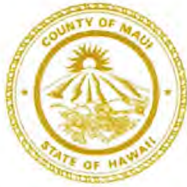


Michael P. Victorino  
Mayor

Sananda K. Baz  
Managing Director



**OFFICE OF THE MAYOR**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.mauicounty.gov](http://www.mauicounty.gov)

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COUNTY COUNCIL

REFERENCE NO. BD-FY 20-055

April 8, 2019

Honorable Michael P. Victorino  
Mayor, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

*Michael P. Victorino* 4/8/19  
\_\_\_\_\_  
Mayor Date

For Transmittal to:

Honorable Keani N.W. Rawlins-Fernandez, Chair  
Economic Development and Budget Committee  
200 South High Street  
Wailuku, Hawaii 96793

Dear Chair Rawlins-Fernandez:

SUBJECT: **FISCAL YEAR ("FY") 2020 BUDGET** (BD-11) (EDB-1)

Pursuant to your letter dated April 1, 2019, relating to the FY 2020 Budget Narrative for the Revenue Overview, please see the following responses:

1. Please provide pages correcting the error in the Budget narrative.

*Please see attached pages 85 through 90, relating to the revised narrative for the Revenue Overview.*

2. Please advise whether the errors are limited to the narrative or whether there are numeric errors in the proposed Budget bill, Capital Program bill, or related bills associated with the Mayor's proposed FY 2020 Budget. If there are numeric errors in any of the bills, please advise of those errors and whether they cause the Mayor's proposed FY 2020 Budget to be out of balance, or inconsistent with Section 9-3(2), Revised Charter of the County of Maui (1983), as amended ("The estimated revenues, proposed expenditures and total appropriations for the ensuing fiscal year shall be equal in amount.").

Honorable Keani N.W. Rawlins-Fernandez  
April 8, 2019  
Page 2

*The numeric errors on pages 85 through 90 are limited to the narrative and do not result in the Mayor's proposed FY 2020 Budget to be out of balance.*

Thank you for your attention to this matter. Should you have any questions, please contact me at ext. 7212.

Sincerely,



MICHELE M. YOSHIMURA  
Budget Director

Attachment

There are a multitude of factors used to assess and monitor financial condition. One of the primary factors influencing financial condition is revenue. The following provides a part of the financial picture for determining the County of Maui’s overall financial condition. Under ideal conditions, revenues grow at a rate equal to or greater than the combined effects of inflation and expenditures, and should be flexible to allow for adjustments to changing conditions.

The FY 2020 total estimated revenues from county sources is \$780.8 million, an increase of \$22.5 million or 3.0% from the FY 2019 Adopted Budget. Estimates presented in this section exclude the revenues derived from Bond/Lapsed Bond Funds and may vary from other charts/tables presented in this document. Estimated revenues provide the funds for government operations and capital improvement projects. The major source of operating revenue for the County of Maui comes from taxes which include Real Property Tax, Transient Accommodations Tax, Public Service Tax, Fuel Tax, Franchise Tax, Weight Tax, and charges for services for Sewer and Cesspool, Landfill Disposal, Refuse Collection, Public Transit fares, and Water Service fee. The estimated revenues from these major sources are collected by the General Fund, Highway Fund, Sewer Fund, Solid Waste Fund and Water Supply Fund.

**General Fund**

The estimated revenues in FY 2020 for the General Fund, the main operating fund of the County of Maui, are approximately \$448.2 million, which comprises approximately 62.6% of the total estimated revenues from County Funds. General Fund revenue is estimated to increase by \$30.9 million from FY 2019. The increase in General Fund revenue for Fiscal Year 2020 is mainly due to anticipated increases in Real Property Taxes and Charges for Current Services, and offset by a decrease in Public Service Company Tax and Special Assessments.

