



## PRESENTATION OF BUDGET PROPOSAL DOCUMENT

### REMARKS BY MAYOR CHARMAINE TAVARES

March 15, 2010

Today, I am transmitting my Administration's budget proposal for Fiscal Year 2011.

As I pointed out in my State of the County Address just a month ago – the process to complete a budget that meets the needs of 3 islands at a cost of over half a billion dollars is an extensive one. By the time the budget proposal goes to the Council for their review, thousands of hours of staff time have been devoted to it.

This is a product of several months of intensive work. I'd like to introduce you to the fiscal team that has worked at my side as we went through the critical process of developing an operating budget of this magnitude and significance.

Managing Director Sheri Morrison

Budget Director Fred Pablo

Finance Director Kalbert Young

Assistant Budget Director Helene Kau

Budget office staff:

Mary Medeiros, Tehani Nunez, Alson Tamashiro and Diana Dahilig

First Deputy Corporation Counsel Traci Fujita Villarosa

Assistant Public Information Officer Lois Bisquera

Each year, developing a budget proposal is a demanding process and they have done an outstanding job.

This year's proposal was especially difficult because of the economic reality of preparing a budget with a \$53 million dollar gap to support programs and services.

It is important to note that budgeting is not simply an exercise in balancing revenues and expenditures one year at a time. It has a long-range perspective in assessing whether program and service levels can be sustained. We have had to look at all parts of our operations and revenue sources.

In this third year of cost cutting, we have focused on a balanced approach of raising revenue, restricting expenditures and reducing services. And when programs or services are reduced, whenever possible, we have utilized other existing resources to carry out the same services.

The total County revenue available for the Fiscal Year 2011 budget is \$530 million. This is a 6% decrease from the budget adopted for the current Fiscal Year. This means we are expecting to have \$33.4 million less in the County's budget as compared to this fiscal year.

The County's projected revenue of \$530 million will provide the funding for an operating budget of \$446 million and a capital program budget of \$83 million.

In comparison, the Fiscal Year 2010 revenues of \$563 million funded an operating budget of \$461 million and capital program budget of \$101 million.

This significant decrease in the County of Maui budget is a consequence of the downturn in the global economy.

### **THE OPERATIONS BUDGET**

As I stated earlier, the total appropriation of county funds for the proposed Fiscal Year 2011 operations budget is \$446.7 million.

This is a decrease of a little over \$15 million from the previous fiscal year. At the same time, union contracts require salary increases for police and firefighters. In adjusting to the declining economy, we have reduced the County's operating expenses by postponing purchases, delaying the filling of some vacancies and restricting expenditures.

Unfortunately, cutting expenditures also means including a proposal to furlough most employees for 12 days during the next fiscal year. This is equivalent to a reduction in each furloughed employee's compensation of 4.6%.

Furloughed employees include unionized HGEA and UPW employees, division heads and other managers, and appointed staff, including directors and deputy directors. We will consult with the unions on these issues in the days ahead.

All of these efforts have helped reduce operating expenses by \$15 million.

We continue our commitment to support the many non-profit agencies that provide essential services to our community.

It is important to note that we are proposing nearly \$1 million in county grants to non-profit agencies for housing-related programs, close to \$8 million in human concerns grants, \$5 million in transportation grants, and \$7 million in grants for economic development, environmental protection, watershed protection, and conservation.

Maui County's financial support of non-profit agencies is the largest in the state. The combined total of the state's 3 other counties is approximately \$9 million compared to Maui County's commitment of proposing nearly \$30 million in funding support for non-profits.

There are a number of programs and services that fall within the jurisdiction of the State that have long-term benefits for our community. While we are unable to provide the same level of funding as we have in the past – my Administration is committed to provide funding to help them continue at a time when they are faced with substantial and devastating funding losses from the State.

### **THE CAPITAL IMPROVEMENT PROGRAM**

Next year's capital program budget proposes \$83 million in projects, which is only \$18 million less than the \$101 million appropriated for this current fiscal year. There are 72 CIP projects included in the proposed budget.

To reduce the impact of a decreased budget, departments have been successful in seeking grants and donations resulting in additional outside funding of \$51 million. This brings the FY 2011 total to \$135 million for our plans to continue improving and expanding County infrastructure and facilities. The County is a significant economic engine for our local economy. Keeping infrastructure projects moving forward is important for our community and stimulates jobs.

