

COUNTY COUNCIL

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OFFICE OF THE COUNTY CLERK

Jade K. Fountain-Tanigawa, County Clerk
Lyndon M. Yoshioka, Deputy County Clerk

Telephone: (808) 241-4188
Facsimile: (808) 241-6349
Email: cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

May 31, 2023

KAUA'I COUNTY COUNCIL **BUDGET MESSAGE FOR THE FISCAL YEAR 2023-2024**

I. INTRODUCTION

The Kaua'i County Council is pleased to announce the successful completion of the County of Kaua'i's \$311.5 million Operating Budget and \$87 million Capital Improvement Projects (CIP) Budget for Fiscal Year (FY) 2023-2024.

The annual budget process is a collaboration between the Legislative and Executive branches of County government, spanning months of focus and culminating in a structurally-balanced budget with a prudent Reserve Fund. As demonstrated by the Council's action, the Council was also supportive of Mayor Derek S.K. Kawakami's budgetary goal of at least sixty percent (60%) of General Fund revenues being sourced from non-resident or transient-related tax sources, such as the Transient Accommodations Tax (TAT).

The Council recognizes and appreciates the assistance of State and Federal partners, which have provided financial assistance directly to Kaua'i residents and businesses, as well as funding for government programs. For example, the Council joins Mayor Kawakami in celebrating the return of Congressionally-Directed Spending of federal funds (formerly known as "earmarks") for County projects.

II. REAL PROPERTY TAXES

The Mayor's proposed Operating Budget transmitted on March 15, 2023 provided a reduction in two real property tax classes that provide residential housing—Homestead from \$3.05 to \$2.75 and Residential from \$6.05 to \$5.45. Following extensive discussions during departmental budget reviews and encouragement from the Council to provide further tax relief for owner-occupants and non-owner-occupants who have committed their homes to the Long-Term Affordable Rental program, the Mayor's Supplemental Budget Communication was based on a further reduction of the tax rate for the Homestead class to \$2.59. This tax rate reduction from \$3.05 to \$2.59 will result in an average savings of \$240 per Homestead household.

With the Council’s approval of these reductions, the final tax rates for Fiscal Year 2023-2024 (Tax Year 2023) are as follows:

CLASSIFICATION	2023-2024 TAX RATE
Homestead	\$2.59
Residential	\$5.45
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 \$219 million in revenue to the County for FY 2023-2024.

The Council also continued funding for existing real property tax relief programs available to eligible property owners. For FY 2023-2024, the Home Preservation Limit Differential will provide approximately \$16,354 in real property tax relief and the Very Low-Income Tax Credit will provide \$305,096.

Residents may also apply to benefit from tax reductions through the various exemptions offered to owners, such as the home exemption, low-income exemption, very low-income exemption, age exemptions, and others.

III. BUDGET HIGHLIGHTS

Grant-In-Aid Opportunities

In keeping with the commitment to providing real property tax relief for properties where people reside, assistance for business and agricultural sectors has been made available through Grant-in-Aid programs that have been dramatically increased for FY 2023-2024. Eligible applicants will be able to apply for \$1,000,000 in assistance for Agriculture through the Office of Economic Development (OED) and over \$1,000,000 in assistance for Adult & Adolescent Mental Health & Substance Abuse Community Program Grants along with support for the County’s Life’s Choices program. Additionally, OED Grant-in-Aid opportunities include over \$270,000 for Economic Development, \$55,000 for Business Innovation, \$130,000 for Energy, \$50,000 for Film, \$25,000 for Sustainability, and other categories.

Transportation Support for Low-Income Persons

Thanks to collaboration with the Administration and a willingness to think outside the box to bring relief to those who need it most, the FY 2023-2024 Budget includes \$50,000 for a Low-Income Annual Bus Pass Pilot Program. The vision for this program is that persons with pre-established indicia of financial need (such as an EBT card) will be eligible to purchase an annual bus pass at fifty percent (50%) of the general purchase price. Additionally, the existing Outreach Program that

offers half-price bus passes to nonprofits for distribution to their need-based clientele—which itself began as a pilot program in recent years—was increased to \$55,000 in keeping with demand for the program evidenced by nonprofit waitlists of people waiting for a bus pass.

