

COUNTY COUNCIL

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KAUA'I COUNTY COUNCIL
BUDGET MESSAGE FOR THE FISCAL YEAR 2017-2018

I. Introduction

The Kaua'i County Council's \$201 million dollar Operating Budget and \$13 million dollar Capital Improvement Projects (CIP) Budget for the Fiscal Year 2017-2018 (FY 2017-2018) represents hours of discussion, deliberation, compromise, and extensive debate.

At the forefront of the discussion were several key issues that would greatly impact the decisions made by the Council during decision-making: 1) the State Legislature's decision to decrease the County's share of Transient Accommodations Tax (TAT) revenue; 2) the fiscal impact of the imminent collective bargaining agreement negotiations for all bargaining unit; and 3) the Mayor's proposal to increase real property taxes across the board by \$0.19 per tax class, which would have raised an additional \$3.6 million dollars.

The State Legislature's decision during this year's legislative session to reduce the County's share of the TAT revenues by \$1.45 million and not extend the opportunity to advance a General Excise Tax (GET) measure came as a disappointment to the Council as the County continues to fund State visitor-related expenses. It is the hope of the Council that a Special Session to reconsider the TAT and the GET will occur in the near future as the repercussions of these actions could have dire effects on future budgets for the County.

Ongoing negotiations of collective bargaining agreements for all bargaining units were also a consideration for the Council. New collective bargaining agreements to propose increases were recently submitted for consideration by the Council and determinedly will have a fiscal impact to the Operating Budget. In anticipation of the various bargaining unit agreements being finalized, which would affect salaries and related benefits; these estimated costs were factored into the Operating Budget for the FY 2017-2018. Funding these items now will be a benefit to the County, as waiting until the agreements are ratified would have required introduction of a money bill after the start of the fiscal year and utilization of the unassigned fund balance to cover the increased costs. As a way to control the inevitable growth of the budget, the Council sought to thoroughly examine all vacant positions carefully and eliminated selected positions that have remained vacant for an extended period of time.

This was one of the most challenging budget sessions to date and the Council was aggressive with proposals to reduce expenditures and eliminate the need to raise real property rates by \$0.19. Following the two days of deliberations, the Council was able to identify over \$2 million dollars in cuts from the Operating Budget. The majority of the Council voted to balance the remaining \$1.5 million dollars needed through the use of the Reserve Fund. As a result of this effort, real property tax rates will not increase in FY 2017-2018.

The FY 2017-2018 Operating and CIP Budget is a representation of the Council's effort to be fiscally responsible and act with prudence to determine the needs and best interest of the County and Kaua'i and its residents.

II. Operating Budget

Real Property Taxes

For FY 2017-2018, the Council rejected the Mayor's proposed \$0.19 tax rate increases and instead adopted the tax rates for the County of Kaua'i as follows:

CLASSIFICATION	TAX RATE
Homestead	\$3.05
Residential	\$6.05
Vacation Rental	\$8.85
Hotel & Resort	\$10.85
Commercial	\$8.10
Industrial	\$8.10
Agricultural	\$6.75
Conservation	\$6.75
Residential Investor	\$7.05
Commercialized Home Use	\$5.05

Real Property Tax collections will provide an estimated \$125 million dollars in revenues to the County for FY 2017-2018.

The Council continued current real property tax relief programs, such as the Home Preservation Limit Differential and Very Low Income Tax Credit. These real property tax measures will provide approximately \$85,653 and \$112,705, respectively, in real property tax relief for property owners in FY 2017-2018.

In addition to real property tax relief programs, residents continue to find relief through the various exemptions offered to owners, such as the homeowner exemption, low income exemption, very low income tax exemption, and age exemption.

Vacant and Dollar Funded (\$1) Positions

The County's Vacancy Review Committee has made great strides over the last year in reporting all vacant and dollar funded positions in the County pursuant to Section 23 of the Operating Budget. Positions that have remained vacant for 120 days or more were of great concern to the Council, as they sought to manage government growth through natural attrition of positions when an employee retires or is no longer employed by the County. The Council questioned whether positions that were vacant for such long periods were truly necessary to fulfilling the core functions of the County or whether they are positions that the County can operate

without. There were additional concerns that rather than using funding to fill vacant positions, Departments might forego hiring and instead spend the funding on unanticipated costs that might arise during the fiscal year.

Through careful review and discussion of current vacant and dollar funded positions and their hiring statuses, it was determined that certain positions would likely not be filled or were no longer necessary to the Department's operations. Therefore, the Council proposed to remove funding for the following positions:

- Agency on Elderly Affairs – Program Specialist II
- Office of the County Clerk, Council Services Division – Council Services Assistant I
- Office of the County Clerk, Council Services Division – Council Services Review Officer
- Office of the County Clerk, Council Services Division – Secretarial Assistant.

The Council also sought to partially fund two vacant positions within its own office for six months – Legal Analyst and Legislative Assistant – which are being actively recruited in the Office of the County Clerk, Council Services Division. It is anticipated that the positions will not be filled in the first six months of the FY 2017-2018 and therefore full funding was not necessary.

While these actions by the Council do not result in an immediate large savings for the County, in the long run the elimination of these positions can help to decrease government growth. The Council urges the Administration to look within their own Departments for the potential to remove unneeded positions in future fiscal years.

