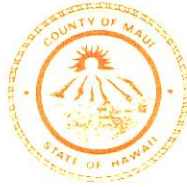


Michael P. Victorino  
Mayor



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

March 24, 2022

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

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COUNTY CLERK

Dear Chair Lee and Members:

Many thoughtful hours were spent on planning, analyzing, and developing the proposed budget for Fiscal Year 2023. We continue to support the future of our children, families, and seniors with proposals set forth for your consideration.

It has been two years since the first case of the coronavirus hit Maui County. We carried on in FY 2021 and into FY 2022 with great uncertainty due to the worldwide COVID-19 pandemic, and uncertainty continues today with the war on Ukraine. It remains difficult to estimate the extent of economic impacts to our State and County.

We are still facing many uncertainties as we enter the post-pandemic economic recovery phase. Challenges and delays in recovery may occur but we proceed with optimism as we approach the FY 2023 budget.

As we continue to deal with the lingering impacts of the pandemic and, now the war, we must remain focused and work toward a brighter tomorrow. Above all else, we continue to put the well-being of our residents as our top priority as they are our greatest assets. This pandemic has proven to me that we are a resilient community and we will persevere and be stronger than ever before. We must be cognizant of what we have gone through, and continue to go through, as we all adjust to a "new normal."

Our residents depend on County services for health and safety, recreation, and daily necessities such as transportation, meals, and other services. We continue to touch the lives of all of our residents so that we can align our direction based on the community's needs. This carefully considered budget maintains all

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necessary County services. Even when faced with unprecedented challenges, our County departments and my Administration envision a future where our children, grandchildren, and seniors can afford to live and thrive in Maui County, while fostering and preserving our unique island culture.

We remain focused on taking care of our families as this budget takes into consideration the hardship many of our families continue to face. To assist our hardworking families, I have proposed adjustments to the owner-occupied tax rate and have proposed adjustments in real property tax rates for other classifications.

We are thankful for our many partners in our community, who fill the gap and provide the needed services to our residents. Without our non-profit agencies, our County would not be in the position we are today. Through this proposed budget, I have appropriated funds for them to keep their doors open and continue to serve our residents.

As an organization, we remain committed to maintaining vital County services for our community. Once again, \$10 million in Countywide Costs is set aside specifically for recovery and relief efforts for COVID-19 and impacts from other unforeseeable events. In recent weeks, we have seen the price of fuel skyrocket. This increase is not only felt at the pumps but also in the costs of goods and commodities we buy.

In March and December 2021, we were impacted by severe weather causing destruction to areas throughout Maui County. Luckily, we have the ability to address these issues because of our Emergency Fund. To ensure we are ready to mitigate and respond to any emergency without affecting funding for other services, I have proposed an appropriation of \$3.4 million to increase the Fund. We continue to seek and receive reimbursements from the Federal Emergency Management Agency for such events. Planning responsibly during these times of uncertainty will ensure we are able to provide for our community now and for future generations. These recent events, such as the flooding in the Haiku and Kihei areas, highlight the importance of sound investments today, to ensure a safe County tomorrow.

### ***Housing***

Although we are mandated to set aside three percent of real property tax revenue for the Affordable Housing Fund, we reaffirm our commitment to

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ensuring our working families can fulfill homeownership dreams through a \$29.4 million appropriation or seven percent. We continue our commitment of \$1 million for the First Time Home Buyers Program. This program provides down payment assistance of up to \$30,000 for new homeowners. As we continue to support attainable housing, we enable generations to live and raise their families in Maui County, and carry on our culture and way of life. This continues to be the driving force for our FY 2023 attainable housing investments.

Through the Affordable Housing Fund, we continue to support rental housing such as the preservation of the Front Street Apartments and Hale Mahaolu's Ke Kahua Project in Waihee. These units will be available to our residents and remain affordable for over 60 years.

Infrastructure is a major component in any housing project. I am proposing that the County take a greater responsibility in providing the infrastructure to allow the developers to provide more housing units. I am requesting an appropriation from the Affordable Housing Fund to do just that. With a \$1.5 million appropriation, I propose to do feasibility studies on County-owned land to identify the infrastructure needs to provide attainable housing for our residents. Doing what we know best and leaving the construction of homes to the development community is a win-win for everyone.

