

Testimony of the
County of Kaua'i
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Before a Joint Hearing of the
House Finance Committee and Senate Ways and Means Committee
January 18, 2012

Aloha from the Garden Island!

It is a pleasure to join you once again as we begin another productive dialogue between the state and the four counties for the betterment of our collective constituencies. As I have often said, we are separated by ocean but connected by families and business, and we must always remember that it is our responsibility to work in concert toward our shared goals.

This is the fourth time that I have addressed you here as Mayor of Kauai, and I am proud of the fact that we have always approached our partnership in that spirit of unity and aloha. We appreciate the openness each and every one of you have demonstrated in our dealings in the past, and know that we will continue to communicate in a professional and productive way in the future.

I would like to acknowledge and thank our hard-working Kauai delegation: Representatives Derek Kawakami, Jimmy Tokioka and Dee Morikawa, along with Senator Ron Kouchi, for keeping us apprised of the issues being discussed here at the Capitol throughout the year, and for being extremely effective advocates for the needs of their constituency.

The past three years have been particularly difficult at both the state and the county level, and this year promises to be equally challenging. However, I know that – as we have done in the past – we can work together to insure the services and infrastructure our constituents need and desire are provided, while being fiscally responsible at the same time.

COUNTY OF KAUAI UPDATE

Before I get into my legislative requests for 2012, allow me to provide you with a snapshot of what has happened on Kauai since we last met.

Our real property revenues are anticipated to go down 8.7% in FY 12, and have declined a total of 5.5% over the past three fiscal years. Over that same time period, personnel costs alone have increased 22%. The resulting budget shortfall was addressed in our annual budget ordinance by a variety of measures including:

- An increase in sewer rates which will generate \$500,000 additional per year
- Establishment of a new residential refuse collection assessment (RRCA) fee which will generate an additional \$3 million per year
- Reduction of our CIP budget by 15% over the previous year (funding only those projects that were “shovel ready” in fiscal year 2012), creating a savings of \$15 million
- Deferral of approved pay raises for elected and appointed officials
- We continue to dollar-fund numerous vacant positions

This fiscal year we have also implemented a reserve policy, whereby we set aside roughly 23% of our operating budget to provide a buffer for unexpected events such as natural and man-made disasters which impact us financially, creating a basis for higher credit ratings, and insuring financial stability in the future.

Currently we are working on a \$20 million bond refunding opportunity that will improve our cash flow and save us roughly \$141,000 annually.

We also continued to support the visitor industry this year by providing a \$200,000 stimulus grant to the Kauai Visitors Bureau and a \$150,000 grant to the Kauai Marathon for their third annual event.

The Kauai Visitors Bureau Stimulus Grant helped to contribute to the Garden Island realizing a 5.7% increase in visitor arrivals year-to-date over 2010, and an increase of visitor spending by \$80 million. Overall, visitor spending was 18% higher in 2011 versus 2010.

The Kauai Marathon continues to grow in popularity worldwide. With over 1,700 runners, 47 U.S. states and 13 countries were represented. Visitors accounted for more than 1,200 runners, with several repeat runners for the 3rd annual event. The founder of Runner’s World Magazine recently named the Kauai Marathon one of the top 100 road races in North America. Visitor spending was calculated at \$1.5 million, with a total economic impact of \$2.58 million over the Labor Day weekend.

Although we are experiencing a continued economic downturn, important projects must continue to move forward. A few of the most important projects are as follows:

1. Siting of a new landfill and resource recovery park. This project will not only take us into a new era of responsible solid waste management, it will also allow for economic development, environmental stewardship through expansion of agriculture and renewable energy opportunities, and providing sorely needed transportation alternatives for our people.

2. Construction of Kauai's first adolescent residential drug treatment facility. This project is long overdue, and last year we took the important step of locating a site for this facility. We are moving full-steam ahead on this project, which we anticipate will be complete in roughly five years.

3. Lima Ola "green" affordable housing: Our purchase of 75 acres of land from Alexander and Baldwin two years ago has opened the door for master planning for our first "green" affordable housing project. The project, which has a ten year planning and implementation window, will create affordable units on our west side utilizing sustainable principles and encouraging healthy lifestyles among residents. Our master plan should be complete in March.

There are many other projects but I won't belabor the point here. My main point is that we are moving forward as best we can and stretching our resources to their fullest in order to keep important projects on track.

LEGISLATIVE UPDATE

Last year we received funding you set aside for improvements to the Kapaa Stadium complex. I am pleased to report that we have completed permitting for this project and are ready to put the construction work out to bid, hopefully by late March or early April.

We continue to work with the state administration and legislature to make state funding available for the Wailua emergency bypass project. This body was supportive of this project several years ago, and at this point we are looking at options to allow for release of the funds. The County maintains its matching share of the funding and we are hopeful to get the project underway this calendar year.

Please know how much we appreciate your openness to partnering on these projects that provide shared benefit for the county and the state. We will continue to look for opportunities like these where we can share the financial burden in the spirit of cooperation.

LEGISLATIVE REQUESTS - 2012

Although we don't have money requests this year, we do have some issues to bring to your attention and hope that we can work together on solutions that will meet the needs of both the state and the county.

- Kauai County Legislative Package: The County's 2012 package was submitted on January 6, and included measures relating to the sale of aquatic life for aquarium purposes, and governance of the Employees' Retirement System and the Employee-Union Health Benefits Trust Fund. Your thoughtful consideration of these measures would be appreciated.