Additional Personnel at the DMV

Hearing the public loud and clear, the Council encouraged Mayor Kawakami to amend his initial budget proposal by devoting additional resources to staffing at the Division of Motor Vehicles (DMV). In recognition of the need for improved customer service at the DMV due to the staffing shortage issues hindering not only the public and private sectors on Kaua‘i but employers globally, the Mayor’s Supplemental Budget Communication proposed adding a Senior Clerk to “support timely response to phone inquiries by the public, along with answering e-mail questions about our DMV services.” The Council looks forward to improved feedback from the public following the hiring and training of the new employee.

Council Assistance

One million dollars has been provided for Council Assistance. From that amount, \$700,000 will be allocated for use by Councilmembers to hire personal assistants should they choose, to help them address the demands of the position.

Short-Funding and Dollar-Funding of Certain Vacant Positions Provides Moneys for More Imminent Needs

The Council appreciates the responsiveness of the Mayor and his team in reducing salaries for positions unlikely to be filled by the start of the fiscal year on July 1, 2023. From the Mayor’s March Budget submittals to the May Supplemental Budget Communication, the budgeted amounts for a variety of positions were reduced to 9-month funding levels in response to Council inquiry.

Additionally, during the Council’s preliminary budget decision-making session, agreement was made to dollar-fund the salary and related benefits for the Deputy Chief of Police position, which has remained vacant since August 2022. The savings realized by this reduction enabled appropriation of funds elsewhere within the Kaua‘i Police Department’s budget for an additional thirty (30) mobile data terminals (MDTs), which the department explained were much needed and essential for officers’ daily operations to ensure public safety. With funds remaining, the Department of Human Resources’ Internship Program was increased by \$30,000 to expand options for Kaua‘i’s young adults to explore employment with the County (for example, for critical, hard-to-fill positions such as engineers, accountants, and information technology (IT) specialists). The remaining balance of \$40,147 was designated for the County’s Reserve Fund.

Early Payoff of \$12.7 Million Loan

With reliable revenue sources projected to be available for FY 2023-2024, the County has taken the opportunity to save on interest costs by paying the entire balance owed on a multi-million-dollar loan. The County recently closed on a State Dwelling Unit Revolving Fund (DURF) loan relating to the Lima Ola affordable housing project in ‘Ele‘ele. Paying off the loan in full now, during year one of a 15-year loan, will result in at least \$4 million in interest payment savings. Furthermore, eliminating the loan’s principal and interest carrying costs from the

annual budget will enable the Housing Agency to pursue other projects in furtherance of their mission to provide greater opportunities for affordable housing and support community development for the residents of the County of Kaua‘i.

Purchase of Vehicles Formerly Leased

Similar to early loan payoff to avoid payment of debt service, the County has also developed a vehicle replacement plan whereby new vehicles will primarily be purchased outright rather than via long-term lease agreements subject to interest payments.

Congressionally-Directed Spending

As stated previously, the Council joins Mayor Kawakami in welcoming the return of Congressionally-Directed Spending. The County of Kaua‘i anticipates receiving an additional \$7.8 million for the second phase of Lima Ola (in addition to a prior \$9.8 million allocation in federal funds), \$1.2 million for the Wailua/Kapa‘a Sewer Collection System, and \$1.2 million to plan for restoration of wetland areas within the County’s Waimea 400 project.

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 reaching out to the Council for input prior to March 15 and integrating many Councilmember suggestions even 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 changes. Nearly all the Council’s updated requests were then proactively included in the Mayor’s May 8 Supplemental Budget Communication, which facilitated a straightforward, amicable Council preliminary decision-making session.

Finally, the Council again thanks 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 Luke A. Evslin—for their dedicated support. The Council is grateful to State and Federal entities for their continued assistance, which will help equip Kaua‘i and Ni‘ihau in achieving economic recovery and resilience.