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KAUA'I COUNTY COUNCIL
BUDGET MESSAGE FOR THE FISCAL YEAR 2018-2019

I. Introduction

The Kaua'i County Council's \$218 million dollar Operating Budget and \$40 million dollar Capital Improvement Projects (CIP) Budget for the Fiscal Year 2018-2019 (FY 2018-2019) represents numerous hours of careful review, thoughtful debate and extensive discussion, resulting in a balanced budget for the County of Kaua'i.

The Council spent several weeks meeting with the Administration to discuss the proposed FY 2018-2019 Operating Budget and CIP Budget. What was unanticipated was that during the budget review period, Kaua'i experienced record rainfall, causing widespread flooding, damage and destruction to County infrastructure. Emergency funding was needed from the County's Reserve Fund (Disaster Fund) in the amount of \$5,000,000, adding another challenging layer to the budget process and recognizing that the County needs to continue to plan for the unexpected and be vigilant in spending. The Council unanimously approved efforts to replenish the Reserve Fund. However, numerous proposals introduced by Councilmembers to make reductions or additions did not have the majority vote to move forward.

As a result of this, the FY 2018-2019 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 of Kaua'i and its residents.

II. Operating Budget

Real Property Taxes

For FY 2018-2019, the Council increased the tax rates by one dollar (\$1) for the Vacation Rental and Residential Investor Tax Classifications. Of the additional \$4.4 million in revenue generated by this increase, \$2.7 million was allocated to the Housing Development Fund for affordable housing projects, \$725,000 to the Department of Parks & Recreation for the construction of an Americans with Disabilities Act (ADA) comfort station at the Vidinha Stadium Soccer Fields, and nearly \$1 million to replenish the Reserve Fund (Disaster Fund). Additionally, the

requisite percentage amount of \$22,085 was allocated to the Open Space, Public Access, Natural Preservation Fund

The FY 2018-2019 adopted tax rates for the County of Kaua‘i are as follows:

CLASSIFICATION	2018-2019 TAX RATE
Homestead	\$3.05
Residential	\$6.05
Vacation Rental	\$9.85*
Hotel & Resort	\$10.85
Commercial	\$8.10
Industrial	\$8.10
Agricultural	\$6.75
Conservation	\$6.75
Residential Investor	\$8.05*
Commercialized Home Use	\$5.05

*Increased one dollar (\$1)

Real Property Tax collections will provide an estimated \$135 million dollars in revenue to the County for FY 2018-2019.

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 \$62,772 and \$149,308, respectively, in real property tax relief for property owners in FY 2018-2019.

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

General Excise Tax Fund

The newly established General Excise Tax Fund will provide \$12.5 million dollars this fiscal year for island-wide road-resurfacing/maintenance projects, bridge maintenance/repairs, the Kaua‘i Bus, and other qualifying expenses. Councilmembers expressed support for future expansion of weekend bus service, in accordance with the timeline of the Short Range Transit Plan. Additionally, the Council recognizes Mayor Carvalho and his Administration for their prioritization of projects and lobbying efforts at the State, which will allow the County in future years to significantly increase the County’s road resurfacing funds and address roads that are in dire need of repair.

Replenishment of the Reserve Fund

It has never been more apparent that a healthy Reserve Fund is essential to the County’s fiscal health. The Council continues to support the goal of maintaining a Reserve Fund with a target minimum of 30% of the previous year’s General Fund revenues in accordance with Resolution No. 2017-28. To continue this commitment to building the Reserve Fund, the Council contributed \$1,369,889 from the General Fund through additional revenue realized by Real Property Tax rate increases.

Office of the Mayor

Grant-In-Aid Funding – Kauaʻi Philippine Cultural Center

This year, the Council was requested to provide \$500,000 to the Kauaʻi Philippine Cultural Center (KPCC), which is currently under construction. Much of the funding to date (approximately \$2.1 million dollars) for KPCC was raised through private donations of labor and equipment, fundraising efforts in the community, and State Grant-In-Aid. The KPCC board provided a thorough presentation to the Council of the remaining costs to complete construction of the Center, as well as the Center's future vision and goals to benefit the community, which include being a potential emergency shelter for natural disasters. The Council unanimously supported the funding request, which will be used to purchase materials to complete construction of KPCC.

