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Mayor



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April 13, 2018

Mr. Sananda Baz
Budget Director, County of Maui
200 South High Street
Wailuku, Hawaii 96793

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

Honorable Riki Hokama
Chair, Budget and Finance Committee
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Hokama:

SUBJECT: FISCAL YEAR ("FY") 2019 BUDGET (ED-4) (BF-1)

1. Explain the process for determining increases or decreases in grant amounts awarded to grantees each fiscal year.

OED is continually assessing our grantees progress and their grant performance. We typically assume we will be submitting a flat budget request unless we hear specifically that a grantee needs additional funding and has explained the public purpose and reason for that funding. In some cases they don't need funding for a particular year or they have not requested funds from us. These decisions are made on a case by case basis.

APPLICATED FOR TRANSMITTAL

Alan Arakawa 4/13/18
Mayor Date

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2. What are the benchmarks each grantee must be able to meet at the end of the fiscal year that may help determine the amount of the award in FY 2019?

Each grantee must have a performance dashboard if they are requesting funding for more than one year. This dashboard is a compilation of 5 years of performance measures and shows us the year over year progress. In addition, each grantee has goals and objectives that they must show progress or completion on. This information is gleaned from the grantee's quarterly or final report which must include an updated dashboard.

3. Have all FY 2018 grants been executed to date? If no, why not?

As of today, we have received all of our FY18 grant applications and they are in various stages of routing through the county process. We have 14 grant contracts still in routing through county departments.

OED has two grant deadlines and a third flexible deadline. First, all line-item & proviso grantees must submit their grant applications to OED by Oct. 31st. All other grantees are asked to submit Letters of Inquiry to OED so that we can consider their projects. As those letters come in, we assess the proposal and tell them to either write a full grant application or we tell them that their project was not selected for funding. The projects that have been green-lit by OED have a Jan. 2nd deadline. This allows us time to assess if there are funds still available to give out. Typically by Jan. 2nd, we have received many more letters of inquiry. If there are still funds available, we will green light more projects in order to award all the grant funds. Typically for every project we accept, there is another one that didn't pass the review. The last round of grants are typically accepted up to April 1st so that we have time to get them executed before the fiscal year ends. The performance period typically starts about the time the grant is expected to be executed and normally goes for a period of 12 months.

4. Relating to grants that have been "closed," were all grant reports and paperwork necessary to satisfactorily close the grant submitted? What type of paperwork is needed from the grantee to "close" a grant?

In order for a grant to be closed out, the grantee must have fulfilled their obligations under the contract which is determined by the final report and a final invoice request. No final invoice is accepted for payment unless the final report has been submitted and contractual obligations fulfilled.

5. Were there any grants that were not satisfactorily "closed" in FY 2017? Would this affect grant funding in future fiscal years?

We do not have any grants that were "Unsatisfactory" for FY 2017. If we did, it would definitely affect our decision to fund them again. We do watch the fund balances of grants and if it appears they are not spending the grant, we always contact them to determine the reason.

6. There is a need to more easily identify the total award a grantee receives in a fiscal year. The current process makes it difficult to track grant amounts using a combination of line items specific to the grant and umbrella grants which covers a broad subject matter such as "Small Business Promotion." Please comment and provide solutions for a more transparent tracking system.

OED is always concerned about the capacity of the organizations applying for funding. Many of our grantees are very good at putting on an event or doing a project, but they might have issues with producing up to date financial information and staying tax compliant. These things are really hard for small non-profits and community organizers; many of them cannot apply under their own name due to these issues. This is where a fiscal sponsor comes in. We have a number of very financially strong non-profits with bookkeeping staff, CPA audits, and are always tax compliant. These strong entities are always preferred by OED because we know the grant will be managed well. Many times you see these organizations have multiple grants, but that is because they are performing a very specific project or may be acting as a fiscal sponsor. ***We do not allow grantees to submit multiple applications for the same project.***

7. Explain the increase in funding proposed for the Economic Development and Cultural Programs in Central Maui, East Maui, South Maui, and West Maui districts to "expand opportunities" (pages 11-24 through 11-29 of the Budget Details). Are there specific activities being planned in these districts in FY 2019 that would require additional funding?
8. Explain the decrease in funding proposed for the Economic Development and Cultural Programs in Haiku-Paia-Upcountry and Lanai districts (page 11-26 of the Budget Details). Are there less activities being planned in these districts in FY 2019 that would warrant reduced funding?

