

OFFICE OF THE MAYOR

DEREK S.K. KAWAKAMI, MAYOR

REIKO MATSUYAMA, MANAGING DIRECTOR



Testimony of Derek S.K. Kawakami

Mayor

County of Kaua'i

Before a joint hearing of the
Senate Committee on Ways and Means
And the **House Committee on Finance**

Monday, January 26, 2026

1:00 p.m.

State Capitol Auditorium and Videoconference

The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

The Honorable Chris T. Todd, Chair
and Members of the House Committee on Finance:

Thank you for the opportunity to present testimony before this joint committee at the start of the 2026 Legislative Session. As you are aware, this is the last time that I am presenting at this joint hearing as the Mayor of the County of Kaua'i and I thank you for your support and leadership during this time.

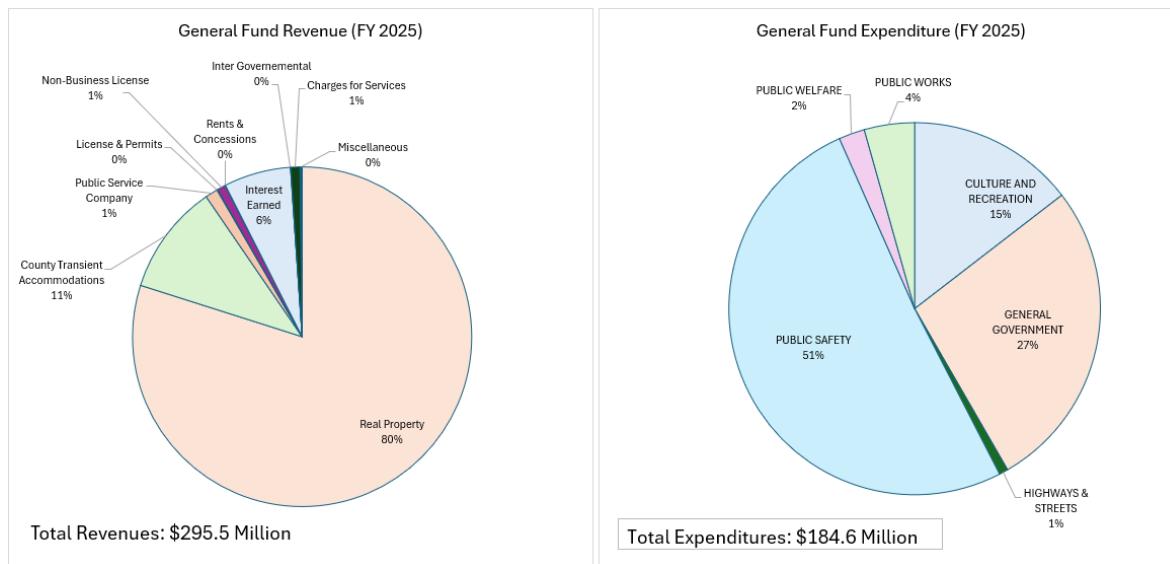
We are proud of the work that we have accomplished in the last seven years and look forward to finishing strong as we look to the next 10 months.

FISCAL RESPONSIBILITY

For the past eight years, the County has demonstrated fiscal discipline by operating without issuing any new general obligation bonds—an achievement that reflects strong financial planning and long-term stewardship of taxpayer resources. During this period, the County strategically refinanced existing loans on two occasions to take advantage of preferential interest rates, significantly reducing borrowing costs and strengthening its overall financial position. Most notably, this prudent approach has not come at the expense of public services: the County has continued to meet and sustain its critical infrastructure requirements, proving that sound fiscal management and infrastructure investment can go hand in hand. In the same time frame, the County has achieved a remarkable turnaround in its Other Post-Employment Benefits (OPEB) obligations, reducing its unfunded liability from an estimated \$147 million to just \$28 million. This dramatic improvement reflects the County's steadfast commitment to responsible financial management, including consistently funding obligations to methodically reduce long-term liabilities. At the same time, the County has benefited from favorable market conditions that strengthened plan performance and accelerated progress. Together, disciplined budgeting and prudent financial strategy have positioned the County on a far more sustainable footing, delivering lasting value to employees, retirees, and taxpayers alike.

