

COUNTY COUNCIL

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May 29, 2019

KAUA'I COUNTY COUNCIL
BUDGET MESSAGE FOR THE FISCAL YEAR 2019-2020

I. Introduction

The Kaua'i County Council's \$242 million Operating Budget and \$36 million Capital Improvement Projects (CIP) Budget for the Fiscal Year 2019-2020 (FY 2019-2020) are the result of many hours of discussion, deliberation, compromise, and extensive debate.

With a new Mayor and Administration onboard, the Council carefully set out to provide the Administration with the tools needed to innovatively improve systems, services, and functions Countywide. This year's budget session reflected a desire for the Administration and the Council to work together to improve the quality of life for all Kaua'i residents, while remaining vigilant in how funds are being spent, and being mindful of the apparent financial struggles that are seen and experienced islandwide. What remains to be seen are the effects of the historic flooding that occurred in April of 2018, both physically and financially, as the County continues to restore the island from the damage that has been done to the north shore and other areas. During the Council's budget session, the Council remained diligent in trying to identify areas where budgetary needs could be negotiated and met. Although numerous proposals introduced by Councilmembers to make reductions or additions did not have the majority vote to move forward, the Council continued to maintain the County's prudent Structurally-Balanced Budget and Reserve Fund.

II. Operating Budget

Real Property Taxes

The Council voted not to raise real property tax rates by adopting the existing tax rates for the County of Kaua'i for FY 2019-2020, as follows:

CLASSIFICATION	2019-2020 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

Real Property Tax collections will provide an estimated \$143.88 million in revenue to the County for FY 2019-2020.

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 \$112,703 and \$103,944, respectively, in real property tax relief for property owners in FY 2019-2020.

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 the age exemption.

General Excise Tax Fund

One of the biggest challenges that Kaua'i County faces—and one of the highest priorities stated by residents and visitors alike—is the poor condition and deterioration of our roads. The General Excise Tax (GET) Fund will generate roughly \$24.35 million in Fiscal Year 2019-2020, with \$18 million being dedicated to the Department of Public Works for islandwide road resurfacing, maintenance, and road reconstruction projects in addition to bridge maintenance/repairs. The remainder of the GET Fund will go towards the Transportation Agency for implementation of their Short-Range Transit Plan and expansion of bus services in areas with high demand.

Reducing Overtime / Pension Spiking

For years, overtime costs in the Police Department and Fire Department have been a concern of the Council. The growing overtime earned by high-level Excluded Managerial (EM) positions created salary inversion issues between

department heads and supervisors that has made it challenging to fill appointed positions. The Salary Commission's recent Resolution No. 2019-1 attempts to balance this inversion for some department heads, although it does not completely remove the inversion that occurs. These growing expenses have led to costly overtime budgets at the expense of Kaua'i taxpayers. An attempt was made to cut \$1.38 million from the Fire Department's budget, but ultimately did not have enough votes to pass. The Administration explained the fact that overtime costs this fiscal year were largely due to the historic flooding in April of 2018, as public health and safety continues to be an issue.

Pension spiking also continues to frustrate the Council; at the same time, recent negotiations have resulted in submission of new collective bargaining agreements for Bargaining Unit 11 (Hawai'i Fire Fighters Association (HFFA)). For Bargaining Unit 11, the arbitrator decided to allow a new two-year contract with a two percent (2%) increase in each of the next two years, one-time bonuses in each of those years, and an increase in regular raises based on years of service. These proposed increases were recently submitted for Council consideration and accordingly will have a fiscal impact to the Operating Budget. Moving forward, the Council would like to see the Police and Fire Departments continue to restructure, improve management, and tighten their respective overtime budgets for use only when absolutely necessary.

Reallocated Positions for Historically Vacant Positions

As occurred in years past, the Council worked to analyze positions that have been vacant for a significant amount of time. Through careful review and discussion of current vacant positions and their hiring statuses, it was determined that there are positions that would likely not be recruited or filled in the near future despite the positions' importance and attempts made to secure the needed personnel. Therefore, the Council voted to 3-month fund and 6-month fund the following positions, respectively:

- Police Department – Police Officer (five (5) positions)
- Department of Parks & Recreation, Facilities Maintenance – Electrician-Elec. Eqpt. Rep.

While these actions by the Council do not result in an immediate large savings for the County, those reductions served as the only aggregate cut during FY 2019-2020 decision-making, with a total savings in salaries of \$111,036.

Department of Finance

Special Projects – Kaua'i Humane Society

The Kaua'i Humane Society (KHS) continues to provide a wide range of important services for the County of Kaua'i, such as pet animal rescue and

response, investigating animal abuse and neglect, injured pet pick-up, stray dog pick-up and processing, animal housing, animal veterinary care, and animal licensing. This year, in light of KHS's assertion that rising operating costs would force them to reduce continued services, the Mayor's Proposed Budget designated \$993,000 for KHS. Additionally, the Council voted to approve KHS's further funding request of \$70,000 to be used for animal cruelty control services, resulting in a total funding amount of \$1,063,000 for KHS.

Office of Economic Development

Grant-In-Aid – Sexual Assault / Domestic Violence Community Program

The Office of Economic Development's overall Grant-In-Aid funding program continues to be a success, providing support to numerous nonprofit organizations that are making a difference on Kaua'i and creating thriving industry sectors. In addition to the various other Grant-In-Aid allocations in the Mayor's Proposed Budget, the Council voted to use the entirety of its excess funding to increase the "Sexual Assault / Domestic Violence Community Program" line item by \$41,036. Councilmembers expressed satisfaction with the important work being undertaken by YWCA, a long-time recipient of the grant.

III. Conclusion

From the onset of the FY 2019-2020 budget deliberations, the Council sought to be prudent and fiscally responsible in its review of the budget, and to look for opportunities to only fund necessities.

Nearly three weeks of Departmental Budget Reviews, Public Hearings, and one full day of a Preliminary Decision-Making Session 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 continued support.