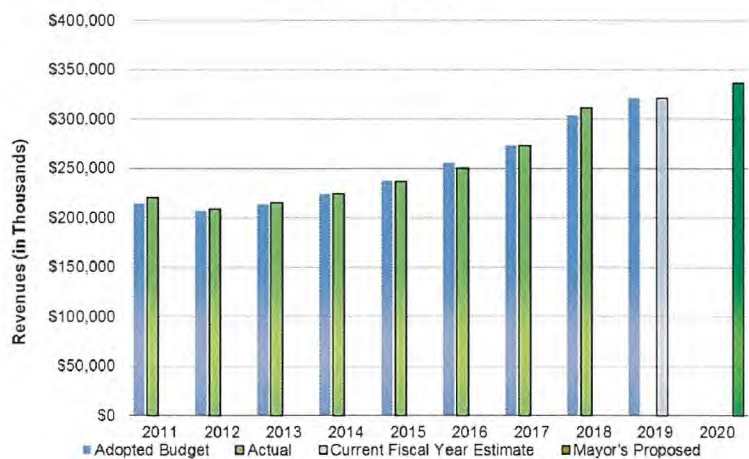
The General Fund estimated revenues consist of the following major revenue sources: Real Property Tax, Transient Accommodations Tax, and Public Service Company Tax.

**Real Property Tax**

Real Property Tax revenue is the most significant revenue source for the county and is the largest revenue component of the General Fund. Unlike many other states, Hawai'i State law allows for the counties to retain 100% of the real property tax levied in their jurisdiction. Real Property Tax revenue is based on valuations applied to real property with tax rates assigned to each of the eleven classifications.

The estimated real property tax revenue for FY 2020 is based on the projected certified values of real property of approximately \$50.8 billion – up 4.0% from FY 2019. Real Property Tax revenue continues to show strong and steady gains due to a combination of factors, including rising property values, higher volumes of sales transactions, and the addition of new buildings to the County's property tax roll. Values were established by analyzing sales that occurred between July 1, 2017 and June 30, 2018.

**Figure 4-15  
Real Property Tax**



**Real Property Tax (Cont'd)**

For FY 2020, the estimated revenue on the proposed real property taxes is \$337.2 million, which represents 75.2% of all General Fund revenues, and 47.1% of all county revenues. The estimated real property tax revenues (net of estimated Circuit Breaker credits) for FY 2020 reflects an increase of \$15.7 million or 4.9% from the Fiscal Year 2019 Adopted Real Property Tax Revenue of \$321.5 million. The FY 2020 net estimated revenue of \$337.2 million is based on the proposed rate structure. The revenue also incorporates the Council created classification in FY 2019 of short term rental properties. A majority of these properties were formally classified as hotel/resort, with relatively few in the commercial class. The rate set for this new class is a blended rate that reflects what the levy for properties would have been if they remained in their original classification. The estimated revenue also includes an adjustment for the Circuit Breaker Tax Credit Program. This program provides qualified homeowners a credit to their real property tax bill equal to the amount their bill exceeds 2.0% of their adjusted gross income. The circuit breaker program is anticipated to reduce real property tax revenue by approximately \$430,000 in FY 2020.

**Transient Accommodations Tax**

The Transient Accommodations Tax (TAT) is levied by the State of Hawai'i upon every operator and plan manager on the gross rental or gross rental proceeds derived from furnishing transient accommodations such as hotels. The TAT collected by the State of Hawai'i, is distributed amongst the state and the counties. As controlled by the State Legislature, the County of Maui receives 22.8% or \$23.5 million of the total \$103 million distributed to the counties.