To answer these two questions together: Since we have multiple Council districts and multiple

Council members, we decided to put forth an equal amount for each district. Central and Wailuku are combined because we almost never get a grant request from the Kahului area. Haiku & Paia & Makawao is combined with Kula and Pukalani because we have never received a request from Pukalani and only one from Kula.

That being said, we rarely have enough money to fund all requested projects for West Maui and Haiku, Paia, Makawao Upcountry. We have been able to use more of the Lanai funds than ever before because of increased interest from the Lanai community due to our outreach. We have always been able to fund East Maui & Molokai projects adequately. We are doing outreach to Kihei as well, and will continue to do so.

Each district has multiple projects that come forward for funding. We are always striving to make sure the applicant has the capacity to carry out the project. If the Council increases funding in any or all districts, we will do our best to find good projects in those communities.

9. Relating to the proposed grant increase to Ma Ka Hana Ka Ike, Inc. (page 11-27 of the Budget Details):

- a. The \$5,000 increase in funding is due to inflationary costs to the program. Wouldn't all grants experience inflationary costs to their programs? Why was this grant singled out? Due to the remoteness of the program location, there are continued challenges and increasing costs for materials and their transport to Hana. Additionally, the Building Program continues to expand: the woods component is now teaching the community to create their own papa ku'i 'ai (poi-pounding boards), incurring increased materials and tools costs.
- b. The FY 2018 grant balances specific to Mahele Farm and the Building Program remains at \$20,000 and \$90,000, respectively, meaning no funds were yet drawn. Why approve the proposed increase for FY 2019 if grant monies from FY 2018 have yet to be used? The non-profit does the OED grant draw-downs once a year, at the fiscal-year end, to simplify the process on their side of receipt copying, tallying, and related paperwork. OED is OK with this because it creates less work on our part as well. The organization still prepares their quarterly reports throughout the year.

10. Relating to the proposed grant increase for the Maui Economic Development Board, Inc. (page 11-27 of the Budget Details):

- a. A portion of the \$90,000 increase is due to the transfer of \$15,000 previously separated out specifically for Molokai projects. What was the reason for the separation and why the change to roll all funds into one grant? In doing so, what assurance is there that monies will be set aside for Molokai projects? MEDB is committed to always providing STEM funds for Molokai students regardless of whether there is a Proviso to do so. When doing the Mayor's budget, we typically take out all previous

Council provisos. Council members' priorities may change; the budget process allows each member to add new provisos as needed. BUT in our conversations with MEDB, Molokai STEM programs will always be supported.

- b. Additional funding of \$75,000 is being requested to conduct geospatial community profiling. Please explain. MEDB is the non-profit agency that conducts and maintains the *Maui County Comprehensive Economic Development Strategy (CEDS)*, which is required by the U.S. Department of Commerce, Economic Development Administration (EDA) for the County (government and private entities) to receive federal funding from these agencies. CEDS is further required to direct public workforce development funding. MEDB also maintains the *Community Profile* which aggregates many sources of data on a web portal under url "maui.com." MEDB is seeking updated geospatial and web tools to bring these important sources of data into a visual, interactive, and user-friendly format. It is not desirable to let these economic strategies and data languish as reports on a shelf or static text on a web-site. These tools will layer the data into a useable public/open source format. MEDB seeks to use the proposed tools to establish bench-marks and longitudinal tracking to measure our community's progress on achieving the targets identified in CEDS, as well as establish a database for the workforce skills needed to support targeted sectors and identify skill gaps.

11. Relating to the proposed grants for Small Business Promotion (page 11-29 of the Budget Details), the program description for this grant states the purpose is for "islandwide" support of small businesses. Is there a reason this grant does not cover small businesses on Molokai and Lanai? This is an incorrect statement. It should have read "County wide". We are very proactive about finding ways that Molokai and Lanai can participate in all of our programs. For instance, our upcoming Hawaii Small Business Conference at the MACC has a scholarship program for business owners from Lanai and Molokai to participate. We also have the ability to video conference small business workshops from our Maui Mall office to our Molokai office.

