

## MAYOR'S BUDGET MESSAGE

- \$40.0 million for a new Kihei Police Station with an intergovernmental loan from the USDA Rural Development Community Facilities Program
- \$1.5 million for American Disability Act (ADA) improvements to facilities
- \$2.45 million for Solid Waste improvements, including investments to reduce future operating costs
- \$3.9 million for Park facility improvements

### REVENUES

The total estimated revenues from County funds in the proposed budget of the County of Maui for Fiscal Year 2012 is \$632.0 million, a \$107.8 million or 20.6% increase from Fiscal Year 2011. This significant increase in the revenue is mainly due to a higher than forecasted Unreserved Fund Balance or Carryover/Savings of \$109.5 million reported as of June 30, 2010 in the Comprehensive Annual Financial Report (CAFR) and certified by an independent auditor.

Real property tax revenue is the most significant revenue source for the County and is the largest revenue component of the General Fund. The real property tax is based on valuations of real property with tax rates assigned to each of the ten classifications.

The estimated real property tax revenue for Fiscal Year 2012 is based on the projected total valuation of real property at \$32.28 billion – down 13.7% from Fiscal Year 2011. For Fiscal Year 2012, there will be a new tax classification entitled “Residential”. Created by ordinance in 2010, this classification was a merger of the “Improved Residential” and “Unimproved Residential” classes. The estimated revenue for Fiscal Year 2012 from real property taxes is \$210.1 million, which represents 56.2% of all General Fund revenues, and 33.3% of all County revenues. The proposed Fiscal Year 2012 tax rates were developed with the intent to adjust rates within the parameters of property tax payers levy remaining neutral from the Fiscal Year 2011 budget, with the exception of the Homeowner class. The estimated real property tax revenues for Fiscal Year 2012 reflect a decrease of \$3.8 million from Fiscal Year 2011 budget of \$213.9 million.

While we continue to find the proper balance of revenues and expenditures in these difficult economic times, the State legislature has continued to discuss proposals that would impact the County's share of the Transient Accommodation Tax (TAT). The estimate for Maui County's share of the TAT for Fiscal Year 2012 is \$17.5 million. After real property tax, TAT is the largest source of General Fund for operations. These funds are essential to our ability to continue to provide critical services to our residents and visitors.

The Department of Planning went through a comprehensive fee study in 2008. We have included the proposed fee structure changes in this budget. The principal purpose of the study was to help the department develop updated fee schedules which better reflects the true costs of the services provided. In addition, a rate increase is proposed in the Water Supply fund. Sufficient funds are required to properly operate and maintain the water system infrastructure. There are other minor proposed increases for parks facility users.

For this Fiscal Year 2012 Grant Revenue Program budget, the County's total Grant Revenue appropriation is estimated at \$54.6 million. This is a decrease of \$47.9 million or 46.8%

Introduction

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recognized for proposed capital improvement projects. Our investments have also seen a significant increase in returns and is expected to add an additional \$1.3 million.

For the county's FY 2017 Grant Revenue Program budget, the total grants from Federal, State and private sources is estimated at \$60.8 million, approximately \$10.8 million less than FY 2016. The \$38.9 million in estimated operating grants is level from last year however the \$21.9 million in capital grants is \$10.8 million less.

The following table identifies projected revenue by type:

Figure 1

REVENUE SOURCE	FY 2016 ADOPTED	FY 2017 PROPOSED	CHANGE AMOUNT	CHANGE PERCENT
Real Property Taxes	\$255,944,996	\$277,290,641	\$21,345,645	8.3%
Circuit Breaker Tax Credit	-\$360,846	-\$402,906	-\$42,060	11.7%
Charges for Current Services	\$126,381,439	\$135,542,152	\$9,160,713	7.2%
Transient Accommodation Tax	\$23,280,000	\$36,940,000	\$13,660,000	58.7%
Public Service Company Tax	\$9,061,812	\$9,100,000	\$38,188	0.4%
Licenses and Permits	\$27,763,977	\$29,275,022	\$1,511,045	5.4%
Fuel	\$11,830,000	\$14,955,000	\$3,125,000	26.4%
Franchise Taxes	\$10,600,000	\$8,700,000	-\$1,900,000	-17.9%
Special Assessments	\$480,000	\$5,175,000	\$4,695,000	978.1%
Other Intergovernmental	\$34,205,000	\$42,275,000	\$8,070,000	23.6%
Fines, Forfeitures, Penalties	\$1,800,000	\$1,900,000	\$100,000	5.6%
Use of Money & Property	\$1,202,412	\$2,552,412	\$1,350,000	112.3%
Miscellaneous	\$863,000	\$863,000	\$0	n/a
Bonds	\$24,782,372	\$58,392,000	\$33,609,628	135.6%
Lapsed Bond Proceeds	\$1,000,000	\$6,103,000	\$5,103,000	510.3%
Carryover Savings	\$45,415,951	\$34,975,558	-\$10,440,393	-23.0%
Grant Revenue	\$71,591,613	\$60,776,579	-\$10,815,034	-15.1%
Sub-Total	\$645,841,726	\$724,412,458	\$78,570,732	12.2%
Interfund Transfers	\$46,473,347	\$47,849,665	\$1,376,318	3.0%
<b>Total Estimated Gross Revenues</b>	<b>\$692,315,073</b>	<b>\$772,262,123</b>	<b>\$79,947,050</b>	<b>11.5%</b>

Warren Buffet has said "someone's sitting in the shade today because someone planted a tree a long time ago." Please keep in mind that as the local government of the people of Maui, Molokai and Lana'i, we are the ones planting the trees. My staff and I look forward to working with you during your review and deliberation to pass a budget that allows the public, the council and the administration to move Maui County forward towards being bold in the accomplishment of our vision, mission and goals.

Respectfully yours,



Alan M. Arakawa  
Mayor, County of Maui