**Public Service Company Tax**

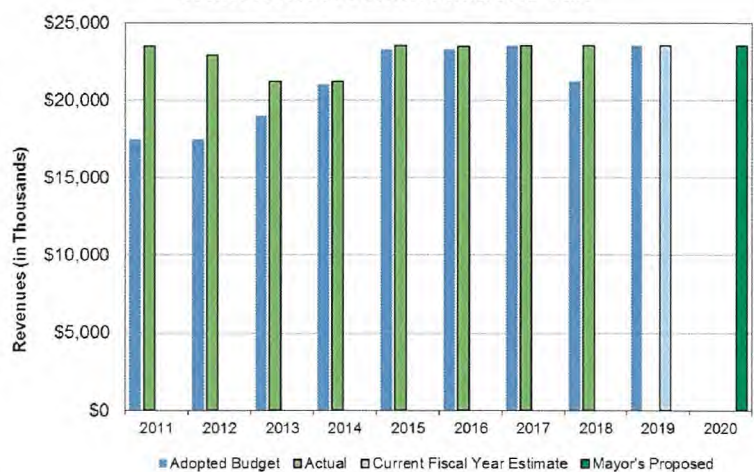
Included in the taxes category for the General Fund is the Public Service Company (PSC) Tax established by state statute. This tax, which is levied against public utilities, provides for a tax of 1.885% of the gross income in lieu of real property tax. Collections of the PSC tax started in FY 2002.

The estimated PSC Tax revenue is \$7.0 million for FY 2020; a slight decrease of \$500,000 or 6.7% from the FY 2019 Adopted Budget. This is based on continued decreased in sales of electricity.

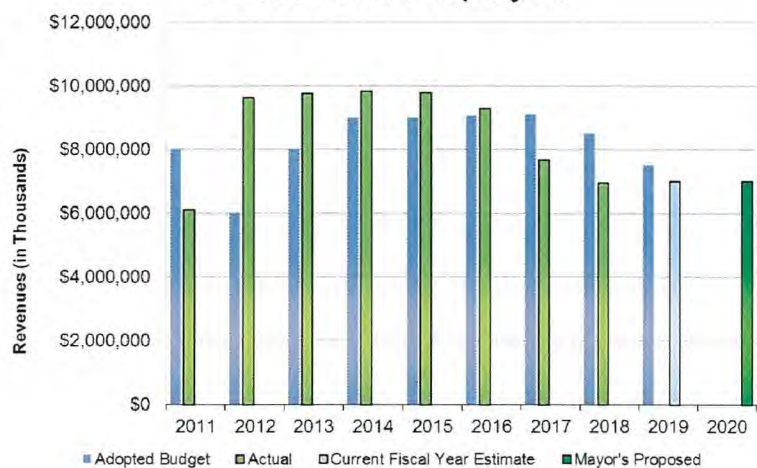
**Highway Fund**

The estimated \$58.3 million in revenue for the Highway Fund for FY 2020 represents 8.1% of the estimated revenues from county sources. Revenue for the Highway Fund is derived from fuel, weight and franchise taxes as well as public transit fares.

**Figure 4-16  
Transient Accommodations Tax**



**Figure 4-17  
Public Service Company Tax**



**Fuel Tax**

Fuel Tax collection in FY 2020 is estimated to contribute \$15.8 million in revenue to the Highway Fund, making up 27.1% of all Highway Fund revenue. The Fuel Tax is based on the number of gallons of fuel purchased. In FY 2020, the Fuel Tax is estimated to decrease slightly by \$511,000 or 3.1% from the FY 2019 Approved Budget. The biodiesel fuel tax is based on a 370,000 gallons.

**Public Transit Fare**

Public transit fare collection is estimated to contribute \$2.4 million to the Highway Fund in FY 2020. There are four types of monthly passes available to the public: General Boarding at \$45 per month for Fixed and Commuter routes; \$25 per month for passengers 55 years and older on fixed routes; \$30 for passengers 55 years and older on paratransit routes; and \$45 for students with valid ID on fixed and paratransit routes. In addition to monthly passes, daily passes for all routes are available for \$4 and one-way rates are \$2 per boarding.

