

**COMMITTEE OF THE WHOLE
FISCAL YEAR 2020-2021 DEPARTMENTAL BUDGET REVIEWS**

MINUTES

The Fiscal Year 2020-2021 Departmental Budget Reviews of the Committee of the Whole of the Council of the County of Kaua'i, was called to order by Arryl Kaneshiro, Chair, at the Council Chambers 4396 Rice Street, Suite 201, Līhu'e, Kaua'i, on Friday, March 27, 2020 at 9:00 a.m., after which the following Members answered the call of the roll:

Honorable Mason K. Chock (*via remote technology*)
Honorable Felicia Cowden
Honorable Luke A. Evslin (*via remote technology*)
Honorable Ross Kagawa
Honorable KipuKai Kualii
Honorable Arryl Kaneshiro

Excused: Honorable Arthur Brun*

Committee Chair Kaneshiro: Good morning, I would like to call to order the Committee of the Whole and the Fiscal Year 2020-2021 Departmental Budget Reviews. Let the record reflect that we have a quorum. On the schedule today, I as the Committee of the Whole Chair will go through some ground rules for the budget proceedings. They are pretty much the same ground rules we have used in prior years. Shortly thereafter, we will be playing a video message from the Mayor and his Administration regarding the current situation we are dealing with as it relates to the budget and COVID-19. COVID-19 has really dealt us a huge blow in the way that we do business, hold our meetings, and it will have major implications on our budget for probably many years to come. I am sure revenue will take a hit and we will need to stay in communication with the Administration to ensure we are passing a budget that reflects that reality. As I had mentioned earlier, we are canceling the Departmental Budget Reviews from March 30, 2020 through April 7, 2020. I have kept the Budget Call-Back days just in case they are needed. For the public, written testimony is appreciated in advance of any meeting and can be sent via E-mail, facsimile, or through the mail. Our meetings will continue to be closed to the public pursuant to the Governor's March 16, 2020 Supplementary Emergency Proclamation.

For the Councilmembers, here are the ground rules for the budget. This year, you are asked to review the budget submittal that we received, though we are all aware that may change. There are some static items in there however, that you may have questions on. I ask that you please follow the same schedule as if we were having reviews in terms of submission of questions to Council Services Staff. For example, questions for the Office of the Mayor, Department of Human Resources, revenue, et cetera should be submitted by close of business today. By close of business Monday, questions for the Department of Public Works should be submitted. Staff will compile these questions and transmit them to the Administration. All of the questions and

responses will be posted to the Council's Budget website for the public to see. Call-Backs are still scheduled for April 9-17, 2020 and will be canceled if not necessary. The Mayor will submit his Supplemental Budget Communication on May 8, 2020, which will most likely be substantially different due to COVID-19. Decision-Making is scheduled for May 15-19, 2020. Again, during Budget Decision-Making any proposals to add to the budget should identify the appropriate source that will be used to account for the budget increase (i.e., budget cuts or other revenue sources). Four (4) votes are required to reduce or remove an item. Five (5) votes are required to increase or add an item. We will proceed with Decision-Making similar to prior years, going department by department, and we will still follow our Council Rules. Council Rules will be enforced as far as speaking on each individual decision. Each Councilmember will have two (2) times to speak for a maximum of five (5) minutes prior to our decision. I want to thank all the Councilmembers and the Administration in advance for their cooperation in modifying our budget session this year given our current crisis. I would now like to play the video submission provided by the Mayor and his Administration.

(Prerecorded video message from Mayor Derek S.K. Kawakami)