I have proposed \$1 million to begin the work on the extension on Imi Kala Street. This extension will be a vital piece in the future development of attainable housing. Furthermore, I am proposing \$2 million to address the culvert and drainage on Waiale Road. This upgrade will accommodate the future attainable housing in the Wailuku area.

We continue to collaborate with community organizations, and State and Federal partners, to complete the planning for attainable housing, rental housing, infrastructure, and multi-modal transportation for future walkable and bikeable communities throughout Maui County.

### ***Culture and Arts***

The FY 2023 budget supports culture and historic preservation for our community. I am proud to support the Huamakahikina Declaration and the efforts to protect and advance the practice of Hula. I have proposed \$43 million in general obligation bonds for the design and construction of the Hālau of 'Ōiwi Art. This facility will foster the art of hula and other cultural practices.

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For the past two years, we have supported the capital campaign for Hālau Ke'alaokamaile. This facility will be a place to preserve Hawaiian heritage, culture, and tradition through lessons learned through hula and land-based cultural education. I am again proposing \$200,000 to support this project. We also continue to support our community through the Maui Arts and Cultural Center, Binhi At Ani Community Center, Nisei Veterans Memorial Center, and the Hui Noeau Visual Art Center, to perpetuate cultural and art events for our residents to enjoy.

Preserving historic sites is essential in maintaining our culture and we continue looking forward to working hand-in-hand with community organizations to restore valuable and historic sites. As such, I am saddened to see the deterioration of the Kaahumanu Church and the Bailey House Museum. These two iconic locations in historic Wailuku town are included in my proposal for \$150,000 each. The restoration of the Kaahumanu Church and Bailey House Museum are important for future generations to enjoy the history of these landmarks.

The restoration of Moku`ula and Mokuhinia is of great importance to our culture and history, therefore, I am proposing that funds be available for the implementation of the master plan and management strategy. Furthermore, I am requesting that funds be available for the upkeep and maintenance of these sites.

### ***Parks and Recreation Facilities***

Our County Parks have a special place in my heart. I have seen first-hand the benefits of having well-maintained facilities for our children. Our youth will continue to develop valuable life-skills through teamwork learned on the courts of the War Memorial Gym and on the track and field of War Memorial Stadium. Appropriations of \$10 million and \$7.2 million, respectively, are proposed to make these two venues a showcase for Maui County. With repairs to the gym's structure, replacement of its flooring and bleachers, and, most importantly, installation of air conditioning, we will be prepared to host tournaments for our children.

The new Lanai Youth Center and Skate Park will be an asset for our children and their families. The Velma McWayne Santos Community Center will see major improvements so future generations will be able to have their baby luau and family celebrations at our renovated and air conditioned facility.

Appropriations from the Park Assessment Fund will provide for our children and families on the West Side to enjoy playgrounds at Napili Park and the Lahaina Recreation Center.

The County is in the process of acquiring approximately 52 acres of land and I am requesting funds for an assessment to create the new Pulelehua County Park. This acquisition will provide our residents with additional park space in the near future.

### ***Infrastructure***

The FY 2023 budget proposes to appropriate \$33.1 million for road improvements including the design for the reconstruction of Lower Main Street, Lahainaluna Road, South Kihei Road, and Makawao Avenue; construction of Lower Kula Road and Pukalani Terrace Subdivision; and improvements at the intersection of Kamehameha Avenue and Wakea Avenue.

Water and Wastewater are critical infrastructure for our County. This budget includes \$5 million for the Upper Kula Transmission Improvements, \$5 million for the West Maui Recycled Water Expansion, and \$3.1 million for the Lahaina Wastewater Reclamation Facility R-1 Process Expansion. Also included are pump station modifications and force main replacements.

When we upgrade infrastructure, support well-planned development, and renovate our park facilities, we create communities that future generations will be proud to call home.

### ***Public Safety***

Our firefighters, police officers, ocean safety officers, and emergency management personnel continue to keep our community safe. With enhanced training and proper equipment, they continue to protect the well-being of our community, make our roads safer, prevent future tragedies, and be prepared to address any emergency situation that may arise.

### ***Climate Change, Resiliency, and Sustainability***

Our dreams for future generations cannot be assured unless we take action now to mitigate the impacts of climate change. To ensure collaborative action, the Climate Change, Resiliency, and Sustainability Office will continue to

coordinate and assess the climate action plans of each department. I have proposed \$1.3 million to implement the recommendations from various studies and plans that we continue to work on.

