. We also

hope to fill 38 vacancies, mostly maintenance staff, to clean parks that typically stay open 17 hours a day.

While the Parks Department has been under-budgeted and short-staffed for years, Director Lester Chang and his team have made creative use of available resources to maintain our facilities. They completed makeovers of four comfort stations using in-house labor. Among them are Oneula Beach Park, which I once declared the worst on the island, and Kawanakoa Neighborhood Park. The work was done for a fraction of the cost of a private contract. Just last week, we repaired two comfort stations on Magic Island with a team from YouthBuild Honolulu, a program operated by the Department of Community Services under Director Debbie Kim Morikawa, Windward Community College, and the Parks staff, in which they replaced fixtures, painted, and installed new partitions. We'll be replicating this model at parks across the island.

PROPERTY TAXES

Paying for all of these basic City services falls largely on the shoulders of property owners. The real estate boom and rise in property values has, of course, led to concern among homeowners facing much higher property tax bills come August.

Can we forego the collection of the additional taxes? I'd love to.

Can we afford to? I'm afraid not.

As my remarks to this point have indicated, we are investing heavily in basic services, in roads, in sewers, in public safety—all the essentials of City government, with the strong backing of Council Budget Chair Ann Kobayashi. We've also accompanied these priorities with major cuts, among them the cancellation of the 50 million dollar Bus Rapid Transit, the Waikiki Natatorium renovation, City support for Sunset and Brunch on the Beach, and a slew of proposed construction projects that would have only added to our maintenance burden. In consultation with the Outdoor Circle, we restored some order to the proliferation of trees along Punchbowl Street and Kuhio Avenue. We terminated a visioning program that, at its peak, devoted almost 73 million dollars a year—much of it raided from the highway fund—to such projects as neighborhood signs.

We mandated the use of procurement cards, cutting down on mountains of paper transactions. An internal phone-by-phone inventory enabled us to cancel unused lines and slash our bills by 150,000 dollars a year. Our legal staff, under Corporation Counsel Carrie Okinaga, has saved money by cutting the use of outside attorneys and avoided at least 750,000 dollars in judgments by successfully defending the City. These cost-cutting decisions should tell you that we're being fiscally responsible and being frugal, not foolish, with your money.

With regard to property taxes, my administration proposed a number of measures for short- and long-term relief, while also keeping sufficient revenue to meet the basic needs of our City.

I had initially set aside 40 million dollars to provide tax relief and suggested that this could equate to every homeowner receiving a 300 dollar credit. Yesterday, the Council approved Bill 80, which gives a tax credit to owner-occupants, provided the title-holders' aggregate incomes are 50,000 dollars or less. Given my belief that we need to provide immediate tax relief, and that this bill may achieve that end, I promise the Council a prompt review.

At the same time, I continue to believe that we need to take a page from the playbook of our sister counties and create a "homeowner" class. This category would distinguish the owner-occupant from other property owners, such as speculators, and the result will be reduced taxes for those owner-occupants.

I've formed a Tax Policy Advisory Committee that is working with the City to take a thorough look at our property tax system and offer recommendations for improvements.

Last week, I convened a meeting with the heads of our major local banks to solicit their support in assisting taxpayers. They agreed to offer a special property tax financing package similar to a home equity line of credit and a savings plan similar to a Christmas account. Participating are First Hawaiian Bank, Bank of Hawaii, Central Pacific Bank, American Savings Bank, and Hawaii National Bank. To help our many seniors who are not taking full advantage of their exemptions, we'll be at the Wellness Fair and Senior Fair in March and April, side by side with the banks, to let folks know what's available.

Back in 1999, when I was a City Councilman, I recognized the necessity of having a rainy day fund. We put 5 million dollars into that fund, but that original amount hasn't grown since. I ask you: If we can't save now, when can we?