- Transient Accommodations Tax (TAT): We continue to advocate for the retention of the Counties' current share of the TAT as amended last session. This revenue stream is critical to maintaining our present stable financial condition and to maintain our infrastructure and facilities heavily impacted by the visitor industry. We humbly ask for your support of the status quo, and we in turn pledge to continue to support the visitor industry in a cooperative state-county-private partnership that has seen excellent results – such as those previously mentioned.
- House Bill 1040 Relating to Tort Liability: The passage of this bill would lift the sunset date and make permanent Act 170 of the Session Laws of Hawaii 2002. This action is critical to our ability to continue to provide lifeguard services at Kee Beach. Our partnership to provide county services on state beaches had undoubtedly saved lives, is working seamlessly, and should be continued. Your support would be appreciated.

CONCLUSION

In closing, I want to express how much our positive working relationship means to me. We have proven over the past three years that we CAN make the difficult decisions and still provide appropriate services to the public.

Although we continue to face these challenges, our past experience bodes well for our ability to work through them in the best interest of the people we serve.

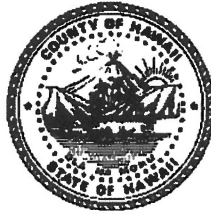
We look forward to the next four months working closely with you in the spirit of *lokahi* and *aloha*.

Respectfully submitted,



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

William P. Kenoi
Mayor



William T. Takaba
Managing Director

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January 18, 2012

The Honorable David Y. Ige, Chair
And Members of the Senate
Committee on Ways and Means
Hawai'i State Capitol
Honolulu, HI 96813

The Honorable Marcus R. Oshiro, Chair
And Members of the House
Committee on Finance
Hawai'i State Capitol
Honolulu, HI 96813

Aloha Chairmen Ige and Oshiro, Vice Chairs Kidani and Lee, and distinguished members of the Senate Ways and Means, and House Finance Committees. We greatly appreciate this opportunity to appear before all of you today.

For three consecutive years, state and county policy makers have confronted difficult challenges caused by a global recession. We have not backed away from making difficult decisions. We can be proud that we have worked boldly, creatively and collaboratively together to make the best use of our limited resources. We thank you for your continued willingness to work cooperatively as we address the challenges before us.

While we are seeing signs of an economic recovery, the County of Hawai'i is projecting a fourth year of declining property tax revenues. This loss of revenue will force us to make even more cuts – and as in the past three budget cycles, we have pledged to balance our budget without threatening public health and safety, or cutting programs that serve our children, senior citizens and working families.

We recognize the Hawai'i State Legislature continues to face difficult decisions, and rather than burden you with a wish list, we come to you today with a single request: Please maintain our county's share of the transient accommodations tax as agreed upon during the last session. We will focus our efforts on supporting the priorities of the Hawai'i Island legislative delegation.

Thank you for your consideration, and we look forward to working with all of our distinguished state legislators as we navigate this challenging economic environment. Thank you for your support and commitment to our community.

Sincerely,

William P. Kenoi
MAYOR

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January 18, 2012

The Honorable David Ige, Chair
and Members
Senate Ways and Means Committee
State Senate
The Honorable Marcus Oshiro, Chair
House Finance Committee
House of Representatives
Twenty-Sixth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Chair Ige, Chair Oshiro and Committee Members:

The City and County of Honolulu (the "City") is in the process of putting together our FY 2013 operating and capital improvement budget which is due to be submitted to the City Council on March 1. Faced with revenue collections that are projected to remain flat and rising costs for electricity, fuel and employee health and retirement benefits, we are confronted with the task of repairing and maintaining existing infrastructure and providing core services.

Like the state and households across Hawaii, our budget is being stressed by the escalating cost of electricity and fuel. Covering the cost of keeping the lights and air on in public buildings as well as keeping city vehicles operating has become more difficult. We are addressing this issue with a comprehensive approach that begins with the most affordable and easy to implement projects such as adjusting room temperatures, changing lighting and improving fuel economy. The approach also plans for long-term, smart growth infrastructure which can take advantage of renewable energy resources like the HPower plant.

In addition, like other public employers, we must deal with increased funding requirements for employee health costs and retirement contributions. We know the legislature is aware of these issues and we look forward to discussing proposals to address these issues.

The City continues to be committed to fiscal responsibility. Our capital improvement budget will be prioritized to focus on mandated wastewater improvements and other required projects as well as maintaining existing infrastructure. In addition, we are striving for adequate funding of rainy day or stability reserves. During this economic downturn, this is a difficult task. However, we believe that providing funding for these is critical to the long-term sustainability of the City.

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and Members
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Twenty-Sixth State Legislature
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In light of Act 103 of 2011 which capped the counties share of the Transient Accommodation Tax (TAT) at \$93 million until June 30, 2015, we are hopeful that the State legislature recognizes that revenues from the Transient Accommodations Tax (TAT) is an integral and essential part of the counties' base budgets and that the cap not be amended to a lower level or extended beyond its current sunset date. The TAT was created as a more equitable method of sharing state revenues with the counties in recognition of the greater impact of the visitor industry on county services such as police, fire protection, parks, beaches, water, roads, sewage systems and other tourism-related infrastructure. The legislature also noted that the distribution of the TAT to the counties was meant to provide a stable and continuing source of revenue for the counties. We ask you to continue to work with all the counties to help us provide the services and infrastructure necessary to sustain Hawaii's tourism industry.

Thank you for this opportunity to appear before you.

Very truly yours,



Douglas S. Chin
Managing Director