In FY 2022, the Council added a position to address green building. We have since filled the position and the FY 2023 budget proposes funding for programs for green building and resilient housing design and construction. Furthermore, working with the State, I have included in the proposed budget, funding for a pilot cesspool conversion program.

Recent droughts and flash floods demonstrate our need to mitigate and plan for the impacts of climate change. The global pandemic has revealed our need to become much more self-sufficient in the energy we use and the food we need.

This proposed budget funds our future based on the Maui County General Plan, Countywide Policy Plan, Maui Island Plan, and Community Plans. Through our FY 2023 budget, we strive for an affordable, healthy, and thriving community; a strong, diversified economy; an environmentally responsible and sustainable community; well-planned public infrastructure; and a prepared, safe, and livable County.

### ***Financial Overview***

The proposed budget for FY 2023 is \$1.187 billion, including revolving and special funds, transfers between funds within the County, anticipated grant revenue, and other revenue from sources outside of the County.

Maui County continues to maintain its strong financial outlook with ratings of AA+ and Aa1 from three qualified bond-rating agencies: Standard and Poor's; Moody's; and Fitch. Through the leadership of the Finance Department, combined with the high bond rating, Maui County has successfully priced \$84.74 million in General Obligation Bonds at an all-time low of 1.74 percent "all-in" borrowing rate.

In comparing the FY 2023 proposed budget with the FY 2022 adopted budget, total estimated revenues from County sources, including Bond/Lapsed Bond Funds, is proposed at \$1.045 billion, an increase of \$201.6 million.

The proposed revenues from County funds of \$1.045 billion will fund an

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operating budget of \$794 million and capital improvement budget of \$251 million. In comparison, the FY 2022 adopted budget revenues from County funds of \$843.5 million funded an operating budget of \$683.2 million and a capital program of \$160.3 million.

Bond financing allows our County government to invest in infrastructure to serve our community for the long-term. This year, the amount required to service our debt payments amounts to \$53.9 million, which is 6.8 percent of County operating expenditures. This responsible fiscal management has earned us one of the best ratings and lowest interest rates around the State, and provides stability for future infrastructure investments.

Part of planning for a sound future means fulfilling our mandated obligations. We propose to fulfill our obligations to the Employee's Retirement System (ERS), Employer Union Trust Fund (EUTF), and provided an additional \$3.0 million for Other Post-Employment Benefits (OPEB). Furthermore, to address the collective bargaining agreements and its potential impacts, we have included an appropriation in the proposed budget.

### ***Key Operation Highlights***

As we turn our focus to recovery from the COVID-19 public health emergency, the proposed budget focuses on enhancing operations and services to the community. The total appropriation of County funds for the proposed FY 2023 operations budget is \$794 million. This is an increase of \$110.8 million or 16.2 percent, from the current fiscal year.

The proposed budget includes a total of 157 expansion positions from all sources of funds. A detailed summary of organizational changes and equivalent personnel can be found in the Budget Overview section of this program budget document. Our Departments have done "more with less" while being creative to accomplish the needs of our community.

As we move forward, we look to expanded services to our community. Enjoying our beautiful beaches is a favorite pastime for our residents and visitors. Keiki to kupuna enjoy "fun in the sun" so ocean safety is important for our avid beach-goers. This budget proposes 36.5 equivalent personnel to expand our services at our beach parks.

Many of our youngsters enjoy the water at Pu'u Keka'a, therefore, we are working together with the Kaanapali Beach Resort Association and property

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owners along the beach, to provide ocean safety. Another favorite spot is Makena State Park, where ocean safety officers, through a grant from the Department of Land and Natural Resources, are now back on the towers to provide lifeguard services.

The County Service Center in Kahului signified the start of a new age of County services, with a focus on accessibility and customer satisfaction for our residents with a “one-stop shop.” Beginning in May 2021, we did a pilot project at the Service Center by providing driver licensing and motor vehicle registration services on two Saturdays per month. What a huge success! To date, over 4,300 residents were served. We continue to provide convenient services and look to expand the ability to pay by phone, online, and at kiosks in the supermarkets.