In light with the objective of reducing our outstanding debts, we dedicated nearly \$13 million to pay off our state DURF loan for our Lima Ola housing project, saving the county \$6.4 million in interest payments over the life of the loan. More importantly, it freed up our Housing Development Fund to be used as intended—to develop affordable housing.

Real Property Tax revenue continues to dominate our general fund revenue sources at 80%. We are focused on shifting the greater share of the tax burden to those who benefit from local services without being long-term residents. In doing this, we have provided meaningful relief to owner-occupied properties, helping residents manage housing costs while maintaining funding for essential public services. Over half of that general fund revenue is used towards public safety—police, fire, and emergency management. While general fund revenue seems to greatly exceed general fund expenditure, a large portion of that delta is used to subsidize our solid waste and wastewater operations which do not generate enough revenue to cover their expenses. In trying to reduce the subsidy, we have successfully pursued fee increases across the board over the last 7 years – everything from wastewater to motor vehicles registrations to golf green fees. We are doing our part to relieve the general fund and ensure those services are more fully supported by their users.



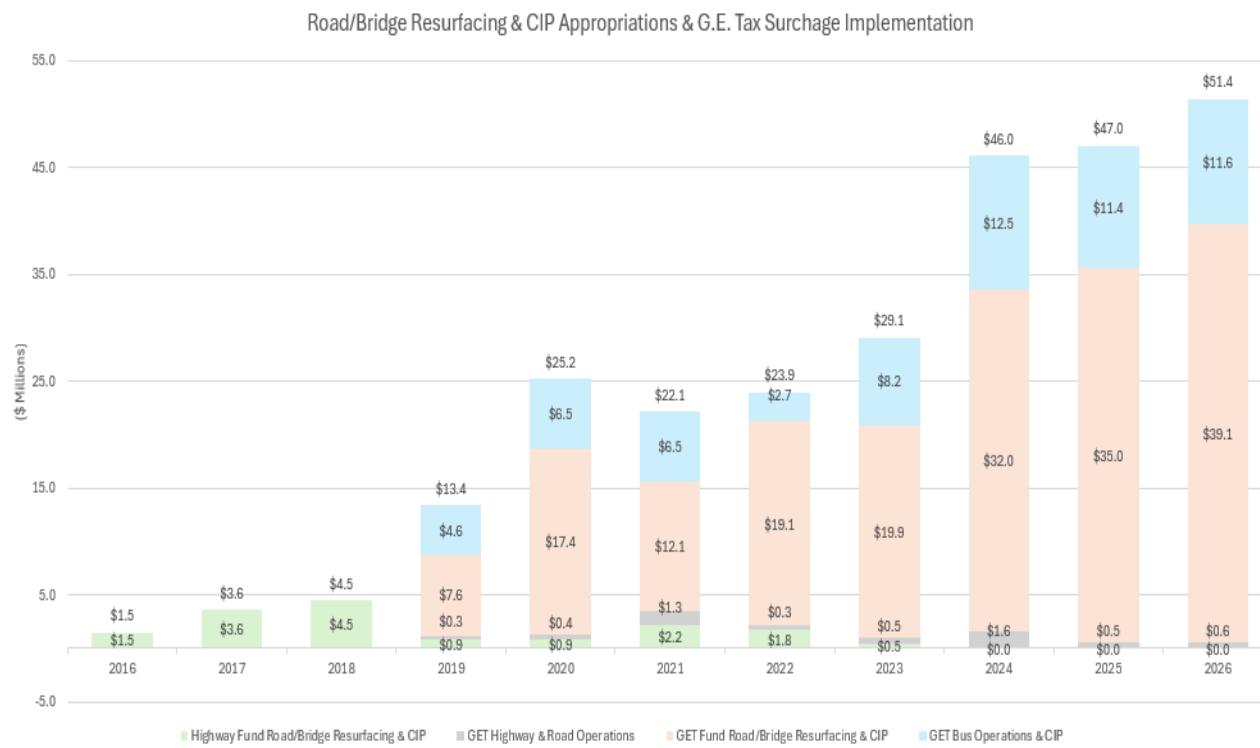
ACCOMPLISHMENTS

We would not have been able to reduce our debt in those drastic ways if it was not for the State's authorization for us to collect General Excise Tax. Infrastructure investment plays an important role in stabilizing Kaua'i's economy. When sectors like visitor-related industries experience fluctuations, construction activity — particularly road and infrastructure projects — helps sustain local employment and keeps dollars circulating in our community. A consistent, predictable capital program not only improves safety and mobility; it helps flatten economic swings and provides steadier footing for local contractors, workers, and their families.

Since 2018, County GET funding has allowed Kaua'i to move from a reactive "fix what fails" posture toward a true road maintenance program. In that time, we completed **294 roads** totaling **276 lane miles** of resurfacing across the island. This is work that improves drivability, extends pavement life, and reduces the number of roads falling into poor-to-critical condition where repairs become far more expensive and

disruptive. This steady output has also allowed Public Works to catch up on long-neglected safety items that tend to trail behind paving work, including guardrail repairs and replacements. We are proud of these improvements to the roadway system.