National budget experts tell us an amount of 5 to 8 percent of our annual operating budget, or 50 to 80 million dollars based on a billion dollar budget, would be ideal, which we're willing to build over time. I am calling on the Council to cooperate with us to grow this reserve through available means, over time, and even if in modest amounts.

My conservative and disciplined approach to fiscal management I learned from my former boss, Governor George Ariyoshi, who withstood an unrelenting stream of requests to spend more money, and who always managed to carry a surplus into every new year.

THE FUTURE

Financial challenges aside, and I'll admit they are formidable, my administration will continue to pursue major initiatives that go to the heart of our quality of life, that fulfill basic City responsibilities, and that make the best use of our dollars.

Mass transit

As I said earlier, traffic is a major challenge for us. Thanks to the State, we have a dedicated source of funding for mass transit that allows us to proceed with the planning and evaluation of a high-capacity transit system from Kapolei to the University of Hawaii's Manoa campus. We will complete the first phase of our planning this year and present the results and recommendations to the City Council for a decision in November, as they have requested.

Along with members of the City Council, I've examined different systems in a number of cities and come away impressed with the quality of service and more committed than ever to building a transit system that can move large numbers of people, on time, at a reasonable cost.

While our priority is the heavily congested Leeward Oahu corridor, I have asked the project planners to look at how the system might be extended to Mililani and to Hawaii Kai. We also want to integrate our buses serving the Windward side. Major American cities that began constructing their rail systems back when Honolulu first began looking into rail a decade ago, such as Washington, D.C., San Francisco, Denver, Salt Lake City, Portland, and Los Angeles, are already expanding their systems.

We have completed the initial round of public meetings. We established an ambitious program to encourage public-private involvement by forming the Transit Solutions Advisory Committee and a Transit Finance Committee. This will demonstrate our commitment to keeping the public and policy-makers involved and informed throughout the process. We have a new website and are publishing a monthly newsletter to keep interested parties abreast of our work. We're also assembling a speakers bureau to help me meet with business, professional, and civic groups to keep them posted of our work and give them an opportunity to discuss the project. We're keeping federal decision-makers informed of our progress. All of this is being done with an eye toward breaking ground as early as 2009.

Emergency Management

We will propose the establishment of an Office of Emergency Management, a cabinet-level body to replace the Oahu Civil Defense Agency and help lead what's being called the "Long War" against terrorism, pandemics, as well as natural and man-made disasters. Boston, San Diego, New York, Washington, D.C., and Los Angeles have all set up emergency management offices tailored to meet the new threats and challenges of our post-9/11 world, and we must do the same. We will use federal money to train City employees in the National Incident Management System and shelter management, and strengthen our efforts to secure more federal money to support and broaden our preparedness capabilities.

Enhanced 911

And while we're on the subject of emergency responses, about half the 90,000 calls received monthly by our 911 call center are made from mobile phones. But unlike land-lines, our operators can't locate mobile phone callers. E911 will enable us to do so. We are figuring out the best approach to install hardware, software, and training so that six of the major carriers can be converted once the system is implemented. We will use a phased-in approach for each carrier and should be able to locate all mobile phone callers in an emergency by mid-2007.

311 Call Center

In my interaction with my fellow mayors, I've had an opportunity to see how they do things and bring back ideas on how we can adapt them to Honolulu. I was impressed with the 311 call centers of Chicago's Richard Daley and New York's Michael Bloomberg. I am supporting the establishment of a 311 call center that will relieve the burden on our first-responders by enabling us to differentiate between urgent, life-and-death calls and non-emergencies, as well as provide general information on public services. Our 911 operators field more than a million calls a year, of which only a fifth can be classified as requiring immediate attention. State lawmakers have given this proposal serious consideration, and I have asked them to continue their support to demonstrate their commitment to what should be a State-county partnership. We have also discussed this idea with our sister counties, who support having the City and County of Honolulu take the lead in this endeavor.