Major projects in the Fiscal Year 2011 Capital Improvement Program include:

- \$23 million for water source development, storage and transmission
- \$26 million for wastewater improvements, including sewer line, reclamation facilities, and pump stations
- \$20 million for a new Kihei Police Station
- \$1 million for improvements to the Lahaina Fire Station
- \$1 million for improvements to County facilities for access needs
- \$1 million for solid waste improvement projects including improvements that will utilize renewable energy
- \$10 million for road resurfacing and safety improvements
- \$2 million for drainage improvements on Polipoli Road
- \$4 million for improvements to the Waiohonu and Kulanihakoiki bridges
- \$5 million for park improvements
- \$1 million for bus shelters

## **REVENUES**

The proposed budget provides county revenues totaling \$530 million, a 6% decrease from Fiscal Year 2010.

This \$33 million decrease stems from revenue shortfalls in the current year and lower revenue projections for Fiscal Year 2011.

The largest component of County revenue is from real property taxes. In Fiscal Year 2010, real property tax revenue was \$233 million or 41% of total revenues of \$563 million.

As we all know, the slowdown of the economy has had a serious effect on real estate causing a reduction in assessed values. If tax rates remain at the same level as the current year it would mean a projected revenue decrease of \$30 million to the County and would lead to a serious reduction of essential services to Maui County residents.

Maui County has historically had the lowest tax rates in all of Hawaii's counties. In our current fiscal year our income from real property taxes was \$233 million.

We are proposing to adjust tax rates so that \$223 million in real property taxes can be generated. This will be \$10 million less than our current year, but will enable the County to preserve necessary revenue and still provide Maui County homeowners with the lowest rates in the State of Hawaii.

On the average, this means that even with the rate adjustment most homeowners will pay about the same as this year.

While the County has taken action to find the proper balance of revenues and expenditures in these difficult economic times, the State legislature has introduced various proposals to stop, limit or reduce revenue sharing of the Transient Accommodation Tax.

The estimate for Maui County's share of the Transient Accommodations Tax, which is also known as the hotel room tax, for Fiscal Year 2011 is \$17.5 million.

After real property tax, TAT is the largest source of general funds for operations. These funds are essential to our ability to continue to provide critical services to our residents and visitors.

The loss would be devastating to public programs and services and cause a rippling negative effect on Maui residents and businesses in the visitor industry.

We are actively opposing the loss of TAT. I appreciate the work Council Members and our county's delegation of State Legislators are also doing to join in this fight to save our share of TAT revenue.

This afternoon I am testifying before the Senate at the state capitol to continue our efforts to keep Maui County's portion of the hotel room tax.

If we are unsuccessful in convincing the State Legislature to not take away TAT money from the four counties, Maui County's shortfall will increase from \$53 million to over \$70 million.

In order to meet rising costs and the need to continuously upgrade and expand our infrastructure, small rate increases are proposed for wastewater, water supply, solid waste and highway operations.

Sufficient funds are required to properly operate and maintain these systems in order to protect the public health, the environment, and our substantial investment in infrastructure.

The benefits of the County-operated Waiehu Golf Course and the Maui Bus are enjoyed by many in our community. In order to help pay for the expense of operating the golf course, we are proposing a small increase in golf fees. For example, weekday rates will go up two dollars.

We are also proposing a change in bus fares to help pay for bus operations and for construction of bus shelters. I recognize the value of our bus service to the community and believe that we can continue to support keeping bus fares at a portion of what it costs taxpayers to operate. Our bus service costs upwards of \$7 million to operate – or about \$4 per passenger.

In this budget proposal, scheduled routes will continue to cost a dollar, free routes will now also cost a dollar and commuter routes will increase from one dollar to two dollars. All well below the \$4 dollars per passenger it costs the County to provide bus transportation.

The Fiscal Year 2011 budget proposal also includes over \$102 million in proposed revenue from grants from federal, state, and other sources.

It would be simple to complete a mathematical budget, one where we merely cut across the board regardless of department, program or service. In order to obtain balance, we chose to propose a budget that gives consideration to our complete and entire community. I believe that our community is well-served by this budget and I am confident that we have found ways to deal with short and long term needs.

Balancing the needs and wants of our community with shrinking revenues is a considerable challenge and unlike anything the County has ever had to deal with.

Time and time again, we have seen our community pull together to help one another. Now we need your help. If everyone shares in the effort, it will help us get through this difficult fiscal year.

I want to thank our employees for their hard work and willingness to do more with less.

I also want to thank our non-profit community for working with us on their budget proposals and for increasing their own efforts to seek outside resources to fund their programs. Most of our non-profits organizations have stepped up to the plate to do what they can in these lean economic times that are affecting everyone.

My staff and I look forward to working with the Council in the coming weeks as it begins its review of my Administration's budget proposal and recommendations.

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