DEREK S.K. KAWAKAMI, Mayor: *Aloha* Chair Kaneshiro and Members of the Council. Our world is changing in the blink of an eye, and what we thought we could rely on yesterday is now either gone or different. Two (2) weeks ago, when we submitted our budget proposal to you, we had already begun adjusting to some reality—our virtual delivery of our State of the County address was just the beginning. But never could we have imagined that today we would be delivering yet another video address to inform all of you that our proposed March budget—that our team has worked hard on for months—is no longer realistic. These are dynamic times. The COVID-19 pandemic has placed a number of new operational and financial considerations that did not exist two (2) to three (3) weeks ago, and they continue to change daily. During the process of developing this budget submittal over the past few months, the revenue picture was very clear. However, the budget outlook at this present time does not look promising. Already, we have General Excise Tax (GET) revenues plummeting, and I will be sending a money bill shortly to revise this current year's budget to reduce spending. We also have no visitors. And while the traditional debate has been about the counties getting their fair share of the Transient Accommodations Tax (TAT) from the State, right now there are no transients, and there is no TAT revenue coming in. So where we would expect fourteen million dollars (\$14,000,000) in revenue—at this rate, it may be zero (\$0). We can also expect real estate valuations to plummet in coming years, with the revenue picture looking quite worrisome; some projections from our Assessment Division show real estate tax revenues possibly plummeting twenty percent (20%) in Fiscal Year 2021-2022. To put that in dollars and cents, that could be around thirty million dollars (\$30,000,000) million in reduced revenue.

However, we do have a small window to plan and prepare. Hard choices now and reinforcing our reserve will help cushion the inevitable blow. We need to reconsider whether our fund balance is better spent as banking for reserve. We need to rethink about the things we absolutely need, like do we need new vehicles. We need to reconsider whether while valuations are high, do we ask people who are able to pay, to pay more to bolster our financial position for what is ahead. We know winter is coming. We thank you for your understanding and flexibility as we all adapt to changing times. We know and freely admit many of our proposals did not consider the wild volatility of the revenue picture we face today. I believe our action asking for receipt by the Council of the eight (8) revenue bills this past Wednesday as evidence of our Administration's position that we cannot move forward in a bubble and think the world will adjust to us. We need to adjust to the world. We will use the period between now and the May budget submittal to incorporate feedback from the Council during hearings, to hopefully reconcile a budget plan that reflects a financial picture given this ongoing national emergency. We thank the Council for your support and work the past few weeks in response to COVID-19. We are very lucky to have a cooperative legislative body that is working with us to protect the people of Kaua'i. Being the first legislative body in the state to appropriate emergency funds in response to this crisis speaks volumes about your integrity and grit as lawmakers. I look forward to the continued discussions and discourse as we position our government to weather what we can anticipate will be a severe winter ahead.

Our community has always thrived in the face of adversity. Over the past few weeks, that Kaua'i tenacity that is in our "DNA" is once again coming to the forefront. I have been humbled and touched by the various acts of kindness, courage, and goodwill we have made for one another. We have a strong sense of community, and we will be here for each other. This crisis will be a long haul—a marathon of sorts. But it is a race we can run hard, and we can run strong. If we have to carry others along the way, we will because that is our style and that is the Kaua'i way. And we will get through this—we know no braver community than ours and we will face the future together. Thank you, Members. God bless, and *aloha*.

Committee Chair Kaneshiro: With that, I would like to open the floor for any final commentary before we adjourn and get to work individually reviewing the budget submission. Councilmembers, any final words before we venture down the road of our budget? No one? Councilmember Cowden.

Councilmember Cowden: I will say something. I have really paid a lot of attention to the budget so far. I appreciate the work that has gone into it. We definitely need to be looking carefully at all the many changes that will happen. It is really critical that we make good choices. I am committed to doing that. I thank everyone for the work that they have done so far.

Council Chair Kaneshiro: Anyone else? Councilmember Chock.

Councilmember Chock: Thank you. In light of the Mayor's presentation today, and the fact that so much is unforeseen with the budget...I understand that we are headed towards still coming back to look at budget review week. I am wondering what are we able to anticipate or forecast in terms of receiving a revised, broad look at the budget so that we can really start to plan and strategize?

Council Chair Kaneshiro: May 8th is when their actual submittal is due. May 15th would be our Decision-Making so we would have about a week to do it. We have been in communication with the Mayor's Office and we made it clear that we would like to know what is going on in the Supplemental Budget Communication prior to the May 8th submission. We will be in touch with the Mayor and the Administration. They said that they are open to us communicating with them and them communicating with us. That was the deal when we canceled all of the Departmental Budget Reviews. It was done to give them time to deal with the issues they need to. They said they are more than willing to be open to communicate with us as they are working on the Supplemental Budget. The Call-Back dates are a good time to see where they are at with their Supplemental Budget Communication to see what kind of big changes we are going to see.