Economic Development

Nothing is more discouraging than to have our young people leave to seek work on the mainland. I think it's a credit to us that they can find jobs elsewhere, but the loss of some of our best and brightest will lead us down an uncertain path. I believe that we can make a difference, that we can chart our economic destiny. But it takes leadership, it takes ideas, and it takes the will to bring ideas to fruition. It's something I learned when I worked for Governor John Waihee, who gave me wide latitude and exceptional support when I was privileged to serve as his director of Business, Economic Development, and Tourism.

Now, I've long held that economic development should be a major initiative of the City, much like it is with our sister counties and with cities across the nation. We have a number of exciting projects in store that we expect will support business growth and private sector job creation.

We will hold a Chinatown Summit this April 12 at the Hawaii Theatre, which will draw upon my experience with the Pearl City/Manana Task Force I chaired when I was on the Council. We will have residents, businesses, community leaders, and others offer ideas on how we can revitalize a central part of our town that holds such enormous economic potential and develop a vibrant culture and arts environment in the process. We hope to

do for Chinatown what the City did for Waikiki, but at a fraction of the cost. Later this year, we will have a similar exercise for Kalihi, which holds so much promise as well.

We're planning to seek a federal grant to develop the Gateway Business Development Center, focusing on the arts. It would provide space and administrative support to help artists and stimulate the arts as an industry, much like the State's incubators have done for the high tech industry. The Arts at Marks Garage next to Hawaii Theatre is an arts enterprise concept that I helped establish when I served on the Council, and I think a walk around that area will provide ample evidence of the appeal of this incentive.

Duane Kurisu is preparing to reintroduce Hawaii Winter League Baseball to Oahu, and the City fully supports this venture. When the league was here in the late 1990s, I worked with the Harris administration to open up Hans L'Orange Park in Waipahu as a venue, and today we have the Central Oahu Regional Park to build upon. Winter Baseball has attracted some of the top players in Major League Baseball and the Japanese pro leagues, and we're very optimistic that the growth of this sport will attract more teams to train on our island.

Lastly, University of Hawaii Athletic Director Herman Frazier, who's an Olympic gold medalist, has said that he'd like to have the U.S. Olympic team warm-up in Hawaii before the Beijing Olympics in 2008. Imagine a thousand of our most gifted athletes, their entourages, and the nation's news media in Honolulu for a month using our terrific sports facilities. I'm excited about Herman's idea, and have committed to help him make his dream a reality because it will be great for our home.

There are three vexing problems we must confront: I speak of affordable housing, drug abuse, and homelessness. The breadth of these challenges defies easy, immediate responses; some even elude consensus on the best means of pursuing solutions. But rest assured that we are committed to making inroads.

Affordable Housing

With the booming real estate market pricing many out of the housing market, and the City now largely removed from developing homes, my administration is focused on across-the-board streamlining of the planning and permitting process, particularly for those projects devoted to affordable housing.

Unilateral agreements have resulted in the City's approval of 65,000 new housing units, of which 19,000 are affordable. Of that figure, 14,000 affordable units have been completed. Another program has led to the approval of about 380 affordable units during the past two years.

We're reducing permit processing time, as I described earlier, developed fast-track procedures to pre-approve tract home designs, and convened an advisory committee of housing providers to offer recommendations on improving the delivery of affordable housing. Our Department of Community Services manages a wide variety of grant and

loan programs. We'll also continue to push for more streamlined State Land Use Commission processes to eliminate duplication with the counties.

We're evaluating a number of other ideas, such as changing allowable densities in certain districts and developing incentives for long-term rentals and homes that target the low end of the affordable range. We appreciate the support we've received from the Legislature on measures that provide infrastructure funding. Lastly, we'll look into the merits of appointing a specialist to facilitate the development of more affordable housing.

