

Bernard P. Carvalho Jr.
Mayor



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OFFICE OF THE MAYOR

Testimony of the
County of Kaua'i
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Before a joint hearing of the
Senate Ways and Means Committee
and
House Finance Committee
January 19, 2018

Aloha from Kaua'i and Ni'ihau! It is a pleasure to join you at the start of the 2018 Legislative Session.

As the elected officials of our state and respective counties, we face very complex and challenging issues in our joint effort to continually improve the quality of life for our residents, and the experience of our visitors.

It is only through collaboration and a solution-oriented spirit that we will collectively make improvements and find solutions. On behalf of our county, my cabinet, and our Kaua'i community, we look forward to the open and respectful dialogue as we work hand-in-hand to shape the future of Hawai'i!

County Of Kaua'i Update

As we embark on the budgetary process for fiscal year 2019 - the final budget submittal for my administration - I maintain the overall goal to leave the County of Kaua'i in a better financial position than it was the day I took office. We are on target to achieve this goal through our Long Term Financial Plan, which commits the County of Kaua'i to produce structurally balanced budgets. Additionally, it commits the county to keep a minimum Reserve of 30% of the prior year's General Fund revenues. I am pleased to report we have achieved this as of the fiscal year end, June 30, 2017.

We continue to look at ways to improve efficiency while maintaining the level of service that our citizens expect and deserve. We must also acknowledge that the bulk of our expenses are not within our full control, such as collective bargaining agreements, Employee Retirement System (ERS), and Other Post-Employment Benefits (OPEB). We remain committed to fully funding our obligations.

Further, we are working to achieve our longstanding goal to diversify our revenue stream, as to not rely so heavily on the backs of our homeowners through Real Property taxes. Last month, the Kaua'i County Council voted to enact a half-percent increase in the General Excise Tax (GET) surcharge, as authorized by the State Legislature.

Please allow me to briefly summarize some of the highlights of our current financial landscape:

Bond Issuance

November 2017, the County issued \$24 million in General Obligation bonds to address much needed capital improvements, including projects that partnered with state funds, such as our 100% affordable housing project Lima Ola, and the Adolescent Treatment and Healing Center.

Long Term Financial Plan

Continuing towards maintaining fiscally sound decisions, in March of 2017, the County adopted resolutions on "Structurally Balance Budget Policy" as well as a "Revised Reserve Fund Policy." Adherence to both policies will ensure the financial health of the County of Kaua'i for future generations. As of June 30, 2017, the County has achieved its Reserve target of 30% of prior year's General Fund revenue.

Collective Bargaining

Increases continue to challenge the County's finances, which is compounded by the much-needed contribution increases to the Employee Retirement System. We remain committed in adhering to our obligations as bargained, including the full funding of Other Post-Employment Benefits Annual Required Contribution.

GE Tax Surcharge

We wish to thank the State Legislature for authorizing the counties to pursue this tax, and of course, the partnership of our County Council. Through this joint effort, the County of Kaua'i successfully passed an ordinance to enact a half-percent GE Tax surcharge, beginning on January 1, 2019. With an estimated \$25 million dollars annually, we will be able to make significant headway towards improving our roads, bridges, and transportation system.

State-County Partnerships:

We would like to use this platform to express our gratitude for your partnership on several projects and initiatives:

- **Adolescent Treatment and Healing Center** – With the help of the state's \$5 million in capital improvement program (CIP) funds, I am proud to say that we broke ground this month for Kaua'i's Adolescent Treatment and Healing Center (ATHC). 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.

- **County Park Improvements** – Governor Ige recently released the previously-approved funding of \$2.5 million for improvements to the Bryan J. Baptiste Sports Complex in Kapa‘a, and \$1.5 million for improvements to the Captain Cooke Memorial Field, which is the primary field for Waimea High School students. These upgrades will greatly enhance the experience for our student athletes.
- **Homeless Services** – We appreciate the State’s commitment to working with the counties to increase services and opportunities for our homeless community.
- **Islandwide Bus Shelters** – Over the past several years, the State Legislature has granted a total of \$2.1 million toward our effort to construct bus shelters at every county bus stop across the island. With your help, we are now in the final phase of this project.
- **Lima Ola** – We are working to finalize the \$13 million DURF loan agreement, as approved by the State Legislature last year. This funding will allow us to begin construction on a 100% affordable master planned community in ‘Ele‘ele.
- **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.

LEGISLATIVE REQUESTS

In Kaua‘i County’s legislative package for 2018, we are asking for your support of several proposals that would provide shared benefits for the state and the county. I will highlight a few requests:

- **A Bill Relating to Tort Liability** – We continue to seek liability exceptions for our county lifeguards.
- **A Bill for an Act Making An Appropriation for Emergency Medical Services** – This appropriates money to the Department of Health for the Fiscal Year 2018-2019 for a 24-hour, 7-day-a-week ambulance unit for the County of Kaua‘i.
- **Kaua‘i Fire Department Helicopter Hangar and Transit-Ready Development Pua Loke Affordable Housing Project** – The County of Kaua‘i wishes to pursue these two priority projects, as we previously discussed with each committee, using GO bonds.
- **Visitor Industry Impacts** – While not a specific request, we do wish to emphasize that with a growing residential population on top of a growing visitor market, the counties and states must work together to manage the impacts of the visitor industry on our islands. As tourism is our number one economic driver, it is imperative that we continue to address our growing infrastructure needs to ensure a positive experience for our visitors, while enhancing the quality of life for our residents.

MAHALO!

Again, I would like to express our gratitude to our State Legislature, and specifically, our Kaua‘i delegation, under the leadership of Senate President Ron Kouchi.

We look forward to working with you throughout this session and the year ahead with a shared commitment of *Action* and *Aloha!*

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Bernard Carvalho Jr.", written in black ink.

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