

OFFICE OF THE MAYOR

DEREK S.K. KAWAKAMI, MAYOR

MICHAEL A. DAHILIG, MANAGING DIRECTOR



Testimony of Mayor Derek S.K. Kawakami

County of Kaua'i

Before the

House Committee on Finance

Tuesday, January 26, 2021

3:30 p.m.

To: The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty Cullen, Vice-Chair
and Members of the House Committee on Finance

Subject: Informational Budget Briefing with County Mayors

Thank you for the opportunity to present testimony before this committee at the start of the 2021 Legislative Session.

At this point last year, our state was in the midst of a strong economy, low unemployment, and our budget testimony before the legislative money committees reflected optimism, confidence, and a call for renewal and reinvestment. Over the past twelve months, things have changed, to say the least. It feels as if we have all been through the wringer. This ongoing pandemic has challenged all of us in its own way, and I look forward to the world becoming normal again.

Kaua'i, in a sense, has been living in a state of abnormality for the past couple years, particularly since the 2018 floods. I never imagined as Mayor that I would be in charge of a County that has five active Presidentially Declared Disasters.

However, regardless of the constant stream of challenges, and the constant hurt I see as decisions of consequence translate into whether a business stays open, or a worker can feed his or her family, I remain hopeful. I maintain the belief that our community will persevere and will rise together, stronger.

Before going into our budget outlook for FY 22, I must first thank the Legislature for many of the past and continuing initiatives we have been able to implement, COVID-19 notwithstanding.

CARES Money

We would not have been able to manage the COVID-19 pandemic and navigate towards our island's recovery without the assistance of the State of Hawai'i and the County's share of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. From the very start of the pandemic, it was vital to keep our community informed and connected while facing the constant challenges that came our way in order to ensure our entire community's safety. We thank the State of Hawai'i for awarding the County of Kaua'i \$28,715,551 in CARES Act funding in 2020.

Through the CARES Act, the County of Kauaʻi provided 48 CARES Act Grants focused on recovery efforts in six major categories: food services, non-profit economic loss support, mental health and domestic violence prevention, agriculture, tourism and economic diversification, and displaced workers.

One of the most sought out programs we launched was the Small Business Boost Grant, where we distributed nearly \$5 million to 650 small businesses on Kauaʻi. When we first launched the program in August, our application system exhausted all available funding within minutes of opening – giving us a clear message that our small businesses on Kauaʻi are struggling. In December, we provided additional grant funding which amounted to \$1.35 million in total to 182 Kauaʻi businesses that remained on our application waitlist.

With the closure of our Sunshine Markets, our farmers needed a new outlet to continue their livelihood and provide food security. Working with the Agency of Elderly Affairs, the Office of Economic Development, Malama Kauaʻi, and the Hawaiʻi Foodbank and with the assistance of the County and CDBG funding, these farmers produced weekly bags of fresh fruit and vegetables which were delivered to our seniors, and others in need.

Another initiative that impacted our community was our Rise to Work program, which supported displaced workers as well as our local businesses and non-profits. Through this program, 100 local employers were able to hire 280 temporary employees to assist their businesses – with funding from the county. Positions ranged from laborers, administrative staff, artists, educators, skilled trade positions, photographers, website designers and many more. Rise to Work participants received free health insurance and a weekly paycheck.

Ohana Zones and Kealaula

With Act 209, which appropriated \$30 million to establish ‘Ohana Zones on every major island, the County of Kauaʻi worked to improve more affordable housing opportunities. With your partnership, we developed a transit-ready affordable housing project near the existing services and programs of the Kauaʻi Economic Opportunity. Through the Governor’s Executive Order transferring the Pua Loke Arboretum in Līhuʻe for an ‘Ohana Zone affordable housing project, Kealaula, has provided 30 homes for houseless families. We look forward to continuing this partnership with the State on this opportunity to provide services that will assist homeless individuals and families, which will directly benefit and impact the growing housing crisis on our island.

Continuing use of GET

Once again we wish to thank the Legislature for allowing us to diversify our revenue stream with the enactment of the half-percent increase in the General Excise Tax (GET) surcharge to improve our roads, bridges, and transportation operations and costs. This past year, GET funding supported payroll expenses for Bus Drivers, Dispatchers, Mechanics, Fiscal and Supervisory personnel, the replacement of three public transit buses, and other operational and maintenance expenses.

In addition, we continue to utilize our GET funding to improve our transportation infrastructure with resurfacing and crack fill surface seal of our County roads. Our focus, this past year was in the Kōloa and Waimea Districts. Perhaps the most significant project this year was the reconstruction and resurfacing of the Maluhia and Kōloa Roads which GET funds supported. Providing safe thoroughfares for residents

and visitors is one of our highest priorities and I must thank the Kōloa community for their patience during this work.

Further, we must continue to thank the Legislature for its support of flood recovery for our island. Much of our flood recovery efforts continue to be supported through past legislative appropriations, and that support toward needed infrastructure repairs and flood mitigation are actively ongoing.

Fiscal Outlook Challenges

The fiscal pressures of the sharp economic downturn have been felt throughout our County and our government. Mindful of the anticipated decrease in revenues, we moved quickly to implement a freeze in non-essential positions last spring. We also deferred a number of capital costs, opted out of the prefunding of our Other Post-Employment Benefits (OPEB) liabilities, and put a freeze to all non-essential travel while faced with the increases in funding of collective bargaining agreements and the Employee Retirements System (ERS). Additionally, the Governor's withholding of the TAT distribution this past May has also impacted our revenue picture.

Proactively, Kaua'i County Departments are tightening its belt with restrictions on travel and large equipment purchases, and dollar and short funding of positions in anticipation of the down-revenue going into next year. Unfortunately, we are having to further defer maintenance as part of our cost-saving measures, but this will translate to increase costs over the long-run.

We delayed real property tax payments to a deadline right before Thanksgiving to aid struggling homeowners during the economic downturn—and plan to provide another extension for the next cycle's payments. As we sort through the returns, it is clear that delinquencies are up. Further, going into next fiscal year, valuation appeals are on the upswing as well. We anticipate needing to absorb this decrease in real property tax collections because it is clear many cannot pay.

TAT

It has certainly been a challenge for our tourism sector. Consequently, the travel restrictions mean a lack of tourism, and a lack of tourists means no tax revenue from that sector. We certainly understand if there is no TAT revenue, we cannot expect any. However, when tourists do come again, we will once again experience the community impacts associated with those uses on our local infrastructure. We look forward to future TAT support when this sector returns to more normal revenue-generating levels to offset these community costs.

Working Together

We recognize the State's current struggling fiscal climate, and we understand that there is no easy ask or decision that can be made this year. While we continue to overcome our struggles, we remain committed to working together where we can.

We continue to step in as a "pinch hitter" for the State Department of Natural Resources to mitigate flooding at the mouth of the Waimea River – a service DLNR had been conducting for decades prior. We do all of this because it is in the community's best interest to maintain these critical health and safety operations. In the same regard, we understand that productive and respectful dialogue about jurisdictional responsibility must also continue.

As we embark on another year, prepared to face many new and ongoing challenges, we are confident that the only way to accomplish our goals and overcome adversity is with a shared commitment to working together, in unity and aloha for our people.

Thank you for this opportunity to present these comments. We look forward to working collaboratively with you throughout this session and the year ahead.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Derek S. K. Kawakami', with a long horizontal flourish extending to the right.

Derek S. K. Kawakami
Mayor, County of Kaua'i