Drugs

As a modest but symbolic first step in the City's fight against drug abuse, we have formed a select task force on drug use, with the specific mission of making the City and County of Honolulu the most knowledgeable collection of employees in Hawaii on identifying and managing drug disorders. The group, chaired by Dr. William Haning of the John Burns School of Medicine, includes an impressive roster of Honolulu's leading health care and drug intervention experts. Several cabinet members are ex-officio participants and U.S. District Attorney Ed Kubo and City Prosecutor Peter Carlisle are serving as honorary advisors. One of the group's first tasks is to use money appropriated by the Legislature, and matched by the City, to support anti-drug activities. We're soliciting proposals for 5,000 dollar grants for alcohol and drug abuse projects.

Homelessness

With respect to homelessness, the complexity and scope of the situation seems overwhelming. Some would have us confront the problem by sweeping the homeless out of City parks. It can be done, but where would they go? Sweeps would, literally and figuratively, sweep the problem under the rug.

There's no universal remedy for homelessness. Many suffer from mental health and drug abuse problems requiring sustained, costly, medical and social services. And a few believe it is their right to live on public lands.

Larger municipalities on the mainland operate much like mini states: They provide housing and welfare; operate schools and hospitals; and deliver those services traditionally associated with local government. Hawaii's structure is a little different, given the centralization of services at the State level, and puts a challenge like this beyond the City's means and capabilities. To the extent that the City can support the State with a plan that is meaningful and viable, we will gladly contribute and do our part.

CONCLUSION

For years, we avoided facing the realities of the cost of public services. The truth about the City's financial condition was hidden through sleight-of-hand, the plethora of grandiose projects diverting our attention from the underlying question of how we were to pay for it all. Well, we're struggling with the realities now.

We're seeing the results of years of deferred maintenance. Problems that once were little are now huge. Problems that once would have cost a few bucks to fix now require thousands, if not millions, of our dollars. That's why we're tackling the need-to-have, not the nice-to-have.

This situation calls for a greater willingness from each of us to cooperate and collaborate for the good of all, and what better time than this milestone in the City's history to reaffirm our commitment to being a contributing member of "Team Honolulu."

First, as a community, we have to decide how much we're willing to pay for what we receive. Public services are not an entitlement; everything has a cost. If we're willing to do with less, we can cut property taxes, we can reduce fees. In a culture of complaint, we criticize and finger-point, or bemoan public employees or government inefficiency. But what we need are creative, meaningful solutions to the challenges we all face.

Second, I said at the top that change has always been with us. The past century has brought social and economic opportunity for our Honolulu. But change has also brought an attitude of let-Keoki-do-it, a detachment from involvement in building a better city.

As I hope you can see by now, I choose to lead very differently. This is an administration that doesn't dwell on problems. We focus on solutions. We bring people together. We don't care where an idea comes from, just that someone is offering one. We don't care who gets the credit, just that the people of Honolulu are served.

And so, despite our many challenges, I'm very encouraged by the opportunities I see to make our city better than ever.

I see an outstanding team of City employees dedicated to serving the public, to finding new ways to do things, to working tirelessly despite the obstacles of staffing and funding shortages. I know this because I've visited them at their offices, baseyards, Satellite City Halls, lifeguard towers, and in their ambulances, or while they're filling potholes, fighting fires, or walking their beats. Many tell me I'm the first mayor to visit them in years.

I see businesses, labor, community groups, non-profits, and individuals joining in public-private partnerships to achieve shared goals and dreams. It's amazing what we can achieve when we put our hearts and minds to it.

I see a City Council committed to finding common ground so that we can reconcile differences when they occur from time to time, and do what's best for our community.

As with Waimea Valley, the Pearl Harbor Naval Shipyard, and mass transit, I see a community that can be galvanized to work together in the pursuit of an important goal.

I see a Honolulu where this spirit can be found in every home, on every block, in every neighborhood, in every community. I see a Honolulu where every person, from keiki to kupuna, can make a contribution.

I see a Honolulu that's the best place to live, work, and raise our families.

Indeed, Honolulu, the best is yet to come.

Mahalo.

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