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KAUA'I COUNTY COUNCIL
BUDGET MESSAGE FOR THE FISCAL YEAR 2024-2025

I. INTRODUCTION

The Kaua'i County Council is pleased to announce the successful completion of the County of Kaua'i's \$351.6 million Operating Budget and \$96.8 million Capital Improvement Projects (CIP) Budget for Fiscal Year (FY) 2024-2025.

The annual budget process is a collaboration between the Legislative and Executive branches of County government that spans months of exchange and dialogue, which culminates in a structurally-balanced budget with a prudent Reserve Fund. The Council worked to ensure that the budget reflects the needs of the community while being responsive to taxpayers and proactive with its expenditures. In the aftermath of the devastating wildfires experienced by our sister county, Maui, the Council and Mayor Derek S.K. Kawakami recognized the serious need to enhance wildfire preventative measures in the community and prepare for potential threats. Strategic investments in equipment and programs put the County in a better position to be resilient in an evolving world.

II. REAL PROPERTY TAXES (RPT)

The Mayor's proposed Operating Budget transmitted on March 15, 2024 provided the Council with the opportunity to tier tax classes in order to distribute the burden of real property taxes equitably across the County. Tiers will introduce progressivity to the County's tax system whereby higher-valued properties will pay a higher tax rate on a proportion of their property's value. Also, following extensive discussions and considering feedback from taxpayers, this is the first year without the Residential Investor tax class, and most of these parcels are now included in the Non-Owner-Occupied Residential tax class, which is separated into tiers based on property valuation. Finally, recognizing the impact of Transient Vacation Rentals (TVRs) on the island, the classification for Vacation Rentals was also tiered, with rate increases more comparable to the Hotel and Resort classification.

With the Council’s approval of these real property tax changes, the final tax rates for Fiscal Year 2024-2025 (Tax Year 2024) are as follows:

TAX RATE*	CLASSIFICATION
\$2.59	Owner-Occupied
	Non-Owner-Occupied Residential
\$5.45	Tier 1 – portion of taxable value less than or equal to \$1,300,000
\$6.05	Tier 2 – portion of taxable value more than \$1,300,000 and up to and including \$2,000,000
\$9.40	Tier 3 – portion of taxable value exceeding \$2,000,000
	Vacation Rental
\$11.30	Tier 1 – portion of taxable value less than or equal to \$1,000,000
\$11.75	Tier 2 – portion of taxable value more than \$1,000,000 and up to and including \$2,500,000
\$12.20	Tier 3 – portion of taxable value exceeding \$2,500,000
\$11.75	Hotel and Resort
\$8.10	Commercial
\$8.10	Industrial
\$6.75	Agricultural
\$6.75	Conservation
\$5.05	Owner-Occupied Mixed-Use
<i>*Per \$1,000.00 Net Assessed Valuation</i>	

Real Property Tax collections will provide an estimated \$234.7 million in revenue to the County for FY 2024-2025.

The Council also continued funding for existing real property tax relief programs available to eligible property owners. For FY 2024-2025, the Home Preservation Limit Differential will provide approximately \$11,791 in real property tax relief and the Very Low-Income Tax Credit will provide \$333,972 in relief. The Owner-Occupied rate remains the lowest at \$2.59 per \$1,000.00 of net assessed value.

Residents can also lower their real property tax bills through participation in various exemptions offered to owners, such as the home exemption, low-income exemption, very low-income exemption, age exemptions, and others.

III. BUDGET HIGHLIGHTS

Commitment to Housing

The Mayor, his Administration, as well as the Council have housing, particularly affordable housing, as a top priority, which is why approximately \$15.7 million over and above the required 2% of RPT revenue is being appropriated to the Housing Development Fund for Fiscal Year 2024-2025. This brings the total investment in the fund to \$20.3 million. These funds will be used by the Housing Agency to accelerate the development of housing projects across the island, providing long-awaited relief to hardworking local families in search of both attainable rental housing and forever homes for purchase.

Fire Mitigation

Cognizant of the dangers presented by the spread of wildfires, the Mayor and the Council have agreed to invest heavily in new and replacement equipment for the Kaua'i Fire Department (KFD) as well as the Roads Division crews who are in the best position to maintain fire breaks. In particular, KFD will be acquiring two (2) additional water tenders and a brush fire-fighting apparatus that will aid in response and enhance fire coverage. These frontline investments represent \$2.9 million that will directly support fire mitigation efforts countywide.

Investments in Islandwide Recreation

The Department of Parks & Recreation has embarked on and will continue to move forward with a significant effort to overhaul and upgrade the County's inventory of playcourts, parks, golf course, and other recreation-related projects across the island. Approximately \$7.36 million in CIP moneys has been dedicated to the islandwide playcourt resurfacing effort, \$1.1 million has been earmarked for playground equipment, \$1.22 million has been allocated for Americans with Disabilities Act (ADA) improvements at Waimea/Kekaha and Puhi Parks, and about \$800,000 has been allotted to projects to upgrade the Wailua Golf Course. Also, many in the community will be happy to know that restrooms are coming to the soccer fields at Vidinha Stadium and trash receptacles will be installed in the Vidinha Stadium parking lot.

