

COUNTY COUNCIL

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KAUA'I COUNTY COUNCIL **BUDGET MESSAGE FOR THE FISCAL YEAR 2020-2021**

I. Introduction

The budget session for Fiscal Year 2020-2021 has been like no other before. As everyone knows all too well, the County, State, Nation, and the entire world are facing unprecedented challenges caused by the pandemic of the novel coronavirus and the COVID-19 disease. Furthermore, the County continues to experience hardships brought on by severe rain events, including the March 2020 flooding and debris buildup requiring drastic and costly interventions, such as the State Department of Transportation's temporary closure of the Wailua River Bridge.

With circumstances evolving daily, the Mayor's May 7, 2020 Supplemental Budget Communication necessitated a change of strategy compared to the initial Operating Budget and Capital Improvement Projects (CIP) Budget submitted on March 13, 2020. Residents and businesses are facing extensive economic and emotional burdens, and County revenue projections have become uncertain, particularly the tourism-based Transient Accommodations Tax (TAT) and the spending-based General Excise Tax (GET) surcharge. Mindful of these considerations, the Council worked with the Administration and ultimately voted to implement a variety of adjustments, which will be discussed in the following pages.

The Council worked diligently to "meet together" via a combination of remote technology, social distancing-compliant in-person sessions, and the establishment of a series of written communications between the Council and the Administration that was posted online. Although the Council's budget meeting process was altered pursuant to Governor David Y. Ige's Supplementary Emergency Proclamations, meetings remained fully recorded and available for viewing via online livestream and television broadcast. Following successful implementation of this thorough deliberative process, the Council approved a \$250 million Operating Budget and \$33.6 million CIP Budget. As in prior years, the Council is also pleased to announce that the County has continued to maintain its prudent Structurally-Balanced Budget and Reserve Fund.

II. Operating Budget

Real Property Taxes

Especially in light of continued economic hardships stemming from the COVID-19 pandemic, the Council voted not to raise real property tax rates for nearly all tax classifications. The following approved tax rates for the County of Kaua'i for FY 2020-2021 are unchanged compared to prior years, except for an increase from \$8.05 to \$9.40 that applies to approximately 380 high-value residential investor properties:

CLASSIFICATION	2020-2021 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	\$9.40
Commercialized Home Use	\$5.05

Real Property Tax collections will provide an estimated \$155.78 million in revenue to the County for FY 2020-2021.

The Council also continued funding for existing real property tax relief programs available to eligible property owners. For example, the Home Preservation Limit Differential will provide approximately \$58,587 in real property tax relief and the Very Low Income Tax Credit will provide \$166,937.

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

Cancelation of Proposed User Fee Increases

To ease economic burdens on residents and businesses, the Administration requested and the Council voted to receive for the record (therefore not pursue) a number of Proposed Draft Bill measures that would have increased certain costs for services such as solid waste fees for vacation rentals, landfill and transfer station tipping fees, parks fees, and fees to play at the Wailua Golf Course. Although personnel from the Administration expended much effort to formulate these important and incremental increases to certain user fees that have not been raised in many years, the County recognized that it was not the appropriate time to implement these updates.

Reduced “Six-Month” Funding for Vacant Positions

As with any large organization, County departments are continuously seeking to fill vacancies. Although a certain level of staffing is needed to provide services to the public, County employees are continuing to answer the call to “do more with less.” In an effort to preserve public funds, and following extensive discussions between the Council and the Administration regarding the details of every vacant position, the decision was made to reduce the budget by short-funding many vacant positions so that full twelve-month employment costs are not appropriated where hiring is unlikely to occur in the near future.

Hiring of Health and Safety Positions Only

The Council has also signaled its support of the Administration’s decision to implement a hiring freeze for new positions, with the exception of critical health and safety positions.

Reducing Training and Travel by Nearly 50%

Training and travel serve crucial roles in equipping County personnel to perform their functions and serve the public. However, in light of the forecasted decrease in County revenue coupled with the decision to further delay increasing the above-referenced user fees, budget cuts had to be found. Approximately 50% of training and travel budgets have been reduced, while ensuring that mandatory and public safety-related trainings continue.

Critical Equipment Only & No New Vehicle Acquisitions

In contrast to initial discussions centered on new leases for both vehicles and heavy equipment, the finalized budget does not include any new vehicle acquisitions and limits new equipment to those crucial for the functions of solid waste operations.

Contributing to the Housing Revolving Fund for Affordable Housing

Even before the COVID-19 pandemic, the County was committed to combatting the housing crisis. With high levels of unemployment and other economic stressors likely to remain for the foreseeable future, assisting Kaua’i residents in securing a safe place to live is not a task that can be delayed. To that end, \$2,600,000 has been appropriated to the Housing Revolving Fund, which can be used to expand existing efforts such as the County’s Homebuyer Loan Program and other homeownership programs.

III. Conclusion

The circumstances surrounding the Fiscal Year 2020-2021 budget deliberations have never been seen before and hopefully will never be seen again. Knowing that preservation and careful management of taxpayer moneys is more important than ever, the Council worked with the Administration to carefully separate “needs” from “wants” and identify areas where County functions could bend without breaking. The Council acknowledges and thanks the public and all those who care for Kaua‘i and Ni‘ihau, whose contributions and *kōkua* during this difficult time have not gone unnoticed.

The Council extends its appreciation to Mayor Kawakami, Department/Agency Heads, and County employees for their participation and assistance throughout this trying 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 thank the members of Hawai‘i’s Congressional Delegation and Kaua‘i’s State Legislators – Senate President Ronald D. Kouchi, Representative James Kunane Tokioka, Representative Daynette “Dee” Morikawa, and Representative Nadine K. Nakamura, for their dedicated support. The Council is grateful for the continued assistance from State and Federal entities, such as funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which will facilitate the needed work to protect the health and safety of our residents and visitors as we undertake the task to fully revitalize our island’s economy.