

RICHARD T. BISSEN, JR.
Mayor

JOSIAH NISHITA
Managing Director



OFFICE OF THE MAYOR
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

March 25, 2024

Honorable Alice L. Lee, Chair
and Members of the Maui County Council
200 South High Street
Wailuku, Hawaii 96793


Dear Chair Lee and Members:

SUBJECT: FISCAL YEAR 2025 BUDGET PROPOSAL

In accordance with Section 9-2 of the Revised Charter of the County of Maui, as amended, I am transmitting the Fiscal Year 2025 Budget Proposal for the County of Maui. The transmittal includes the following: Mayor's message, proposed Operating Budget bill, proposed Capital Program bill, and other accompanying proposed bills and resolutions.

The Fiscal Year 2025 Budget Proposal includes the executive and legislative operating budget for the ensuing fiscal year and capital program. The Budget Proposal may be viewed on the County website at <http://www.mauicounty.gov/mayor/budget>.

Sincerely,


RICHARD T. BISSEN, JR.
Mayor

Attachments

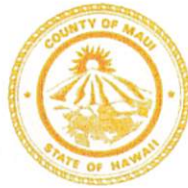
cc: Yuki Lei K. Sugimura, Chair
Budget, Finance, and Economic Development Committee



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2024 MAR 25 AM 10:47
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COUNTY CLERK

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Dear Chair Lee and Members:

When our current fiscal year began in July 2023, we regarded our Council-approved Budget as a clear and concise road map of our priorities and projects. The Maui wildfires of August 8, 2023 changed everything. 101 precious lives perished, over 12,000 people lost everything, and local businesses and jobs became nonexistent overnight. Our people and our historic Lahaina has changed forever.

The Lahaina wildfire is the worst natural disaster in Hawai'i's history, and the deadliest U.S. wildfire since 1871. This tragic event has placed an inordinate demand on both human and financial resources, including rescue operations, recovery, housing, provisioning, debris removal, and infrastructure replacement and repair.

In response to the Maui wildfires, the Maui County Recovery Framework was created. The Maui County Recovery Framework serves as a structured plan representing the County's dedication to reconstructing infrastructure, restoring community vitality, revitalizing the economy, and ensuring the well-being of its residents. The Lahaina Advisory Committee was created for and is representative of Lahaina residents with different expertise, ethnicities, and deep roots to the heart of Lahaina. This committee helped navigate through a myriad of needs, challenges, and community issues. Internally, the County Office of Recovery was created to lead all recovery efforts and oversee recovery operations. This office works in partnership with State, Federal and private sector organizations to provide wildfire disaster recovery support.

The Office of Recovery's primary responsibility is to develop a framework and implement best practices for recovery efforts in six focus areas: community planning, housing, infrastructure, natural, historical and cultural resources, economic resiliency and health, and social service systems.

While our annual budget is constructed to provide vital and reliable services to County residents, it is also focused on recovery and preparedness for future disasters. Specifically, the budget includes implementing an updated communication systems for our Police Department, installing a software interface that will enable Fire personnel to interface with the new dispatch software being installed by the Police Department, increasing 29 front-line fire fighter positions in our Fire and Public Safety Department, planning, designing and construction of a new Ha'iku fire station (including a new pumper truck), adding a dedicated water tanker for Nāpili, and new off-road mini-pumpers assigned to Kihei, Makawao, and Wailea. Maui Emergency Management Agency (MEMA) will also be staffing personnel in Moloka'i, Lāna'i and Hāna for enhanced responses in those areas.

The proposed fiscal year 2025 (FY 2025) budget also provides programs and plans to support fire-impacted homeowners, businesses and displaced families. Likewise, the budget addresses a phased-in approach to rebuilding the infrastructure of Lahaina.

My proposed budget for FY 2025 reflects the input and different perspectives from the citizens of Maui, Moloka'i, and Lāna'i. During October and November 2023, we held community meetings in eight different regions of Maui County to obtain feedback from residents and businesses identifying their critical needs. Department personnel were on site to meet and discuss their requests and concerns.

We have sought solutions to address the critical needs of our residents, particularly those impacted by the wildfires. Specifically, the budget provides funding for housing, Lahaina infrastructure repairs, and construction and operations of the permanent disposal site.