Is there an overlap of projects covered under Economic Development grants for Maui districts? There is no overlap of service, but we do divide funds from the appropriate districts to fund some of our initiatives. i.e. The Umbrella Marketing Campaign for the Friday Town Parties is taken from the Maui district funds where a Friday party takes place. This used to be covered under "Economic Initiatives", but since that fund was deleted last year, we needed to pull from the 5 district funds to cover that campaign.

12. Relating to the proposed grants for Culture, Arts, and Tourism (page 11-30 of the Budget Details) :
- a. In FY 2018 Budget discussions, it was agreed that each district's Economic Development and Cultural Program grants would provide funding for culture and arts programs, therefore funding a separate grant titled "Culture, Arts, and Tourism" was not necessary. This would explain why there was zero funding for this grant in FY 2018. Why the change back? We inherited two programs from Housing and Human Concerns: Chance to Dance and Theatre Maui. These programs were always under the Culture, Arts & Tourism Fund. When that fund was deleted last year, we needed to pull Theatre Maui from the West Maui fund which made it difficult for us to fund all of the requested West Maui programs. Chance to Dance operates island wide, so we pulled that from multiple district funds. The change back will free up some of the district funds.
 - b. Four activities are proposed to be supported by this grant in FY 2019: Filipino-American Heritage Festival, Barrio Fiesta, Maui Dance Council - Chance to Dance, and Theatre Maui - West Maui Youth Theater.
 - How will the \$80,000 be divided among these four activities? Chance to Dance will receive \$22,000. Theatre Maui—West Maui Youth Theater will receive \$24,000. The Barrio Fiesta would receive \$24,000 and the Fil-Am Heritage Festival would receive \$10,000.
 - Of the four activities listed, two are for Filipino culture, the other two are for theater. How were these activities chosen? Two we inherited from Housing and Human Concerns as stated above. The two Filipino culture events were requested by leaders of the Filipino community via the Mayor's office.
 - Theatre Maui is concurrently listed under the West Maui Economic Development and Cultural Program grant for \$24,000. If approved, does this mean Theatre Maui would receive a grant award from the Culture and Arts Program, and from the West Maui Economic Development and Cultural Program grant in FY 2019? If the Cultural Program fund was restored, we would remove Theatre Maui from the West Maui Fund.

- Maui Dance Council - Chance to Dance is concurrently listed under the Central Maui, South Maui, East Maui, Haiku-Paia-Upcountry, and Lanai Economic Development and Cultural Program grants for a combined grant award of \$22,000. If approved, does this mean Maui Dance Council - Chance to Dance would receive a grant award from the Culture and Arts Program, and from the various districts' Economic Development and Cultural Program grants in FY 2019?

If the Cultural Program fund was restored, we would remove Chance to Dance from all of the district funds.

13. Relating to the proposed grant award for Hui O Waa Kaulua (page 11-30 of the Budget Details):

- a. What are the organization's specific plans for use of the \$25,000? The \$25,000 is to assist with educational programs of junior voyaging for different high school and middle schools in Maui County.
- b. Grants to this organization appear to be awarded every other year instead of annually. Are their funding needs on a biennial basis? Please explain. The organization does need yearly funding but missed the grant deadline last year. The FY16 grant from the County of Maui assisted with getting the program started; they would like to now continue and share the Hawaiian Cultural experience of voyaging with the youth of all of Maui Nui.

14. Relating to the proposed grant award for Ka 'Ohana o Kalaupapa (page 11-30 of the Budget Details):

- a. What is the total cost of the project?

The cost of the project is estimated at \$10,000,000, which includes \$5,000,000 for the Memorial and its accessory features and \$5,000,000 for an endowment fund to insure that the Memorial is cared for and maintained in a pristine condition in perpetuity.

Will the State be providing funds?

Yes. Boogie Kahilihiwa, President of Ka 'Ohana O Kalaupapa who has lived at Kalaupapa for more than 50 years, met with the Chair of the Senate's Ways and Means Committee recently and was assured that operating funds for the 'Ohana will be included in this year's budget package.

b. What is the timeframe for project completion being that they still need to go through the planning stage?