Pavement is not a one-time fix. It is an ongoing cycle. Subdivision roads typically need resurfacing roughly every 20 years, and higher-volume corridors closer to 10 years, which means maintaining our full inventory requires a consistent pace and stable funding to keep the backlog from rebuilding. Costs and schedules will always be influenced by factors we cannot fully control – construction inflation, material availability, and the increasing impact of weather and traffic volume. What we can control is whether we keep a predictable program in place. Extending the GET sunset date protects that momentum; allowing it to sunset would almost certainly force a return to short-term prioritization, smaller annual outputs, and a backlog that grows faster than we can reasonably catch.



HOUSING

Our Real Property Tax increases have allowed us to focus on developing our affordable housing inventory. Due to significant increases in our tax rates for the Vacation Rental and Hotel/Resort tax classes two years ago, we contributed every cent of that increase to housing. While our ordinance mandates a contribution of 2% of real property tax revenue to housing, the \$35 million contributed over the last two years has vastly exceeded that requirement. We are laying the groundwork for master planned affordable housing developments across every region – in Waimea, Kilauea, and Lihue – while focusing on the vertical build and infrastructure at Lima Ola in Ele'ele.

The County of Kaua'i would like to thank the leadership of DOFAW, the Land Division, and the Board of Land and Natural Resources for their cooperation in providing much needed space for the 26-unit expansion of the Kealaula Supportive Housing Project for homeless families. Building on the success of Kealaula Phase I opened in 2019, these additional homes on a bit less than 1-acre of state land will provide desperately needed housing for Kaua'i families experiencing homelessness.



Distribution of keys for Kealaula Phase II is expected in March 2026.

The Lima Ola project spans seventy-five acres and at full build out will provide nearly 600 rental and for-sale homes to Kaua'i families along with a Community Center and new regional park for all of Ele'ele. Our lone CIP request of this legislature is for improvements at the Kaumuali'i Highway intersection as required by the Department of Transportation. We are cognizant to ensure that there is a State nexus with all our CIP requests and are committed to a 50/50 cost share for this request. The highway improvements will encompass a new signalized intersection and will provide the necessary infrastructure to make the approximately 450 new permanently affordable homes in Phases II, III, and IV of Lima Ola possible.



Phase I of Lima Ola is comprised of 32 units of supportive housing for homeless families (with wrap-around services), 40 units of kupuna housing, 45 workforce rental units, and 38 two- and three-bedroom single family homes.