Last year, we identified five priority areas that present the greatest challenges for our residents on Maui, Moloka'i and Lāna'i. These priorities included housing, water, infrastructure, economic resilience and diversity, and protection of our environment. While those challenges continue to be our priorities, the August 8th tragedy demonstrated how critical our water resources and housing is for our kama'āina families.

Housing

Housing continues to be a critical issue for kama'āina families at all tiers of household income, including low- and middle-class families. However, the August 8th tragedy exacerbated a housing crisis that has reached epic proportions.

Housing stability and affordability for survivors is a significant goal of the County's Office of Recovery and the Housing Department; they will continue to have an important role in advocacy, planning, and resource allocation in addressing the short- and long-term housing challenges before us. The FY 2025 Budget includes a grant subsidy to the Council for Native

Hawaiian Advancement of \$75 million for interim housing that will be funded through a bridge loan with Hawai'i Community Foundation.

The Affordable Housing Fund is funded by mandate for a minimum of three percent of certified real property tax revenue, and is utilized for affordable housing and suitable living environments for persons of low income, as defined by ordinance. Recognizing the significance of available affordable housing for our residents, the FY 2025 Budget has funded 8 percent of certified real property tax revenue instead of the 3% minimum required by our Charter that we estimate to be approximately \$47 million.

The Affordable Housing Fund enables Maui County to support the development of affordable housing units for the community. Developers can leverage these funds to obtain tax credits or other funding in an effort to reduce the cost of housing for kama'āina.

Water

We recognize that we must balance water resources with our communities' needs, particularly in light of the Maui wildfires. In the past year, we have identified and will be developing new catchment sources and storage capacity to deliver reliable, robust, and redundant water resources. Our FY 2025 budget will aggressively address these objectives.

Our focus for FY 2025 will be (1) Lahaina re-development water infrastructure repairs and improvements; (2) improvements to critical infrastructure and facility issues at water treatment plants, and well, water tank, and booster pump station sites; (3) Kamole water treatment plant raw water reservoirs to increase source capacity for the upcountry system; (4) construction of an upcountry well built by the State of Hawai'i to be maintained and operated by the County; (5) permanent repairs to portions of the upper Kula transmission waterlines; (6) a new well in Moloka'i to ensure backup and continuation of water service; (8) Ha'ikū groundwater aquifer; (9) a redundant groundwater source for Waiehu Heights; and (9) new water sources for Central and West Maui, including Waihe'e, Launiupoko, Honolua, and Mahinahina aquifer source development, Honokohau Valley surface water source development, and a West Maui desalination plant.

Infrastructure

While improving and maintaining our infrastructure is vital to supporting housing, education, and transportation, a significant amount of recovery work will be required as a result of the August 2023 wildfires. Specifically, a substantial amount of infrastructure remediation will be required for roadways, wastewater facilities, sidewalks, traffic operations, railings, and seawalls in West Maui.

Countywide roadway resurfacing, pavement preservation, safety program improvements, rockfall and embankment repairs, and bridge inspections are some examples of the infrastructure capital projects included in the proposed FY 2025 budget.

Economic Resiliency and Diversity

While Maui County relies heavily on tourism as its primary economic driver, we need to build, diversify, and strengthen our economic capacity through innovation and sustainable resources. The Maui wildfires and COVID in prior years underscored the need to seek opportunities and resources that will enable the County to withstand and respond to adverse and unforeseen conditions that could negatively impact our economy.

The proposed FY 2025 budget provides \$7.4 million in grant subsidies to our local farmers with the objective of Maui County becoming more self-sustainable through agricultural diversification.

In addition to agriculture, the FY 2025 budget includes County grant subsidies for small business promotion, economic diversification, microenterprises, workforce development programs, youth and student programs, technology, cultural programs, and the arts.

Recognizing the need to have adequate financial resources to respond to unforeseen adverse events, we are proposing restoring \$20 million to the Emergency Fund. This will restore the Emergency Fund to the same approximate funding level it was prior to the August wildfires.

Protection of the Environment

The Office of Innovation and Sustainability will continue to work with all departments, partner organizations, State, Federal, and international agencies to address (1) climate change; (2) environmental protection; (3) resiliency and sustainability; (4) renewable energy; and (5) green building and resilient housing. The FY 2025 budget provides funding to create modular resilient hubs for the community. This also includes grant funding for County wetlands; invasive species eradication and control, including coconut rhinoceros beetle protection; environmental protection; and other related issues.