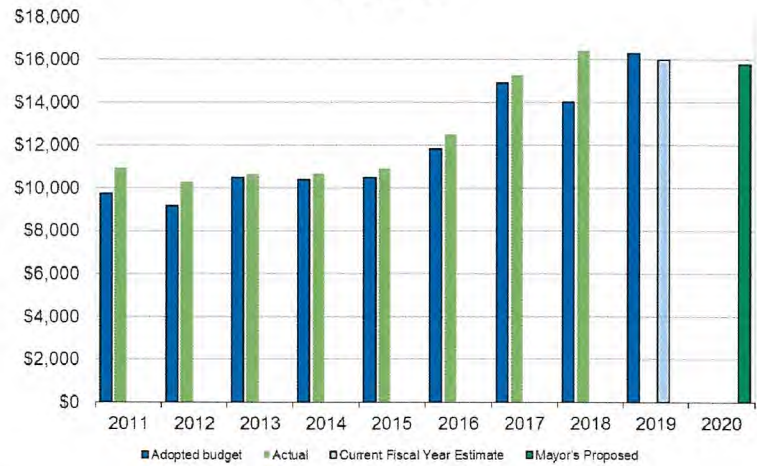
The estimated revenue of \$2.4 million from public transit bus fare collection is a slight decrease of \$300,000 or 11.1% from the FY 2019 Adopted revenues with no fare increase proposed. The Public Transit Fare is anticipated to contribute 4.1% in revenue to the Highway Fund.

**Franchise Tax**

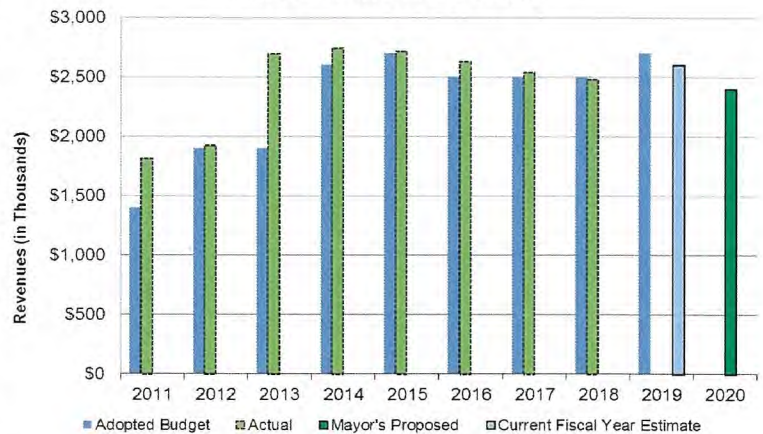
The Franchise Tax is collected from a tax on 2.5% of annual gross receipts from electric and gas companies operating as public utilities in the County of Maui. Similar to the Public Service Company Tax, fluctuations in Franchise Tax collections may be due to the increased cost of fuel and energy conservation measures.