Councilmember Chock: Okay.

Council Chair Kaneshiro: Councilmember Kagawa.

Councilmember Kagawa: I would like to see a little more work put into the Supplemental submittal on May 8th. I would like to see, department-by-department, giving us reasoning for any significant adds or cuts to their individual budgets. They are obviously saving a lot of work by not going through the budget meetings, but I expect them to at least...if we are giving them a break as far as doing video or in-person Departmental Budget Reviews, they have to do a little more legwork since we are crunched for time, come May 8th. It is like in accounting, a material difference, anything five percent (5%) more than the prior year...I would like to see...even if it is reduced more than five percent (5%) from the prior year, some reasons why. It does not have to be long. I would like to see something like that come in. Make it easy for us, the Council. We do not have to go and ask a lot of these questions that can be answered easily had they done the work prior. That is what I would like to see from the Department of Finance, who oversees the budget. We have a Budget Analyst and a Director of Finance. Have your departments or you do it yourself, help this Council to come to an easier conclusion. Otherwise, we are really going to be crunching that week—it may be longer than expected, because you have not listened to what I just said. I hope that they can at least do that for us. Hopefully we can have a smoother budget process after May 8th. Thank you.

Council Chair Kaneshiro: Councilmember Kualii.

Councilmember Kualii: I would just add that I see it in a sense of our job that we would normally be doing, asking the questions and looking for improvements to the budget, looking for cuts if you will, from this day forward is even more important. Obviously, we cannot wait until May 8th when the resubmittal comes. We should be helping the Administration find the cuts that they need to find. Dig into the budget as it is written, it is still useful, as that is where they are starting to make cuts. The Mayor has already shared with us the potential loss of revenue of thirty million dollars (\$30,000,000). We have had a difficult time finding much less in cuts. Now it is for real. We have to really help them find the cuts.

(Councilmember Kagawa was noted as not present.)

The Mayor mentioned looking at the Reserve Fund and making that decision. Also, he mentioned possibly not purchasing any new vehicles and things like that. As we look through this budget, we will see how that can add up to a significant amount. I think now is even more important that we try and find the cuts. When we submit our questions or suggestions on cuts to the Administration, that might be something they already found, but who knows, we might find some things that actually help them. One thing I would add for me, as usual during the budget, I think I read that sixty percent (60%) of our budget has to do with salaries and benefits. The positions are always most important to me. That is why I am going to dig through the vacant position report and it is important that the Administration looks towards where they have vacant positions not anticipated to be filled by July 1st, and reduce the budget accordingly based on when they will actually be able to fill them. Maybe now they will not plan to fill those positions, because of the situation we are in. That will be savings too. I think it is really important that we continue to do our work as we would anyway and help the Administration find the cuts that we need to find.

Council Chair Kaneshiro: Councilmember Evslin.

Councilmember Evslin: Thank you. In addition to what has been said already, I want to piggyback on what Councilmember Kagawa was saying in asking for justification for any five percent (5%) increase anywhere, to note some clear justification as to why that is needed. I would hope that we could go a step further and show justification basically for all operations and vehicle expenses that we are purchasing. Even if the budget is flat from last year, I think every expense has to be justified as much as possible. I am going to...it is a little hard for me to follow-up with too many questions when our presentations and the budget that we have is no longer relevant. I think for the most part, I am going to be holding off on my questions until I see the presentation. We will probably be in a mad scramble for a few days.

Lastly, I just want to say that I appreciate the work of our staff here and the heroic effort it takes to put this thing out and then to try and re-do it...this includes everyone in the Administration. I do not know if there has ever been a process like this where the whole thing gets thrown out the window last minute and re-done. I appreciate the work that goes into that. Thank you.