Financial Overview

The proposed budget for FY 2025 totals \$1.697 billion. This includes the general fund; revolving and special funds; transfers between funds within the County; and anticipated grant revenue, as well as other revenue from sources outside Maui County. The total proposed budget of \$1.697 billion represents an increase of \$429.2 million or 33.9 percent, as compared to the Council-adopted budget for FY 2024 of \$1.268 billion.

Our proposed fiscal year 2025 Budget's County fund revenues have increased by \$182.8 million from \$1.072 billion in FY 2024 to \$1.255 billion in FY 2025.

The proposed fiscal year 2025 County fund revenues will provide funding for an operating budget of \$1.075 billion, and a capital improvement budget of \$180.2 million. This compares to the current FY 2024 budget revenue of \$1.072 billion from County funds that funded an operating budget of \$920.7 million, and a capital improvement budget of \$151.1 million.

The issuance of debt enables Maui County to invest in our long-term infrastructure. For fiscal year 2025, the amount required to service our debt payments is \$58.8 million, which represents approximately 5.5 percent of County operating expenditures. This is well within our self-imposed limit of ten percent of expenditures of County funds.

As a result of the Maui wildfires, Moody's and Standard and Poor's reassessed Maui County's credit rating at Aa2 and AA+, respectively, with a stable outlook. Fitch Ratings has not updated their earlier rating of AA+. Maui County's high credit ratings enable the County to obtain lower rates on its debt issuances to achieve favorable pricing when seeking bids for long-term capital projects.

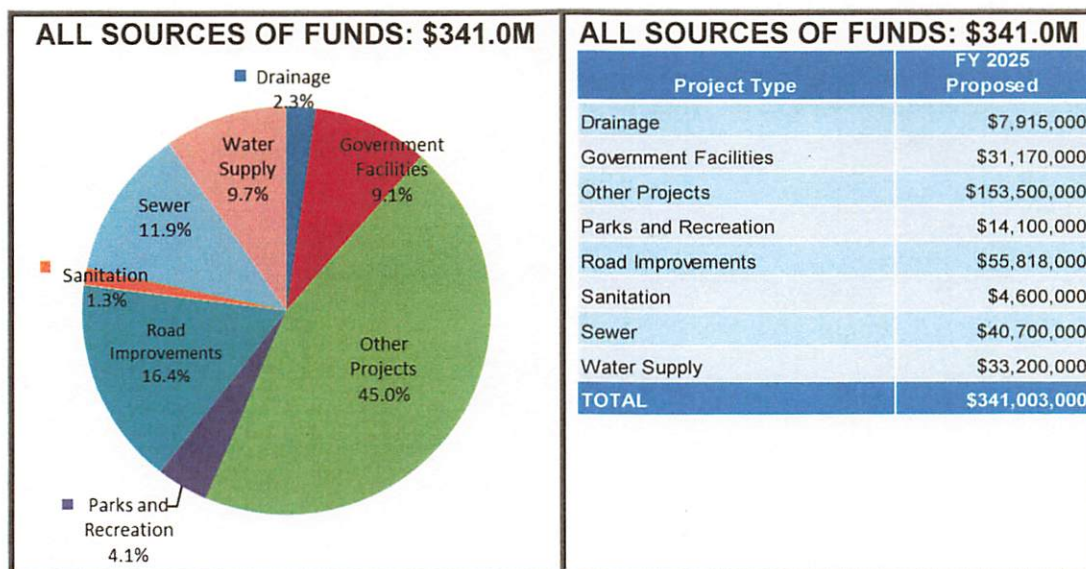
Capital Improvement Overview

The proposed FY 2025 Capital Improvement Program (CIP) budget of \$341.0 million includes capital projects funded through the County, grants, and other revenue funds. Of the total proposed FY 2025 CIP budget of \$341.0 million, \$160.8 million (47.2 percent) will be funded through grant revenue, and \$66.2 million (19.4 percent) of projects will be funded through bond funding.

Other projects proposed in the FY 2025 Budget include Maui wildfire disaster recovery; Countywide roadway resurfacing; pavement preservation, traffic, and safety; Ha'ikū Fire Station; Lahaina Wastewater Reclamation Facility, North Kihei mauka transmission system, rockfall and embankment repairs; water upgrades; replacements and improvements; and Nāpili Wastewater Pump Station No. 1 modifications and force main replacement.