COLLABORATION

Haena Beach Transfer- With the success of the community driven destination management of Hā'ena State Park through the partnership between Hui Maka'ainana o Makana and The Hanalei Initiative, the State park has transformed into a place where residents once again have access, and the visitor experience is improved. Our office along with our Department of Parks and Recreation have worked with State Parks, the Hui, the Initiative, and community for several years on conveying the County Beach Park and the Maniniholo Cave Parcel to the State to complete and enhance community management of important natural resources under a comprehensive umbrella of stewardship and consistency of government ownership.

The Kaua'i County Council unanimously approved the conveyance to the State in November and moves for approval to the Board of Land and Natural Resources in the upcoming months. We look forward to continued collaboration with State Parks and our community in developing and implementing a community action plan for destination management for the surrounding area.

During this transition, we are committed to having our Parks and Recreation team continue the maintenance of the park and facilities for one year. Additionally, our Ocean Safety Bureau will continue to protect and guard our residents and visitors at this popular beach.

Kaua'i Interscholastic Federation (KIF) Sports

Kaua'i public schools are the only schools in the state without their own athletic fields and limited sports facilities. KIF uses the following facilities: Vidinha Stadium, Bryan J. Baptiste Sports Complex, Hanapēpē Stadium, Kapa'a Beach Park, Wailua Golf Course, Cook Field, Waimea Athletic Field, Kapa'a Pool, Waimea Pool, Isenburg Park, Niumalu Park, Lucy Wright Park and beginning this season, Keālia Beach Park, Wai'oli Beach Park. These county facilities accommodate for Girls and Boys Soccer, Girls Flag Football, Boys Football, Girls and Boys Paddling, Girls and Boy's Golf, Girls Softball, Boys Baseball, Girls and Boys Swimming, Girls and Boys Tennis, Girls and Boys Track and Field, and beginning this season—surfing. Based on FY25 and estimating 75% of the use of stadiums and 15% of use of the parks listed above for KIF events, the County of Kaua'i spends over \$2.5 million annually to the DOE for labor, supplies, equipment, and utilities.

KIF Surfing

The sport of surfing embodies the social and cultural fabric of Hawai'i. The Department of Education sanctioned surfing as a high school sport in 2016. However, it was not until last session, with the passage of Act 141 which appropriated approximately \$685 thousand to support surfing as an interscholastic sport, that the sport was kickstarted into action.

Our Water Safety Division of the Kaua'i Fire Department provided two full 8-hour days of training for 15 KIF Surfing Coaches from schools across Kaua'i in late December and early January of this year. The training included risk management, medical response, CPR/AED certification, swim proficiency, spinal extrication, and surf rescue skills.

Our County investment for overtime instructional hours and certifications is estimated to be \$3,500. In addition to the investment, the training produced several meaningful outcomes worth highlighting:

- Coaches expressed greater appreciation and respect for first responders after gaining firsthand insight into ocean safety and rescue responsibilities.
- Participants valued the hands-on, scenario-based training, which emphasized practical skills they can apply directly while supervising student-athletes.
- The course fostered strong fellowship among coaches, building teamwork and shared responsibility across schools and programs.

Joint Fire Training Programs & Graduations

Kaua'i Fire Department regularly conducts joint firefighter recruit training, certifications, and graduations with ARFF, PMRF, and other partner agencies. We intentionally offer training "seats" to neighboring agencies to maximize class size, instructor availability, and efficient use of facilities and equipment. This shared model creates safer training environments, improves rehab and rotation opportunities, reduces redundant costs, and builds long-term working relationships that directly translate to stronger coordination during real-world emergency responses. We are currently looking to acquire land to build out a formal training center which would benefit not only Kaua'i Fire Department, but all first responders on island in enhancing our ability to provide the training and tools needed on the front line.