Given the impacts of the COVID-19 outbreak, it is more vital than ever that we diversify our economy. While we continue to recognize that our main economic engine, the visitor industry, is providing livelihoods for our residents and tax revenue to help fund essential services, we must look to our future and support other economic engines.

I continue my commitment to support diversified agriculture in Maui County with the agricultural micro grants program, \$1.5 million; Kula Agriculture Park, \$450,000; and Lanai Agricultural Park, \$1 million.

I have also included \$1.3 million in this year’s budget, an appropriation for Agricultural Promotion and Technology that will support the Maui Farm Bureau, Farmers Union United, and Hawaii Taro Farm, LLC. These funds will lay the groundwork for the future in agricultural development through capacity building, education, training, and cultural preservation.

We also look to diversify our economy through technology and business development. The Maui Economic Development Board plays an integral part in our community to train and prepare our youth and expand our workforce. They have paved the way for adding agri-tech, energy, and health sectors into our community. Hale Makua, Maui Economic Opportunity, University of Hawaii Maui College, and Ma Ka Hana Ka ‘Ike continue to be an integral partner in providing much needed job and skill training programs for our residents.

### ***Capital Improvement Program Overview***

Capital Improvement Projects are tangible investments for the future of our



community. The FY 2023 proposed Capital Improvement Budget (“CIP”) is \$271.6 million. This total includes capital projects funded through the County, grants, and other revenue funds. The FY 2023 CIP budget includes \$149.7 million of projects funded through bond funding, or 55.1 percent of capital projects. In comparison, 50.2 percent of capital projects were funded through general obligation bonds in FY 2022.

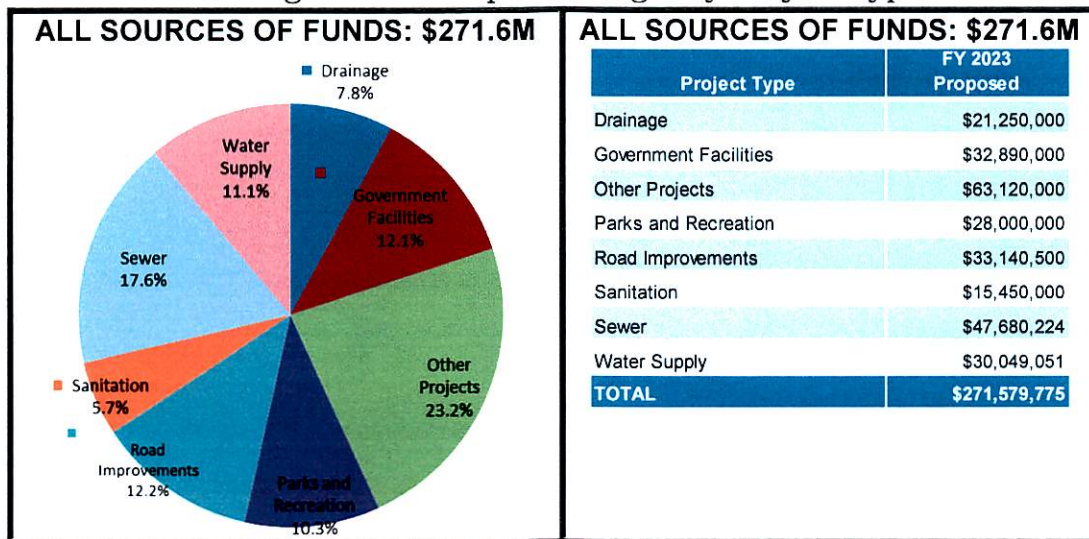
The FY 2023 budget emphasizes the importance of investing in a diverse range of infrastructure and facilities projects to provide for a well-rounded, well-maintained future for our community. The health and well-being of our residents stem from a healthy environment. With that said, Water and Wastewater projects totaling \$77.7 million, continue to be a priority for Maui County.

Culture and Arts is a vital part of our community. I have included in this year’s budget the Hālau of ‘Ōiwi Art, a \$54 million investment in our community to perpetuate the Hawaiian culture.

Outdoor activities and recreation is also a key factor to a healthy community, and this year we are proposing over \$29 million in projects to improve our facilities and recreational areas.

The chart and table below outlines the FY 2023 capital improvement projects by project type. Further details and a full list of projects can be found in the capital budget portion of this document.

