

Testimony of the
County of Kaua'i
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Senate Ways and Means Committee
and
House Finance Committee
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Aloha from the Garden Isle!

It is a pleasure to join you at the start of the 2017 Legislative Session as we begin another dialogue on the betterment of our shared constituencies.

Throughout the years, each and every one of you have approached these discussions with openness and flexibility, and we look forward to your continued receptiveness in the months ahead.

It is my hope that the collaborative spirit that exists between the state and the county will again result in the people of Kaua'i and Ni'ihau benefitting from our efforts.

COUNTY OF KAUA'I UPDATE

As we embark on the budgetary process for fiscal year 2018, we have applied a three-pronged approach:

- Fiscal restraint = Reduce operational expenses to the greatest extent possible, while maintaining core services.
- Systemic changes = Utilize re-engineering strategies that result in increased efficiency and effectiveness and lower costs.
- Eye on the future = Remain steadfast with our plans to achieve long-term financial sustainability and stability.

Yet challenges remain.

In the coming fiscal year, Kaua'i County will be entering into negotiations with all of our public employee unions. While we are uncertain as to the outcome at this time, even a one percent raise across the board will have a significant impact on the county's financial situation when the amount is added to the \$8.5 million increase in contributions that we are obliged to make to

the Employment Retirement System (ERS). Another major employee-related expense known as “spiking”, which is calculated by the ERS, will also have to be budgeted.

In addition to personnel costs, the county has several large projects on the drawing board this fiscal year that will require significant funding including the lateral expansion of the Kekaha Landfill, mandatory improvements to all of our refuse transfer stations, and infrastructure improvements to Lima Ola, an affordable housing community.

GET SURCHARGE

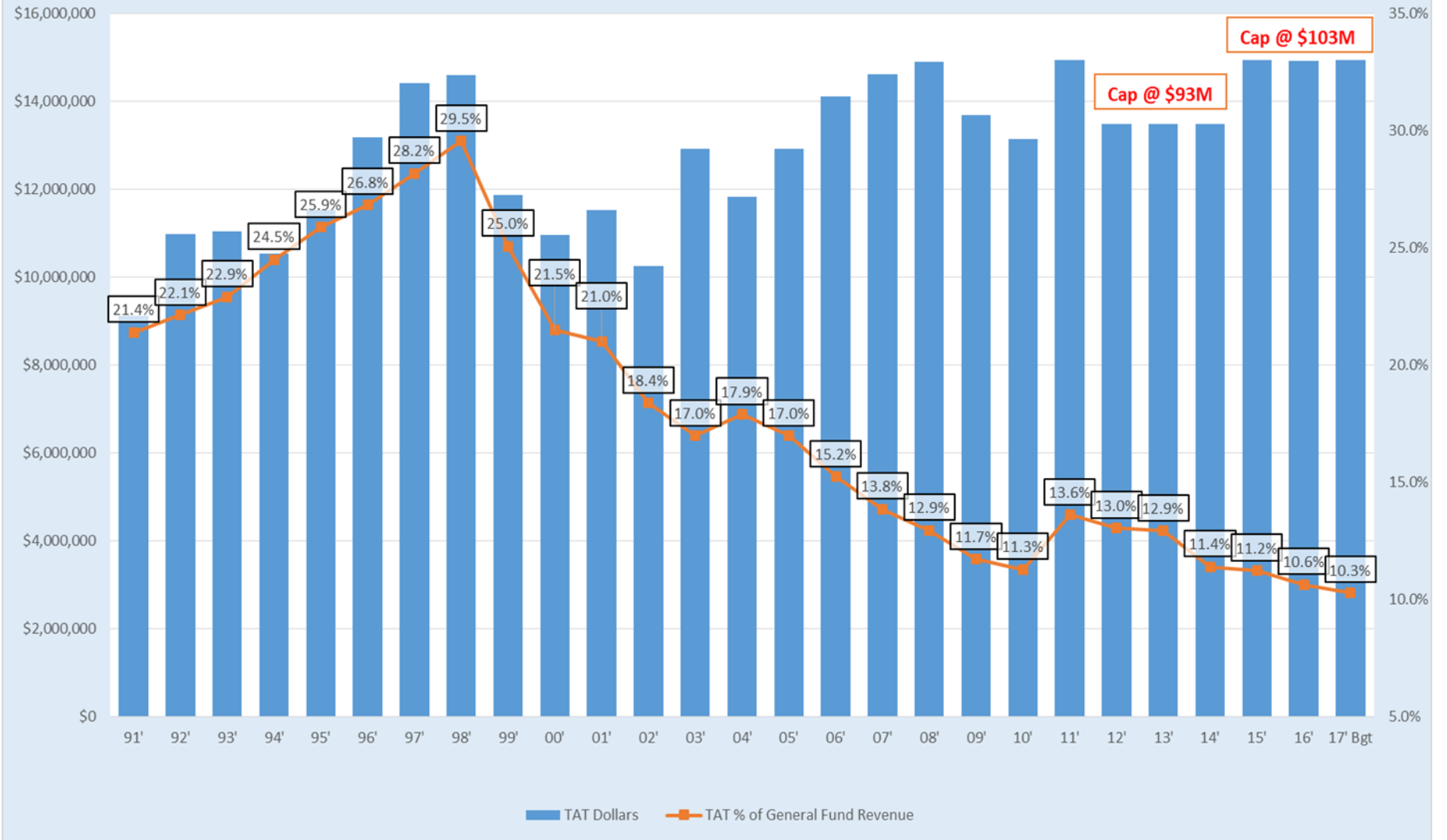
Traditionally, the county has relied on two major sources of revenue to cover its expenses - real property taxes and transient accommodations tax (TAT) revenue. However, with increases in the population and visitor arrivals, increases in the cost of government services, and changes in legislation that limits the county’s allocation of the TAT, we need to look at other sources of funding.