Kaua'i Seabird Habitat Conservation Plan

Kaua'i has the honored distinction of still having endemic, though endangered, seabirds grace our island to fledge. We have worked tirelessly with our partners from the U.S. Fish and Wildlife Service, the Department of Land and Natural Resources Division of Forestry and Wildlife to develop and implement a habitat conservation plan to protect the seabirds during their fledgling season, September 15 to December 15. This involves not only predator control at our parks and facilities but cutting lights as well.

Unfortunately, fledgling season overlaps with the high school football season. Consequently, since 2010 and with a brief hiatus in 2017, our KIF football schedule has been limited to afternoon games where our young athletes sweat it out in the heat of the day, along with their parents and friends who can endure the heat of the shadeless stadiums. The health impacts to students and family are like no other in our state.

This past year, our Parks Director worked with our DOE Kaua'i Complex Supervisor, with the concurrence of the Fish and Wildlife and DOFAW, to pilot a football schedule that included low and medium risk nights. Of the final seven games of the KIF football season, which fell within the fledgling season, four were played at night. All night games followed the required protocol. We partnered with local DOE/High Schools to staff the games with bird monitors who were trained by County staff on proper monitoring techniques and protocols to assist the lead biologist at each night game. Though there were sightings of birds above the stadium and adjacent area, during those four nights games, no birds were recorded as touching the ground. No take was reported.

This past season showed that with a strong partnership between the County, DOE, DLNR and USFWS night games can be played successfully while mitigating the threats to the endangered seabird species.

Waimea Cook Field and Vidinha Stadium

We appreciate the capital improvement project funding for supporting our athletic facilities. Vidinha Stadium improvements are moving forward. Phase 1, which includes the Track, Field, Scoreboard will be completed in early February 2026. Phase 2, the field lighting, began this month and will also be completed next month. Phase 3, which includes the Bleachers, Press Box, Concession Booths, Locker Rooms,

Restrooms, Staff Offices, Officials' Offices, Officials' restrooms, Storage Spaces, Walkways, ADA upgrades, AC Paving & Fencing began in December and is anticipated to be complete in September 2026.

These enhancements will position Kaua'i on par with many of the high schools on Oahu and the outer islands and provide Kaua'i's youth the same advantages that DOE schools across the state enjoy.



Phase 1 Improvements at Vidinha Stadium

Waimea Cook Field will be completed by mid-February. This includes new Tennis Courts for Waimea High School and the general public and a new retaining wall circling half of the park along the highway.



Retaining wall and tennis courts at Waimea High School

Hawai'i Council of Mayors (HCOM) Package

I have been duly honored to briefly share our Hawai'i Council of Mayors (HCOM) package. We offer three measures for your consideration:

SB2525 Relating to Cesspools:

As we work together toward protecting our environment and preserving water quality, this measure reinstates the Hawai'i's cesspool upgrade, conversion, or connection income tax credit, which expired in 2020.

SB2526 Relating to Employment of Retirants

Filling positions with qualified and experienced workers is a challenge across the board. This measure amends Chapter 88-9, HRS, to enable the state and counties of Hawai'i to temporarily rehire public employees in positions identified as unique and critical to government operations, with certain provisions.

SB2527 Relating to Commercial Driver Licensing

And lastly, for the improved safety of all our communities, we ask your consideration to amend Chapter 286-235.5, HRS, to require that state and county firefighters, who are exempt for licensure under this part, be subject to an alcohol and substance abuse policy for employees that is equivalent to, or exceeds the provisions of, the safety and health standard established by the United States Department of Transportation for holders of commercial driver's licenses. While this requirement has not been specifically addressed through collective bargaining efforts, fire chiefs across the state are supportive of these additional restrictions for the safety of the public.

Mahalo for the opportunity to share this update with you. The County of Kaua'i looks forward to our continued partnership with the Legislature and State agencies in our shared commitment to find the best solutions that support, protect, and uplift our communities across Hawai'i.