Project completion is projected by the 'Ohana to be October, 2020. Most of the planning and compliance reviews and site surveys (i.e, topographical) for the site have been completed, as has the development of the Memorial's design. On February 23, 2018 the Land Board approved the Final Environmental Assessment for the Memorial which included the attached Memorial design. The Land Board also authorized the issuance of a Finding of No Significant Impact for the Memorial project. The 'Ohana is now moving forward to a) refine the Memorial design to be construction ready, which will enable cost estimates to be confirmed, and b) to finalize negotiations on the terms of the 65-year lease approved by the State Land Board for the Memorial site. The 65-year lease will insure that family members of all those sent to Kalaupapa will remain stakeholders and have a seat at the table when issues involving the future of Kalaupapa are decided on.

15. Relating to the proposed grant award for the Kaupo Community Association (page 11-32 of the Budget Details):

a. At the April 6, 2018 Council meeting when the State Executive Order for the land was accepted and the grant of a lease agreement to Kaupo Community Association was approved, a representative from the Kaupo Community Association stated there was no expectation to receive County funding for the project. Please explain this funding request.

This request will finish off the portion of the project left after the State of Hawaii gave them \$975,000.

b. How will the \$475,000 in funding be used towards infrastructure for the site?

The funding is proposed to build a conforming septic system, water storage and power system, and handicap walkways.

16. Relating to the proposed increase of grant award to Maui Arts and Culture Center for capital improvements (page 11-31 of the Budget Details):

- a. How will funding be used, specifically the additional \$200,000 that is needed?

The MACC had made a request in FY18 for \$1 million over a two year period to repair, replace, upgrade and extend the lifecycle of aging infrastructure at the Maui Arts & Cultural Center. The facility is nearly 25 years old, and it is important that the facility continues to be well-maintained for the tens of thousands of people who attend events and receive educational instruction at the MACC. The \$500K request in FY17 was cut to \$400,000. In the budget process, thereby creating the need to ask for the remaining \$600K in FY19.

The funds, if approved, will be used for:

- Complete the replacement of the aging chiller and air conditioner with the carefully selected system resulting in day to day reliability in the cooling of the facility and a decrease in operational costs.
- Systematic replacement of key mechanical, equipment and building components that have degraded beyond repair due to the nature of salt laden air surrounding the MACC. These include but not limited to condensers, blower assemblies, coils, elevator component, electrical circuits, floor and wall finishes etc.
- Address potential water infiltration issues prior to them becoming damaging to the long term integrity of the building and its contents including flashing, waterproofing, moisture impenetrable paint etc.

- b. In FY 2018, \$400,000 in funding was needed to address aging infrastructure, including replacement of the air conditioning system. However, the FY 2018 grant balance remains at \$400,000. Explain.

Grant G4602, the first half of this *Aging Infrastructure* project, was executed on January 18, 2018. The MACC submitted a reimbursement request for \$279,511.16 on February 1, 2018. The reimbursement was unfortunately processed under an incorrect grant number by OED, which caused a lengthy delay in reimbursement for this invoice. The invoice was finally reimbursed on April 11th, 2018.

The MACC has informed us that a large portion of the remaining grant balance of \$120,488.84 has also already been expended and will be billed at the end of April.

17. Relating to the FY 2018 grant award for the 250th Celebration of Queen Kaahumanu (page 11-32 of the Budget Details), of the \$100,000 in funding appropriated in FY 2018, there is nearly \$47,000 left. What happens to the remainder of this funding now that the event is complete?

The event is complete, however the grantee is still working on the final billing. If there are funds left over after the final invoice and final report is submitted, those funds will be disencumbered.

18. Relating to the proposed grant increase to the Maui County Visitor Association (page 11-35 of the Budget Details):
 - a. The organization still has a balance of \$1 million in funding from FY 2018. How does the organization plan to spend down these funds within the current fiscal year?

The current fiscal year still has three months left. MVB is right on track to spend down their last 25%.

- b. Why the need to increase funding back to FY 2017 levels if there is still a balance from FY 2018?

There will not be a balance left at the end of FY18 which ends on June 30th.

19. Relating to the proposed grant increase for Film Industry Promotion (page 11-33 of the Budget Details):

- a. The list of activities to be funded in FY 2019 include: Travel to Trade Shows, AFCL, AICP, South by Southwest, AFM Locations, Locations, X-Live, Advertising, and Photo/Video Procurement. Provide more detailed information on these activities.