We are requesting your authority to legislate a GET surcharge. This would allow the county to take care of our backlog of road and bridge repairs as well as other county needs.

TRANSIENT ACCOMMODATIONS TAX

As shown in the attached chart, a historical look at the transient accommodations tax (TAT) revenue indicates that in 1998, the \$14.5 million in TAT revenue represented nearly 30 percent of the county’s General Fund revenue. Due to the changing formulas and cap provisions, the county’s share of \$15 million in TAT revenue for fiscal year 2017 represents a significantly smaller portion of the county’s General Fund revenues at approximately 10 percent.

Transient Accommodations Tax Dollars Transient Accommodations Tax % of Total General Fund Revenue



We would like to ask the legislature to review the TAT allocation. At a minimum, we request that the \$103 million cap be maintained with consideration given to incremental annual increases that are based on the consumer price index (CPI) of Honolulu.

STATE-COUNTY PARTNERSHIPS

In my view, partnerships are the most valuable tools available to us in addressing the needs of our residents and visitors. We are grateful for the partnerships we have shared with the state and other entities over the years, and I would like to highlight some of our recent collaborative efforts:

- Adolescent Treatment and Healing Center - Last week, Gov. David Ige released \$5 million in capital improvement program (CIP) funds for the first Adolescent Treatment and Healing Center (ATHC) on Kaua'i. The ATHC will make it possible for our youth to receive treatment on island and heal with their families, which is an important component of recovery. A very special mahalo to the legislature for your thoughtful consideration in appropriating the funds necessary to make this dream come true.
- Lima Ola – This master plan community is being developed in 'Ele'ele to provide our families with affordable housing that is environmentally responsible, encourages long-term intergenerational relationships, integrates with the surrounding community and promotes healthy living.
- Homeless Services – Through a partnership with the state, county and Kaua'i Economic Opportunity, the capacity of the island's homeless shelter has been expanded to accommodate 20 additional people.
- Kapa'a Multimodal Transportation Solutions – This state and county collaborative planning process has been in the works for a number of years, and is designed to address the critical issue of traffic congestion in the Kapa'a corridor as well as support vital Kaua'i industries. We look forward to continued progress in this endeavor as we seek infrastructure funding for our current and future transportation needs.
- Kaua'i Veterans Cemetery – The communal hall at the Veterans Cemetery is utilized by many of our veterans and their families and friends. Built in 1948, this facility will be undergoing renovations in order to become compliant with the current building code.
- Captain Cook Memorial Park – Used primarily by Waimea High School students for physical education classes and baseball and football practice, this county-owned facility is in dire need of renovation. Funding for improvements will ensure the safety of park users.
- Waimea River crossing – This ford crossing provides vehicular access to several residents who live on the east side of the Waimea River. Due to the flow of water in the river over the years, it has become rough and difficult to use. Plans have been made to replace the existing structure with a concrete crossing that would hold up better over time.

LEGISLATIVE REQUESTS

In Kaua'i County's legislative package for 2017, we are asking for your support of proposals that would provide shared benefits for the state and the county:

- **A bill relating to Tort Liability** – This bill would delete the sunset provision for the liability exceptions for county lifeguards.
- **A bill relating to Traffic Fines** – This bill would transfer to the counties certain fines and forfeitures collected for uncontested traffic infractions.
- **An appropriation for Emergency Medical Services** – This request would provide the County of Kaua'i with a 24-hour, seven days a week ambulance unit.

CONCLUSION

In closing, I want to express how much we value the positive and collaborative working relationship we share with our state partners, and appreciate the support we have received over the years. We continue to face major challenges with limited resources; however, our past experience bodes well for our ability to work through them in the best interest of the people we serve.

We look forward to working with you during this legislative session as well as throughout the year in the spirit of *lokahi* and *aloha*.

Respectfully submitted,



Bernard P. Carvalho, Jr.
Mayor, County of Kaua'i