Overtime Reductions

Overtime costs in the Police Department and Fire Department have been a concern of the Council for many years. These growing expenses have led to costly overtime budgets at the expense of the taxpayers of Kaua'i. In an effort to reduce these expenses and to encourage our public safety departments to work within their means, the Council reduced Overtime in the Kaua'i Police Department by \$400,000 and Kaua'i Fire Department by \$50,000.

Office of the Mayor

Grant-In-Aid Funding

The Council continues to support organizations in the community that provide services to the residents of Kaua'i and have a direct impact to the taxpayers by providing Grant-In-Aid funding. Some of these organizations include Kaua'i Hospice, American Red Cross, Kaua'i Independent Food Bank, and Project Graduation.

A request in the amount of \$150,000 to fund the repair of the Kaua'i Veterans Center roof was included in the Mayor's proposed May 8th budget submittal. Members of the Council expressed reservations for this project, as the Kaua'i Veterans Center is a federally funded building under the jurisdiction of the federal government. However, the Council recognized that the Kaua'i Veterans Center is highly utilized by the community for a variety of events, and should not fall in disrepair due to lack of funding by the federal government. Ultimately, the Council found significant reductions in the Operating Budget to support funding this addition to the Mayor's Office Grant-In-Aid program.

Office of the County Clerk

A large focus of the Council's discussion during the entire budget session was identifying areas where the County can "tighten its belt." This is an action necessary for not only the administrative branch, but also the legislative branch. In an effort to "walk the talk," the Council reduced funding within the Office of the County Clerk – Council Services Division's budget for Performance Audits in the amount of \$100,000, leaving \$275,000 remaining for Performance Audits throughout the fiscal year.

Office of the County Auditor

The Council's recruitment of the vacant County Auditor position has not been successful, despite aggressive efforts. The Office of the County Auditor today has been completely vacated, leaving the Office of the County Clerk with the responsibility to carry out the duties of the Office of the County Auditor, which include oversight of the County's annual financial audits and performance audits that are mandated by County Charter.

During FY 2017-2018, the Council intends to contract a national executive recruitment agency to fill the County Auditor position. As it is unknown when this position could be filled, the majority of the Council supported dollar funding (\$1) all positions and office expenses, with partial year funding available for the building lease, electricity, and copier contract. Should the County Auditor position be filled during the fiscal year, the Council has identified space within the Historic County Building that can be utilized temporarily as office space. This reduction resulted in savings of nearly half a million dollars to the County.

Office of Economic Development

Grant-In-Aid

The Council commends the Administration for revising their Grant-In-Aid process to ensure fairness and equity in the distribution of grant awards. Grant-In-Aid funding should benefit all economic sectors; however, a large portion is currently allocated toward tourism-related projects. With the reduction in State TAT funds, the Council was required to evaluate whether all visitor-related project funding was essential and where the County might be able to realize some savings. The Council also felt that certain private sector projects should be supported by the private sector without needing funds from the County and expressed a desire to see some of these groups take more initiative to raise funds from their private stakeholders.

As a result of these discussions, the Council approved nearly \$900,000 in funding for Grant-In-Aid to support the various economic sectors and social services, such as the YWCA's Family Violence Shelter (\$65,000) and Sexual Assault Treatment Program (\$50,000). The Council removed or reduced proposed funding for Tourism – Airport Greetings (\$25,000); Tourism – Other Cultural Projects (\$30,000); Agriculture – Hawai'i Green Growth Metrics Project (\$10,000); and Community – Community Support (RFP) (\$30,000).

Department of Public Works

Islandwide Road Resurfacing

Addressing the backlog of islandwide road resurfacing continues to be a priority for the Council. As some Councilmembers sought to avoid increasing real property tax rates, it was apparent that the entire amount of funding available would not be expended in one year. Reducing the contribution from the General Fund to the Highway Fund in the amount of \$800,000 could provide significant savings to help achieve the goal of keeping real property tax rates status quo. Given this, the majority of the Council supported a proposal to cut funding by \$800,000 for Islandwide Resurfacing and returned the funding to the General Fund.

Department of Parks & Recreation

Kaumakani Park Improvements

The facilities at Kaumakani Park softball field are in dire need of repairs, with parts of the pavilion roof that have rusted and/or corroded. Given this, the Council appropriated \$200,000 from the Department of Parks & Recreation contingency funds to Repair & Maintenance of Parks Facilities for the Kaumakani Park.

III. Conclusion

The FY 2017-2018 budget session proved to be one of the most challenging budget sessions in history, as the County continues to recover from the effects of the economic recession and decrease in TAT funding from the State. The outcome of utilizing reserve funds to balance the budget may not have been the ideal solution, but the Council was well aware that the proposal to increase real property tax rates would create additional hardship for Kaua'i residents in a community that is just beginning to recover.

Nearly three (3) weeks of Departmental Budget Reviews, Public Hearings, and two (2) days of Preliminary Decision-Making Sessions afforded the Council the opportunity to ask the tough questions of the Administration. As a result of these sessions, the Council was better able to determine where essential funding was needed.

The Council extends its appreciation to the Mayor, Department/Agency Heads, and County employees for their participation and assistance in this budget session, and for their continued commitment to providing the highest level of public service for the people of the County of Kaua'i.

In addition, the Council would like to acknowledge Hawai'i's Congressional Delegation and Kaua'i's State Legislators for their support.