

COUNTY COUNCIL

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KAUA'I COUNTY COUNCIL
BUDGET MESSAGE FOR THE FISCAL YEAR 2021-2022

I. Introduction

Even during these difficult times, Kaua'i has much to celebrate. Our community has banded together and became a global example of good governance due to our low incidence of COVID-19 cases, dedication to personal sacrifices such as mask-wearing, and a commitment to caution and prevention. The Council applauds the community, and visitors who have traveled here in a respectful manner, for doing their part to move us through this challenging time in history.

Despite our many successes, the drastic reduction of tourism and hardships in other industries have deeply impacted the County's finances and will continue to trigger ripple effects that we must address for years to come. Thanks to the foresight of prior Councils and Administrations, the County has been able to strategically use the previously-saved Reserve Fund, which has enabled financing of necessities such as emergency response needs and operational shortfalls.

The Council recognizes and appreciates the assistance of State and Federal partners and generous funding sources, which have provided financial assistance directly to Kaua'i residents and businesses, as well as funding for government programs. However, the possible loss of the County's share of the Transient Accommodations Tax (TAT) created a \$14.9 million void that must be filled, and the Council and Administration will be faced with the choice of possibly imposing a new, County-designated TAT tax in addition to the tax already collected by the State should House Bill 862, HD2, SD2, CD1 be signed by Governor David Y. Ige. Additionally, although the County will eventually receive approximately \$14 million over a two-year period via the new American Rescue Plan, these funds will not be expended until further guidance from the United States Treasury Department becomes available and therefore have not been incorporated in this budget.

The Council fully supported Mayor Kawakami's Fiscal Year 2021-2022 instruction that County departments strategize ways to reduce their budget

requests, which enabled the Council to approve a \$243.4 million Operating Budget and \$24.7 million Capital Improvement Projects (CIP) Budget while still fulfilling the County’s obligations and without reduction of services to the greatest extent possible.

II. Operating Budget

Real Property Taxes

Due to the continuing economic hardships stemming from the COVID-19 pandemic, the Council voted not to raise real property tax rates for any tax classification. The following approved tax rates for the County of Kaua’i for FY 2021-2022 are unchanged compared to FY 2020-2021.

CLASSIFICATION	2021-2022 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 \$157.2 million in revenue to the County for FY 2021-2022.

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 \$60,659 in real property tax relief and the Very Low Income Tax Credit will provide \$228,988.

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.

Reduced Funding for Vacant Positions

As the County did last year, vacant positions with duties that could be delayed or temporarily absorbed by existing employees have been “dollar-funded,” meaning the intention is that these positions will not be filled during the current fiscal year. Additionally, where hiring could be delayed until a later time, the costs of many positions were reduced to “six-month” funding.

Contributing to the Housing Revolving Fund for Affordable Housing

Although financial times are tough and spending must be reduced, the Council recognizes that the needs of the most vulnerable are heightened as the pandemic continues. Even during times of economic abundance, the houseless population and others in need of assistance require the community's *kōkua* in order to get back on their feet. In recognition of this important opportunity to plan for the long-term stability of all, \$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.

Renaming of "Cesspool Conversion Study" to "Sewer Expansion Assessment"

The Council renamed the line item in the Wastewater Division appropriated for a "Cesspool Conversion Study" to "Sewer Expansion Assessment." By renaming the study, it broadens the scope and allows for the ability to look at numerous strategies for improved treatment of wastewater, not just cesspool conversions. The Council reiterated the importance of the Sewer Expansion Assessment as Kaua'i continues to face critical sewer infrastructure issues, potentially jeopardizing our island's ecosystem.

Wastewater Conversion Program

In 2017, the Hawai'i State Legislature passed Act 125 which requires that all cesspools be upgraded by 2050. To take advantage of financial assistance from the State for residential cesspool conversion (in the amount of approximately \$1,200,000 as principal forgiveness funds for state fiscal year 2023), the Council provided funding for a "Wastewater Conversion Program," in the amount of \$81,371, for the Housing Agency to administer the program to select eligible Kaua'i homeowners.

Though the Council saw this as a good opportunity to provide eligible Kaua'i homeowners with the much needed financial assistance for cesspool conversion, concerns were raised regarding subsidizing the State's cost with County funds to administer the program, and whether the funds were going to be perpetual moving forward. At the end of the day, as cesspool conversion is costly, the Council recognized that this opportunity was too important to pass up and that funding the program was a step in the right direction.

Flexibility for KPD to Adequately Train New Recruits Before Outgoing Positions are Actually Vacated

Section 28 of the County Operating Budget provides the Kaua'i Police Department (KPD) with a recruitment tool by providing an additional eight (8) position numbers to allow for KPD's lengthy recruitment process to begin prior to incumbents vacating their positions. This tool has allowed applicants to be further along in the background process, and ultimately hired, reducing the time the

department needs to operate without an employee in recently vacated positions, thus saving manpower and overtime in the long run. By request of KPD, the Council amended Section 28 of the Operating Budget, by increasing the maximum of eight (8) additional Police Service Officers to a maximum of twelve (12), which will continue to facilitate the recruitment process and help to ease the longstanding vacancy issues within the department.

Various Other Projects

The Council was also pleased to support a variety of other initiatives, including the funding of the County's matching portion to State funds that will be used to repair the Kīlauea Gym, \$175,000 to upgrade the County's website to facilitate improved public use, and \$150,000 for the Sewer Expansion Assessment.

III. Conclusion

As we continue to weather the storms of these uncertain times—both at home with our individual 'ohana and together as a collective community—the Council recognizes the people of Kaua'i and Ni'ihau and the variety of partners contributing to the recovery of our island. Through a combination of careful spending cuts and a variety of programs made possible due to assistance by outside sources, the Council is cautiously optimistic about better years ahead.

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 Daynette "Dee" Morikawa, Representative Nadine K. Nakamura, and Representative James Kunane Tokioka, for their dedicated support. The Council is grateful for the continued assistance from State and Federal entities, which will continue to 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.