The estimated revenue from the Franchise

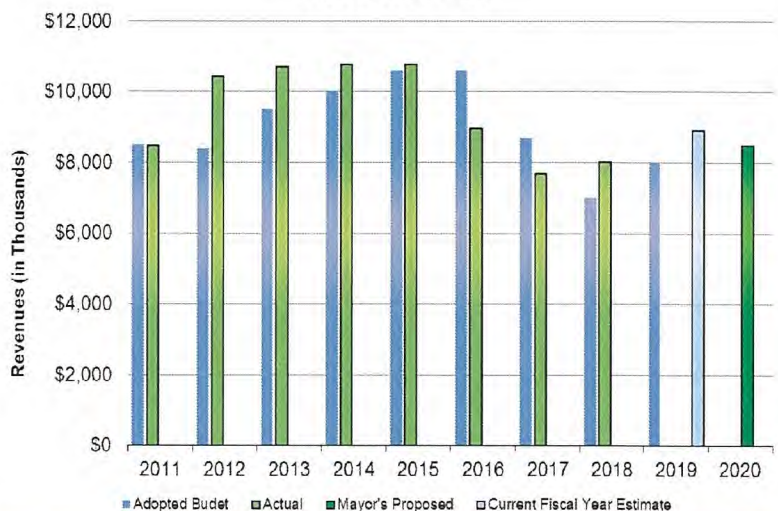
**Figure 4-18  
Fuel Tax**



**Figure 4-19  
Public Transit Bus Fares**



**Figure 4-20  
Franchise Tax**



Tax for FY 2020 is \$8.5 million, a slight increase of \$500,000 or 6.3% from FY 2019 Adopted Budget due to higher collections from Maui Electric. The Franchise Tax represents 14.6% of the total Highway Fund revenues.

**Weight Tax**

The FY 2020 estimated revenue of \$24.0 million for the Weight Tax is an increase of \$1.0 million or 4.3% from the FY 2019 Adopted Budget. At this level, the Weight Tax will contribute approximately 41.2% of the estimated FY 2020 Highway Fund revenue.

**Sewer Fund**

Sewer Fund’s FY 2020 estimated revenue is \$75.9 million, an increase of \$6.4 million from the FY 2019 Adopted Budget. This fund represents 10.6% of the county’s total estimated revenues. This fund’s main source of revenue is derived from sewer and recycled water fees. Wastewater billing is directly tied to Water Supply billing.

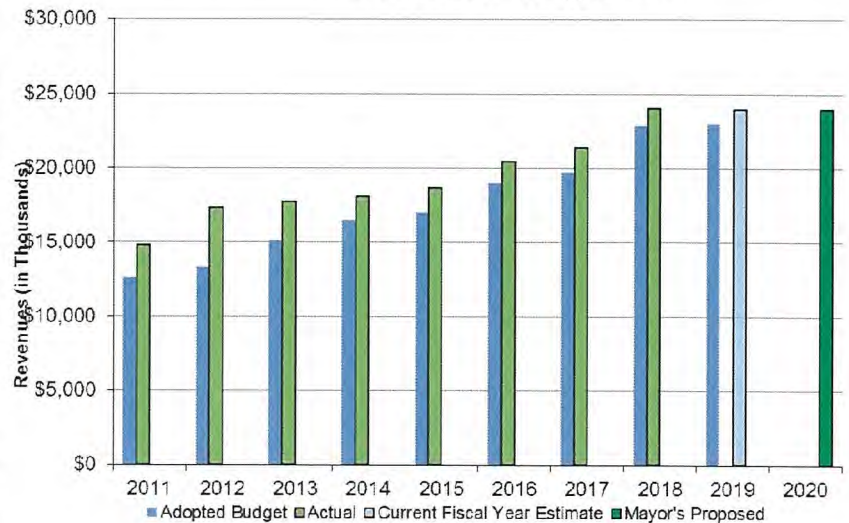
Sewer fees are collected as charges for current services and used to fund the operations and capital improvement projects of the Department of Environmental Management, Wastewater Division. Residential users are charged a monthly base charge and a water usage charge per dwelling unit in accordance with amounts set in the annual budget. Non-residential wastewater system service charges are also charged a monthly base charge, plus a variable charge based on the total amount of water used each billing period.

The \$58.4 million in estimated revenue from sewer user fees for FY 2020 is an increase of \$3.3 million or 5.9% from the FY 2019 Adopted Budget. The sewer user fees will contribute to approximately 79.3% of the estimated FY 2020 Sewer Fund revenue and 8.2% of the county’s total revenue.