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

Office of Economic Development

Grant-In-Aid

The Office of Economic Development's Grant-In-Aid funding program continues to be a success, providing support to numerous nonprofit organizations that are making a difference on Kauaʻi and creating thriving industry sectors. The Council approved over \$1,000,000 in funding for Grant-In-Aid to support the various economic sectors and social services, such as continuing support for the YWCA's Family Violence Shelter (\$65,000) and Sexual Assault Treatment Program (\$50,000). To support the health of Kauaʻi residents, the Council provided a one-time appropriation to Mālama Pono Health Services in the amount of \$20,000 for sexually transmitted disease (STD) testing funding, which will assist the organization due to a recent loss in funding from the State. The Council encourages the State Legislature to reinstate funding for this crucial service for Kauaʻi residents in future legislative sessions.

Electric Vehicle Charging Stations

The Council's robust discussion centered on the need for an Electric Vehicle charging station on the west side of Kauaʻi. The lack of charging stations makes it difficult for residents or visitors from the east or north side of the island to travel the distance to the west side, including popular visitor destinations such as Kōkeʻe State Park. Furthermore, a charging station in Waimea Town would provide an opportunity to help stimulate support for local businesses in the area. For these reasons, the Council unanimously supported funding in the amount of \$19,835 for an Electric Vehicle charging station on the west side of Kauaʻi.

Department of Parks & Recreation

Park Maintenance

Much of the discussion during budget reviews and decision-making centered on the community's desire for cleaner parks and improved facilities. Councilmembers receive feedback daily from the community on park facilities via phone calls, email and even through social media, and cleanliness of parks has become a growing concern.

Many members of the community have reached out recently regarding the need for a permanent restroom facility instead of the portable toilets at Vidinha Stadium Soccer Fields. The Council acknowledged the community's desire for a permanent ADA comfort station at this location by appropriating funding in the amount of \$725,000, utilizing revenue generated by the real property tax rate increases.

It was proposed by Mayor Carvalho to create four new Park Caretaker positions for Kaua'i's parks, with the core responsibility of cleaning and maintaining restrooms. While cleanliness of parks is a priority for Councilmembers, the majority of the Council did not feel that now is the right time to increase employee presence at parks using positions that were vacant or dollar-funded from other Departments. Councilmembers felt that it was late in the Mayor's term to implement these new changes at the parks and that the new Administration should be given the opportunity to determine the staff level needs at County parks. Given this, the Council removed funding for the four proposed positions, resulting in a savings of \$207,040. Recognizing that Salt Pond Beach Park is a heavily-utilized park, especially with summer coming, the Council added one new Park Caretaker position with ten months funding to maintain parks on the west side of Kaua'i.

Lastly, the Council expressed support for the Youth Engagement & Action for Health (YEAH!) program, which was created to combat childhood obesity. The YEAH! Program participants from Get Fit Kaua'i and the Līhu'e Boys and Girls Club recently presented their assessment of Kalena Park, which is highly utilized in Līhu'e. Their assessment focused on how to make Kalena Park safer and more engaging for users. In support of this effort, the Council reduced funding for the Kapa'a Armory improvements by \$80,000 in the Department of Parks & Recreation's Repair & Maintenance Budget and appropriated \$80,000 for Kalena Park Improvements. The goal of these funds is to improve Kalena Park, making it more user-friendly and clean.

III. Conclusion

Going into this budget session, the Council could not have predicted that the County would experience a natural disaster of such large magnitude, resulting in a more difficult FY 2018-2019 budget session with many unknowns. The Council remained prudent by contributing additional funding to the County's Reserve Fund to replenish its coffers, with the reminder that we cannot predict when a disaster might strike and that we must continue to prepare by good budget practices, being fiscally responsible, and building the Reserve Fund.

In addition to the flood relief efforts occurring, the Council engaged in nearly three (3) weeks of Departmental Budget Reviews, Public Hearings, and one full day of Preliminary Decision-Making Sessions. These sessions afforded the Council the opportunity to ask the tough questions of the Administration and get clarity on

their proposals. 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 Kauaʻi.

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