Additional Personnel for Critical Functions

Recognizing the need to address the backlog of Type 3 road tests at the Department of Motor Vehicles (DMV) due to staffing shortages, the Mayor's Supplemental Budget Communication added a Driver's License Examiner II for the DMV, which will help reduce the current appointment horizon for testing. Additionally, the Department of Finance will be adding a Computer System Support Technician for the Informational Technology (IT) Division to be located at the Kaua'i Police Department (KPD), Kaua'i Emergency Management Agency (KEMA), and Office of the Prosecuting Attorney (OPA) shared building for better efficiency and the ability to directly troubleshoot issues. Lastly, with two (2) new positions each within the Wastewater and the Solid Waste divisions of the Department of Public Works (DPW), the County continues its investment in core public services for the enhancement of Kaua'i's essential functions.

Short-Funding and Dollar-Funding of Certain Vacant Positions

The Council appreciates the responsiveness of the Mayor and his team in reasonably adjusting salaries for positions that are unlikely to be filled by the start of the fiscal year on July 1, 2024. From the Mayor's March Budget submittal to the May Supplemental Budget Communication, the budgeted amounts for a variety of existing positions were reduced to 9-month funding levels or dollar-funded in response to Council inquiry. Additionally, all new positions added to the FY 2024-2025 Budget are now 6-month funded, demonstrating fiscal discipline.

100% Premium Coverage for County Employees' Healthcare

In a decision that represents a significant investment in recruiting and retaining County employees who devote their lives to public service, the FY 2024-2025 Budget includes funding to cover County employees' medical insurance premiums for certain single, two-party, and family coverage plans (HMSA PPO 75/25 and Kaiser HMO Standard). This benefit means that existing or incoming County employees who select these excellent but more affordable health insurance plans from the variety of plan options available will have their healthcare premiums—including prescription, dental, and vision—fully covered. This provides a potential savings not only for interested employees, but also for taxpayers, as the incentive for employees to select these less expensive healthcare plans could result in employees forgoing the more expensive healthcare plans that require a greater employer contribution cost to the County. By approving the budget along with this new initiative, the Council supports the Administration in exploring this matter further with the applicable labor unions and hopes to see long-term benefits in the form of increased employee satisfaction and attracting new hires to fill the County's vacancies in much-needed positions.

Reduction of General Fund Subsidy for the Wailua Golf Course

With the passage of Ordinance No. 1156 and implementation of revised playing fees at the Wailua Golf Course effective January 1, 2024, the County's General Fund subsidy for the golf course has decreased since more fees at higher rates are being collected from non-residents. Despite the higher playing fees for visitors, play at the golf course as measured by rounds of golf has not decreased; therefore, the Wailua Golf Course is earning more revenue from visitors and is also less reliant on the General Fund as a source of long-term sustainability.

Support of *Kūpuna*

The Mayor's Supplemental Budget Communication was responsive to the needs expressed by the Council for additional support to be provided to the Agency on Elderly Affairs (AEA) in order to serve more of their clients through the Meals on Wheels, Homemaker Services, Enhanced Fitness, and Fresh Produce Box programs. As a result, there was a significant increase in funding to AEA, allowing even more of our *kūpuna* to be served by this critical agency and ensuring that the needs of our elderly population are being adequately addressed.

Transportation Support for Low-Income Persons

Thanks to collaboration with the Administration and a willingness to bring relief to those who need it most, the FY 2024-2025 Budget also includes additional funding for the Low-Income Annual Bus Pass Pilot Program, which allows those eligible to purchase an annual bus pass at fifty percent (50%) of the general purchase price. This program will be able to serve even more people than last year with a total funding of \$75,000. Additionally, the existing Outreach Program that offers half-price bus passes to nonprofits for distribution to their need-based clientele was increased to \$95,000 in keeping with demand for the program as evidenced by nonprofit bus pass waitlists.

IV. CONCLUSION

The Council extends its appreciation to Mayor Kawakami, Department/Agency Heads, and County employees for their participation and assistance throughout 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.

The Council particularly thanks Mayor Kawakami for communicating with the Council for input prior to March 15 and integrating many Councilmember suggestions well before the Budget was transmitted to the Council. The Council then engaged in nearly three weeks of departmental budget reviews, which revealed the need for further budgetary refinement. Many of the Council’s updated requests were then proactively included in the Mayor’s May 8 Supplemental Budget Communication, which facilitated a focused and productive Council preliminary decision-making session.

Finally, the Council thanks the members of Hawai‘i’s Congressional Delegation—Senator Mazie K. Hirono, Senator Brian Schatz, Representative Jill Tokuda, and Representative Ed Case—and Kaua‘i’s State Legislators—Senate President Ronald D. Kouchi, Representative Daynette “Dee” Morikawa, Representative Nadine K. Nakamura, and Representative Luke A. Evslin—for their dedicated support. The Council is grateful to State and Federal entities for their continued assistance, which will help Kaua‘i and Ni‘ihau achieve community resilience and better position the County for economic vitality.