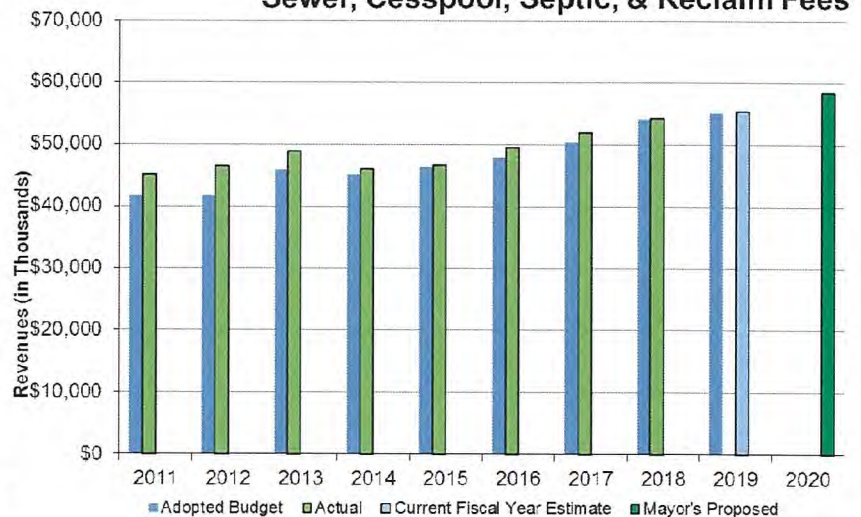
**Solid Waste Management Fund**

The FY 2020 estimated revenue for the Solid Waste Management Fund is \$30.2 million, which represents 4.2% of the county’s total estimated revenues. Fees associated with landfill disposal and refuse collection are the major sources of revenue for this fund.

**Figure 4-21  
Street Use Weight Tax**



**Figure 4-22  
Sewer, Cesspool, Septic, & Reclaim Fees**



**Landfill Disposal Fees**

Landfill disposal fees (landfill tipping and permit fees) are collected as charges for current services. The estimated revenue of \$17.1 million in FY 2020 for landfill disposal fees is an increase of \$2.2 million or a 14.5% increase from the FY 2019 Adopted Budget.

The projected increase in landfill disposal fee revenue is mainly due to the increase in the commercial tipping fee from \$97 to \$103 per ton.

**Refuse Collection Fees**

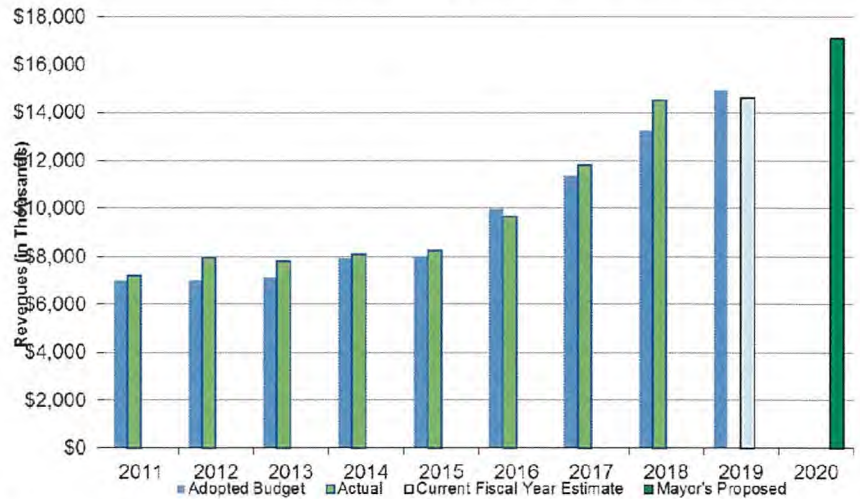
Refuse collection fees are collected as charges for current services. In FY2020, the proposed rate for this service increases from \$32 to \$33 per refuse collection unit per month on the islands of Maui and Moloka'i, where once-a-week manual or twice-a-week automated service is provided. On the island of Lana'i, the proposed rate increased from \$16 to \$18 per refuse collection unit per month, where only once-a-week services is provided.

This service is projected to generate \$10.7 million in annual revenue in FY 2020, a slight increase of \$0.3 million from the FY2019 Adopted Budget. The refuse collection fees generate 35.5% of the total Solid Waste Fund's revenue.