The chart and table below outline the FY 2025 capital improvement projects by project types. Further details and a full listing of projects can be found in the capital budget portion of this proposed budget document.

Figure 1-1a Capital Budget by Project Type



Revenue Overview

The total estimated revenue from all sources of funds for FY 2025 is \$1.634 billion. This represents an increase of \$442.6 million or 37.2 percent, as compared to FY 2024 total revenue of \$1.191 billion.

Real property tax revenue is based on valuations of real property with tax rates assigned to each classification. For FY 2025 we have increased: (1) all three tiers under the non-owner occupied category, (2) commercial residential, (3) transient vacation rentals and short-term rentals, and (4) all three tiers under the owner occupied category. The details of the owner occupied rates are presented below:

- Minimum real property tax \$300 (no change)
- Tier 1 Equal to or less than \$1 million \$2.00 (increased from \$1.90)
- Tier 2 \$1,000,001 - \$3,000,000 \$2.50 (increased from \$2.00)
- Tier 3 Greater than \$3 million \$3.25 (increased from \$2.75)

In addition to changes in the real property tax rates discussed above, the proposed FY 2025 budget is reflecting a 2 percent increase in wastewater sewer rates and a tiered increase in water rates based upon usage.

The following table reflects projected revenue by type for the proposed FY 2025 budget, along with the dollar amount and percentage change from the current FY 2024 budget:

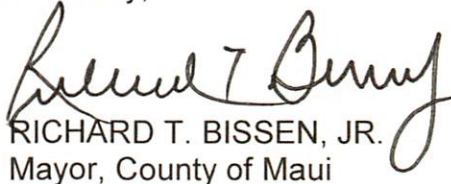
Figure 1-1b Projected Revenue by Source

| REVENUE SOURCE | FY 2024 ADOPTED | FY 2025 PROPOSED | CHANGE AMOUNT | CHANGE PERCENT |
|--|------------------------|------------------------|----------------------|-------------------|
| Real Property Taxes | \$534,949,079 | \$586,319,678 | \$51,370,599 | 9.6% |
| Circuit Breaker Tax Credit | (325,398) | (293,838) | \$31,560 | -9.7% |
| Charges for Current Services | \$172,264,662 | \$167,730,404 | -\$4,534,258 | -2.6% |
| Transient Accommodation Tax | \$60,000,000 | \$60,000,000 | \$0 | n/a |
| Public Service Company Tax | \$7,000,000 | \$7,000,000 | \$0 | n/a |
| Licenses and Permits | \$38,233,317 | \$38,369,847 | \$136,530 | 0.4% |
| Fuel | \$15,500,000 | \$15,500,000 | \$0 | n/a |
| Franchise Taxes | \$8,000,000 | \$9,000,000 | \$1,000,000 | 12.5% |
| Special Assessments | \$6,700,000 | \$9,590,000 | \$2,890,000 | 43.1% |
| Other Intergovernmental | \$19,150,000 | \$10,750,000 | -\$8,400,000 | -43.9% |
| Fines, Forfeitures, Penalties | \$2,000,000 | \$2,000,000 | \$0 | n/a |
| Use of Money & Property | \$4,195,000 | \$4,868,000 | \$673,000 | 16.0% |
| Miscellaneous | \$840,000 | \$840,000 | \$0 | n/a |
| Bonds | \$58,001,793 | \$62,641,793 | \$4,640,000 | 8.0% |
| Lapsed Bond Proceeds | \$3,543,207 | \$3,543,207 | \$0 | n/a |
| Carryover Savings | \$74,531,064 | \$102,314,422 | \$27,783,358 | 37.3% |
| General Excise Tax | \$0 | \$45,000,000 | \$45,000,000 | n/a |
| Other Revenue Source | \$0 | \$54,550,000 | \$54,550,000 | n/a |
| Grant Revenue | \$119,583,329 | \$379,376,459 | \$259,793,130 | 217.2% |
| Sub-Total | \$1,124,166,053 | \$1,559,099,972 | \$434,933,919 | 38.7% |
| Interfund Transfers | \$67,291,088 | \$74,985,399 | \$7,694,311 | 11.4% |
| Total Estimated Gross Revenues* | \$1,191,457,141 | \$1,634,085,371 | \$442,628,230 | 37.2% |