Council Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I realize that a lot of the baseline of the cost of operations in County government is pretty much going to stay pretty static. When there are variances where we are looking at what is dropping, I would like to see in each area when we put a variance with hopefully a drop, we state exactly why we see that it is fitting in there. Also, in our Capital Improvement Projects (CIP) budget, if there are things that can be deferred...it is not really in there yet, but when we are supposed to be putting this twenty-five million dollars (\$25,000,000) into adding those dikes for Waimea and Hanapēpē, when there are big projects like that that could maybe be pushed out or changed, I would like to look at those big capital improvement costs increases we have. We have a lot going on. It is a little bit separate, but it still matters, the Department of Water has very expensive improvements on their horizon. There are a lot of expensive development elements that we have in front of us. I want to take a good solid look at where we are putting moneys into those areas as well.

Council Chair Kaneshiro: Councilmember Kualī'i.

Councilmember Kualī'i: I wanted to...the most important thing I forgot...was to say thank you. *Mahalo nui loa* to the Mayor and everyone in the Administration for your leadership and also for the hard work that you will be doing on this budget coming up. I would like to especially thank our two (2) leaders here, Jade and Scott, for getting us through this and helping us with these meetings. Thank you.

Council Chair Kaneshiro: Anyone else? The budget that was submitted...it is going to be the baseline for the Supplemental. Any questions we submit, it may get cleared up with the Supplemental. Again, we will be looking at this budget for right now. We are obviously going to be asking questions about variances that went up. Hopefully in the Supplemental, they will see that question and they will realize we actually do not need those costs. Hopefully that question will end up being moot, because they will end up cutting it. I am sure we are going to see broader policies in the next budget that the Mayor will probably come up with. I do not know what they are going to do with travel. I do not know if they are going to cut or reduce travel in the next fiscal year. I am pretty sure that our travel budget is reduced right now, because there is absolutely no traveling right now. I am not sure

if that policy is going to flow into next year. We do not know what next year is going to bring. Again, those are the types of costs that I could see a broader policy on. The Mayor mentioned no new vehicles, reduction in travel, and maybe they will try to put in a reduction in overtime. I think we will see broader measures like that to really tighten our belt buckles on the budget. Any further comments or discussion from the Councilmembers? Councilmember Kualii.

Councilmember Kualii: I just thought of one other quick thing. As we are dealing with the loss of revenue, I know the Administration will also be looking at potentially what other kinds of moneys might be available from the Federal Government...some special moneys or newly approved moneys. Perhaps, hopefully, and Councilmember Cowden and I are writing letters asking for them to look into providing more Community Development Block Grant (CDBG) moneys that could at least come into our community. Hopefully, the County can also find some other revenues as well to replace those lost. Thank you.

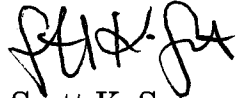
Council Chair Kaneshiro: Councilmember Cowden.

Councilmember Cowden: I just want to make a comment on why these community-based development grants are so important. Hopefully we will get more of them. Those Federal moneys go directly into our community and we have a lot of local control over that. I am hoping that we will be able to help build capacity for our citizens through the CDBG grants.

Council Chair Kaneshiro: I am sure as the Administration works on their Supplemental Budget, they will update us on any changes. They may not know right now what kind of changes they will be making to the budget. We will be in touch with them as far as any major changes that will be made to the budget. Obviously, we are going to be losing a lot revenue, General Excise Tax (GET), probably the fuel tax. A lot of those are going to affect the types of projects we can fund. There is going to be a lot of reprioritization and a lot of cost-cutting with the new submittal. Again, we will stay in touch with them on that. Any final comments from anyone? If not, I want to thank everyone again for your flexibility in this modified Departmental Budget Reviews. I do not think this has ever happened before. Thank you to everyone for being flexible and bearing with us on it. At this time, not seeing or hearing any objections, I would like to adjourn the Committee of the Whole's Departmental Budget Reviews for Fiscal Year 2020-2021.

There being no objections, the Committee adjourned the Fiscal Year 2020-2021 Departmental Budget Reviews at 9:24 a.m.

Respectfully submitted,



Scott K. Sato
Deputy County Clerk

APPROVED at the Committee Meeting held on April 8, 2020:



ARRYL KANESHIRO
Chair, Committee of the Whole