

OPENING REMARKS

- Members, last Friday we received the Mayor's proposed Fiscal Year 2019 Budget totaling \$819.9 million in County funds, a 16.3 percent increase, or \$114.7 million, over the Fiscal Year 2018 Council Adopted Budget of \$705.2 million.
- Accompanying the Mayor's proposed Budget and the required message are seven proposed bills which, if enacted, would take effect on July 1, 2018, the start of Fiscal Year 2019.
- The proposed bills are to: (1) enact the Fiscal Year 2019 Budget, (2) enact the six-year Capital Program, for Fiscal Years 2019 through 2024, (3) authorize the Mayor to enter into intergovernmental agreements for \$10.1 million in State Water Pollution Control revolving fund loans to finance specified wastewater projects, (4) authorize the Mayor to enter into an intergovernmental agreement for \$4.25 million in State drinking water revolving fund loans for West Maui source development, (5) authorize the issuance of \$127,235,000 in general obligation bonds for various capital improvement projects, (6) reallocate \$2,195,000 in lapsed bond proceeds, and (7) establish a new Chapter 3.26, Maui County Code, relating to the employee parking fees fund.
- Budget is always a challenging time. How do we balance the needs of the community while still helping to maintain the quality of life of our residents? This is a question we, as policymakers, will ask ourselves as we deliberate through this process.
- We are all aware that Maui's population is increasing, at a rate faster than any other county in the State. In addition, we must account for the increasing number of visitors to our island that help to place a heavy strain on our existing, aging infrastructure. In total, the Mayor's proposal calls for \$214.9 million in capital improvement projects, a total of nearly 120 projects, of which 49 are newly proposed for FY 2019. While investing funds back into the maintenance and upkeep of our infrastructure is important, I also believe it is key to invest money into completing projects already started before venturing on to new ones.

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Submitted by BF Com. Chair

- Some of the highlighted projects in the Mayor’s proposal are:
 - Wailuku Civic Complex for \$81.2 million
 - Acquisition for homeless shelters and affordable housing in the amount of \$9 million
 - Road resurfacing and improvements totaling \$22.4 million (of county funds)
 - Parks and recreation facility improvements totaling \$21.4 million, including \$500,000 for a commercial kitchen at the Lanai Community Center; and
 - Solid waste and wastewater system improvements totaling \$28.5 million

- The Mayor intends revenue, to the tune of over \$332 million, will be generated through a new tiered real property tax rate structure designed to increase income from second homes and investment properties affecting residential, apartment, agricultural, and conservation classifications. The proposed tiered rate structure will set incremental tax rates for the various classifications, with tax rates applied based on property valuation: the first tier rate for the first \$500,000 of valuation; the second tier rate for \$500,001 to \$1.5 million of valuation; and the third tier rate for over \$1.5 million of valuation. In other words, if your property is valued at \$600,000, you will be taxed at the first tier rate up to the first \$500,000; the remaining \$100,000 will be taxed at the second tier rate. The result, combined with increased property values, is a 9.4% increase in real property tax revenue.

- The Mayor’s proposal calls for a total of 78.0 expansion positions in twelve different departments. We will be looking at whether Departments are filling vacancies they already have before funding new ones. We will also not create or “hold” positions to accommodate outgoing appointees. We will enforce Section 7 of the General Budget Provisions relating to funds being disbursed for reallocations and reclassifications involving a change in supervisory duties and responsibilities. In the end, Members, our task is to determine what makes economic and operational sense for this County.

- The Mayor has also proposed some organizational changes. One of his proposals would move the Budget Program, currently under the Office of the Mayor, to the Department of Management. Another proposed change would move the responsibility to manage environmental protection and sustainability efforts to the Department of Environmental Management. Yet another proposed organizational change is with the Department of Finance and the proposed creation of the Maui Redevelopment Program.

- As one administration is ending and a new one beginning, perhaps now is not the best time for these type of changes. As lawmakers, we need adequate time to look at the cost impacts surrounding these proposals to determine if this is the best way to move forward, as well as allow the new administration flexibility in envisioning how the County should be run.
- At the same time, we would be remiss if we did not address the continued and growing need for items that continue beyond fiscal years such as the funds necessary for water protection, open space, affordable housing, homelessness, and other social services.
- Members, this is just a glimpse of the financial situation the County is facing this Budget session. The Budget and Finance Committee is now tasked with reviewing and making fiscally responsible recommendations on the Mayor's Budget Proposal to the Council.