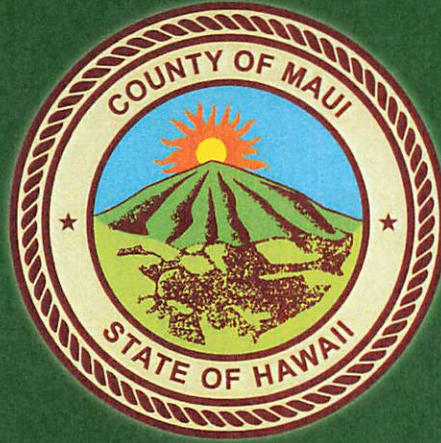
* The Revolving Fund is not presented in the above figure. However, the FY2025 Mayor's Proposed amount for Revolving Fund is \$63,027,471, which total the County of Maui Budget by \$1,697,112,842.

This budget was constructed to address Maui County's critical housing and infrastructure challenges, ensure that ongoing projects and current services continue to be provided, and support preparedness and mitigation efforts for future potential disasters.

Sincerely,


RICHARD T. BISSEN, JR.
Mayor, County of Maui

COUNTY OF MAUI



BUDGET PROPOSAL
FISCAL YEAR 2025

RICHARD T. BISSEN, JR.
MAYOR



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| ORDINANCE NO. | BILL NO. | TITLE |
|------------------|-------------|--|
| | (2024) | A BILL FOR AN ORDINANCE RELATING TO THE OPERATING BUDGET FOR THE COUNTY OF MAUI FOR THE FISCAL YEAR JULY 1, 2024 TO JUNE 30, 2025 |
| | (2024) | A BILL FOR AN ORDINANCE RELATING TO THE CAPITAL PROGRAM FOR THE FISCAL YEAR ENDING JUNE 30, 2025 |
| | (2024) | A BILL FOR AN ORDINANCE AUTHORIZING THE ISSUANCE OF SIXTY-ONE MILLION THREE HUNDRED SEVENTY-THREE THOUSAND EIGHT HUNDRED THIRTY-NINE DOLLARS (\$61,373,839) AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE COUNTY OF MAUI FOR THE PURPOSE OF PROVIDING FUNDS TO PAY ALL OR A PART OF THE COST OF APPROPRIATIONS FOR PUBLIC IMPROVEMENTS OF AND FOR THE COUNTY OF MAUI; FIXING THE FORM, DENOMINATIONS AND CERTAIN OTHER FEATURES OF SUCH BONDS AND PROVIDING FOR THEIR SALE; AUTHORIZING THE DIRECTOR OF FINANCE TO DETERMINE CERTAIN DETAILS OF THE BONDS; AUTHORIZING THE ISSUANCE AND SALE OF A LIKE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE AND SALE OF SUCH BONDS; AUTHORIZING THE ISSUANCE OF REFUNDING GENERAL OBLIGATION BONDS OF THE COUNTY; AND PROVIDING FOR OTHER ACTIONS RELATED TO THE ISSUANCE, SALE AND DELIVERY OF SAID BONDS |
| | (2024) | A BILL FOR AN ORDINANCE DETERMINING THAT PART OF THE PROCEEDS OF GENERAL OBLIGATION BONDS OF THE COUNTY OF MAUI HERETOFORE ISSUED IS IN EXCESS OF THE AMOUNTS REQUIRED FOR THE PURPOSES FOR WHICH SUCH BONDS WERE INITIALLY ISSUED, OR MAY OR SHOULD NOT BE APPLIED TO THOSE PURPOSES, AND DIRECTING SUCH PROCEEDS TO OTHER PUBLIC IMPROVEMENTS OR AUTHORIZED PURPOSES OF THE COUNTY OF MAUI |
| | (2024) | A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT FOR A LOAN FROM THE STATE OF HAWAII'S WATER POLLUTION CONTROL REVOLVING FUND FOR VARIOUS WASTEWATER PROJECTS, FISCAL YEAR 2025 BUDGET ORDINANCE |
| | (2024) | ADOPTING THE FUEL TAX RATES FOR THE COUNTY OF MAUI, EFFECTIVE JULY 1, 2024 |

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