Trade Shows and Events attended yearly:

- **AFCI Cineposium** (attendee as member of Assoc. Of Film Commissioners Int'l)
Annual conference and educational seminar, required attendance
- **AFCI Locations Trade Show** (exhibitor)
*Show no longer exists, * replaced by Focus Locations Show London*
- **American Film Market** (exhibitor)
Booth on trade show floor with other film commissions
- **AICP Week NYC** (exhibitor as member of Assoc. of Film Commissioners Int'l)
Annual event for Commercial producers and productions companies, highest ROI
- **SXSW** (attendee)
Annual film festival with conferences, educational seminars/panels and trade show
- **Sundance Film Festival** (attendee)
Annual film festival with conferences, seminars/panels, replaces XLive
- **Focus Locations Show London** (exhibitor)
*Annual trade show featuring locations to international producers, productions companies and studios. * replaces AFCI Locations Trade Show*

Advertising, Photo & Video Procurement:

Funds required to obtain professional photographs and video/drone footage of Maui County's film friendly locations and County and private property where filming is allowed. The images are then used to advertise Maui County as a film destination in various trade magazines, websites, trade show booth backdrops and booth décor. Images and video are also used as a marketing tool packaged for producers, production companies, locations managers and studios to satisfy the needs in a specific script, storyline, ad campaign, commercial or photo shoot backdrop in the form of a presentation deck, pdf look-book, or email presentation.

- b. The list of activities totals \$115,000, yet the funding request is for \$125,000. Explain how the additional funding request of \$10,000 will be used.

The additional funds requested would be used to become a booth Exhibitor at SXSW and Sundance Film Festival, where we believe the exposure as a film destination and film office is greater than just being an attendee. Each would require \$5,000 in registration and booth fees.

20. Relating to the Molokai Diversified Agricultural Revolving Loan Program (page 44 of Appendix II, Special Purpose Revenues – Schedule of Revolving/ Special Funds for Fiscal Year 2019):

- a. Provide a status update on this Fund. Is the intent to assist Molokai farmers with Food Safety Modernization Act (FSMA) compliance or has that changed? The intent is still directed at FSMA compliance as spelled out by the legislation.

What are the continued challenges to moving this program forward?

We are currently waiting for a decision from the B&F Committee to approve the funds to be spent. We received (BF-96) which we responded to on March 15, 2018 with our third revised proposal for CTAHR to receive a grant to do the whole project.

- b. Is the intent to use the University of Hawaii College of Tropical Agriculture and Human Resources (CTAHR) for training? Yes

Will CTAHR be awarded a grant to do this?

OED's current proposal is to give CTAHR a grant for the entire \$244,748 to carry out the program.

How many Molokai farmers could this benefit?

It is set up to provide 30 farmers the maximum of \$5000.each. According to CTAHR Molokai extension agents, this will be more than enough to cover all eligible farms.

How is FSMA compliance for Molokai farmers being handled in the meantime?

CTAHR currently charges for all of its FSMA training. With these funds, the training will be provided to Molokai farmers at no cost. Farmers currently have to purchase their own FSMA related equipment. This grant would fund that equipment as well.

- c. Are these funds being treated as a loan to the recipient, a grant, or other?

These funds will be disbursed to the farms as a grant, not a loan.

21. Relating to the Economic Development Revolving Fund (page 47 of Appendix II, Special Purpose Revenues Schedule of Revolving/ Special Funds for Fiscal Year 2019):

- a. What is the status of Uptown Service, Inc. in utilizing the \$200,000 in funds received for the establishment of an eatery in Wailuku Town?

Uptown Service has submitted their permits for the project and are hopeful that the permits will come through within the next 90 days. They expect construction to start by early FALL. OED has given them a grant extension to Dec. 31, 2018.

- b. What is the plan for the remaining \$20,000 left in the Fund?

We have no plans for the remainder of the \$20,000. It is not enough funding to open the program again for RFP's. We recommend repurposing this funding or disencumbering it.

- c. Are these funds being treated as a loan to the recipient, a grant, or other?

All of the EDRF projects were given out as grants with a required one for one match.

Please feel free to contact me if you have further questions @ 270-7224.

Sincerely,



Teena M. Rasmussen, Director