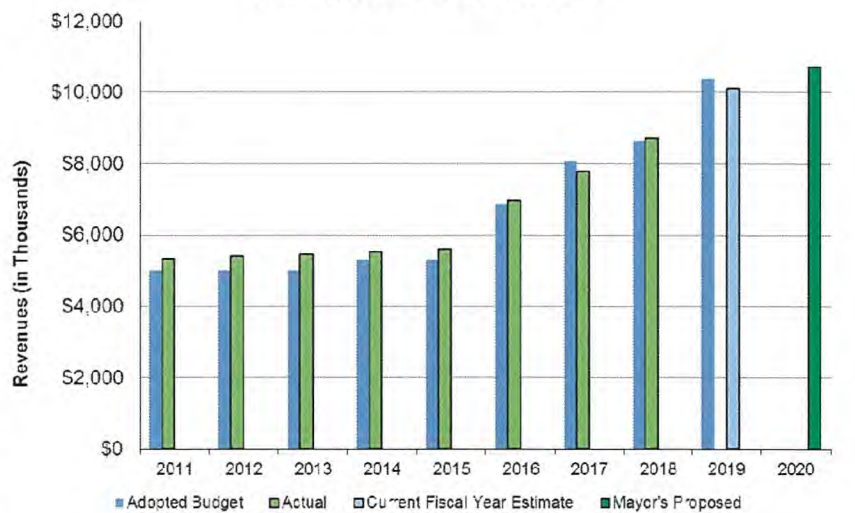
**Water Supply Fund**

The estimated revenue for the Water Supply Fund from all sources for FY 2020 is \$90.7 million, a decrease of \$4.5 million or 4.8% from FY 2019 Adopted Budget, which funds Water Supply operations and capital improvement projects. This represents 12.7% of the county's total estimated revenues.

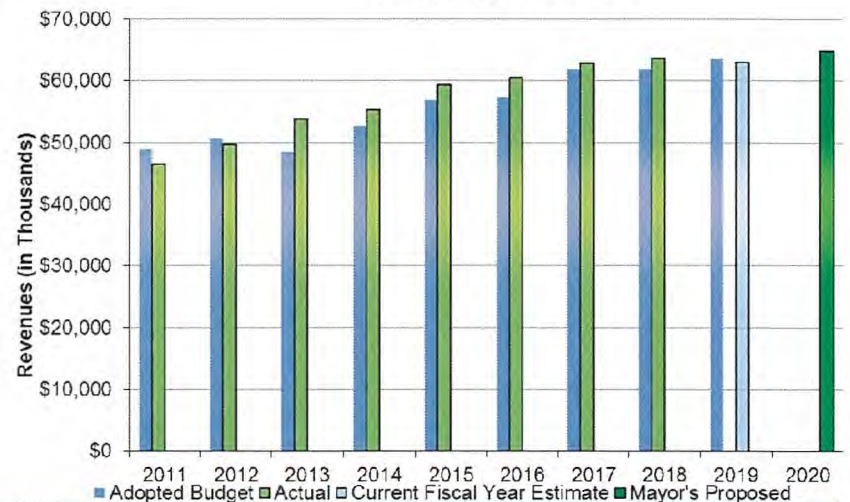
**Figure 4-23**  
Landfill Tipping and Permit Fees



**Figure 4-24**  
Refuse Collection Fees



**Figure 4-25**  
Water Service Fees



***Water Service Fees***

Water service fees are the primary source of revenue for the Department of Water Supply. Water service fees are proposed to generate \$64.9 million for FY 2020, an increase of \$1.4 million or 2.1% from FY 2019 Adopted Budget. A 3% increase is proposed in the water service fee for FY 2020. The fee is charged to customers on a monthly basis (formerly bi-monthly) for water usage. An accrual for unbilled water revenue is made based on the estimated usage from the meter reading date nearest June 30th to the end of the fiscal period.