OVERVIEW OF PROCESS

- Let me now provide you with a game plan on how we will accomplish the review of the Mayor's Budget proposal within the timeframe allowed by the Charter.
- The Committee anticipates scheduling 16 meetings in the Chamber to review and deliberate on the proposed Budget with the appropriate departments. Following those meetings, the week of April 23rd, is reserved for decision making to decide on recommendations to the Council.
- The Committee has scheduled seven evening district meetings throughout the County, including Hana, Molokai, and Lanai, to commence on March 29 and throughout the month of April. The Council will hold a public hearing on the Mayor's proposed budget on April 18. The Chamber and district meetings will provide ample opportunities for the Committee to hear from our community on spending priorities and how best to pay for them.
- The Council will also hold public hearings as required by law and schedule Council meetings to accommodate two readings of the proposed Budget bills.
- Pursuant to the County Charter, the Council must pass the budget on or before June 10, or the Mayor's proposed budget shall be deemed enacted.
- The Chair intends to review, at one time, the A account on "Salaries," the B account on "Operations," and the C account on "Equipment" for each department, including their proposed capital improvement projects, grants,

grant revenue, and special purpose revenue funds, if any. The only exemption is the Chair's anticipation for the Office of Economic Development's review to be scheduled separately from the Office of the Mayor's review.

- I have also set aside April 5 to review the proposed changes to Appendix B, Rates and Fees. I intend to schedule each department with proposed changes to rates and fees, except for changes to real property tax rates, to discuss the basis for the proposed changes.
- Pursuant to Section 3.48.135, Maui County Code, the Director of Finance must submit on or before April 19 the certification of real property tax. The Council has reserved April 25 for a public hearing on real property tax.
- The Chair has proposed a schedule for each department and office which has been distributed by staff via email. I hope to stay on track as much as possible, but please be advised the schedule is subject to change. As updates are needed, they will be announced and sent to you by staff. If we do not finish review of the Departments scheduled throughout the week, we will meet on Saturday. The schedule of departments is also posted on the Council's website and can be found at mauicounty.us/2019budget/.
- Due to the rigorous timeframe, the Committee should anticipate working until 11 p.m. on dates the members do not also have a district meeting or public hearing to attend. I plan to take lunch breaks on those dates from about 12:00 to 1:30, and dinner breaks from about 5:30 to 6:30.
- It is essential we begin our Budget and Finance Committee meetings on time. Your attendance and preparation for the day's discussions will ensure we make the most efficient use of the time available.
- Staff will compile all questions asked during the open meeting for follow-up. Should you have any additional questions, please advise the Chair during open session and be prepared to submit your questions in writing to staff. I am requesting that all communications from members to the administration on the Budget be directed through the Committee.
- If you must miss a meeting, **it will be your responsibility to follow-up on the day's discussions**, either with your own office staff or through the video posted on Granicus. All printed material distributed at the meeting will remain on your desk in the chamber, unless a Council or other committee meeting is scheduled.

- As we go through the Budget, we will refer primarily to the program budget and budget details, and supplement discussions with other documents provided to members. We will also use the version of the proposed Appendix B, relating to Rates and Fees, provided in Ramseyer format, which highlights the Mayor's proposed changes.
- Please keep in mind Granicus may or may not be updated in time for that day's discussions. Copies of any correspondence received from Departments in response to any follow-up letters will be placed in your mail tray on the 7th floor. It is your and your personal staff's responsibility to maintain your files. If you misplace your documents, it will be your office's responsibility to reproduce the documents for you. Once committee staff distributes any document, they will not be responsible for providing additional copies. All documents will be available on Sharepoint should you need it.
- If members or the members' offices have questions or concerns on the Budget or the process, **I ask that you filter those questions or concerns through the Chair.**
- A copy of the Budget Ground Rules has been distributed by Staff. Above all, please be on time and please be prepared.

CLOSING

- Thank you to the members, their staff, and the Departments in advance for the time and hard work we will spend reviewing the Mayor's proposed budget and in the end, meeting our goal of producing a fiscally sound budget for our County.