Figure 1-1a Capital Budget by Project Type



**Revenue Overview**

The County’s FY 2023 estimated revenues and expenditures from all sources of funds total \$1.045 billion. The estimated net revenue from real property tax is \$420.4 million, which represents 62.2 percent of the total estimated General Fund revenue, and 40.2 percent of estimated total county revenue.

Effective November 1, 2021, a three percent tax is levied on all transient accommodations in Maui County. Based on an average collection of \$5 million per month, I am proposing estimated revenue from TAT of \$60 million for FY 2023.

Real property tax revenue is based on valuations of real property with tax rates assigned to each classification. For FY 2023, real property tax rates is proposed to be decreased for the owner-occupied classification with valuation less than \$1.5 million. The proposed real property tax structure includes a tiered structure for Long Term Rental. This is a new tax classification established through legislation passed by the County Council.

A comparison of estimated revenues from the FY 2022 Adopted Budget to the FY 2023 proposed budget is listed below:

Figure 1-1b Projected Revenue by Source

| REVENUE SOURCE                         | FY 2022<br>ADOPTED   | FY 2023<br>PROPOSED    | CHANGE<br>AMOUNT     | CHANGE<br>PERCENT |
|--|----------------------|------------------------|----------------------|-------------------|
| Real Property Taxes                    | \$385,460,429        | \$420,772,117          | \$35,311,688         | 9.2%              |
| Circuit Breaker Tax Credit             | (490,677)            | (405,000)              | \$85,677             | -17.5%            |
| Charges for Current Services           | \$151,362,496        | \$160,189,521          | \$8,827,025          | 5.8%              |
| Transient Accommodation Tax            | \$0                  | \$60,000,000           | \$60,000,000         | n/a               |
| Public Service Company Tax             | \$7,500,000          | \$6,900,000            | -\$600,000           | -8.0%             |
| Licenses and Permits                   | \$36,466,500         | \$37,061,791           | \$595,291            | 1.6%              |
| Fuel                                   | \$13,900,000         | \$15,000,000           | \$1,100,000          | 7.9%              |
| Franchise Taxes                        | \$9,600,000          | \$8,000,000            | -\$1,600,000         | -16.7%            |
| Special Assessments                    | \$7,415,000          | \$5,575,000            | -\$1,840,000         | -24.8%            |
| Other Intergovernmental                | \$17,200,000         | \$5,050,000            | -\$12,150,000        | -70.6%            |
| Fines, Forfeitures, Penalties          | \$1,500,000          | \$1,900,000            | \$400,000            | 26.7%             |
| Use of Money & Property                | \$2,919,302          | \$4,063,858            | \$1,144,556          | 39.2%             |
| Miscellaneous                          | \$669,794            | \$663,776              | -\$6,018             | -0.9%             |
| Bonds                                  | \$86,405,900         | \$149,736,793          | \$63,330,893         | 73.3%             |
| Lapsed Bond Proceeds                   | \$1,872,000          | \$3,543,207            | \$1,671,207          | 89.3%             |
| Carryover Savings                      | \$84,490,089         | \$121,036,155          | \$36,546,066         | 43.3%             |
| Grant Revenue                          | \$130,074,526        | \$112,729,559          | -\$17,344,967        | -13.3%            |
| Sub-Total                              | \$936,345,359        | \$1,111,816,777        | \$175,471,418        | 18.7%             |
| Interfund Transfers                    | \$37,212,827         | \$45,969,080           | \$8,756,253          | 23.5%             |
| <b>Total Estimated Gross Revenues*</b> | <b>\$973,558,186</b> | <b>\$1,157,785,857</b> | <b>\$184,227,671</b> | <b>18.9%</b>      |

\* The Revolving Fund is not presented in the above figure. However, the FY2023 Mayor's Proposed amount for Revolving Fund is \$29,427,135, which total the County of Maui Budget by \$1,187,212,992.



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And Members of the Maui County Council  
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I look forward to working with all of you in the upcoming weeks as you deliberate the FY 2023 budget. Through continued collaboration and a commitment to fiscal responsibility, we will continue to unite to move our community forward. I strongly believe with responsible planning and the right investments, together we can restore essential services today, while laying the foundation for a healthy, thriving community for generations to come.

Sincerely,



MICHAEL P. VICTORINO  
Maui County Mayor

cc: Keani N.W. Rawlins-Fernandez, Chair  
Budget, Finance, and Economic Development Committee