

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

May 26, 2015

**Committee
Report No.** _____

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on May 15, 2015, makes reference to County Communication 14-223, from the Economic Development Director, transmitting the following:

1. A proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES – SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2015, ECONOMIC DEVELOPMENT REVOLVING FUND".

The purpose of the proposed bill is to amend the Fiscal Year 2015 Budget to appropriate funds from the Economic Development Revolving Fund ("EDRF"), pursuant to Chapter 3.81, Maui County Code, for the following: (1) \$200,000 for Uptown Service Inc. to renovate and convert its existing car wash facility to a full-service and take-out restaurant called "Da Car Wash Café"; (2) \$125,000 for Alpha, Inc. to purchase a National T-32 drill rig to offer lower-cost drilling to Maui deep-well projects; (3) \$175,000 for Maui Innovation Group LLC for the development of medical care management software to better manage patient care and comply with new Affordable Care Act regulations; (4) \$250,000 for HNu Photonics, LLC for infrastructure improvements and equipment for stem cell research; and (5) \$250,000 for Aumakua Holdings, Inc. to purchase equipment for a Maui Brewing Co. facility in Kihei to add new lines of beverages.

2. A report entitled, "Maui County Economic Development Revolving Fund (EDRF), First Round Grant Reviews, Report

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 2

Committee
Report No. _____

to the Mayor”, dated August 10, 2014, recommending the five projects above.

Your Committee notes the Council’s Budget and Finance Committee (2013-2015 Council term) met on this matter on September 16, 2014, and September 30, 2014.

By correspondence dated May 11, 2015, the Budget Director transmitted a revised proposed bill that removed the proposed appropriation to Alpha, Inc. The Economic Development Director (“Director”) said Alpha, Inc. opted out of consideration because the company has already moved forward with purchasing the equipment.

Section 3.81.020, Maui County Code, states:

The purpose of the economic development revolving fund is to provide funds for economic development and economic development programs in the County of Maui. The Council finds that the creation of the fund is necessary to strengthen and diversify the County's economy; to support existing County businesses; to promote job creation; to attract new business, industry, construction, and events that will foster economic development in the County; and to improve the overall economic and social well-being of the County.

The Director informed your Committee the Mayor sought applications from companies in the County with a strong balance sheet, established markets with growth potential, and strong potential for creating living-wage employment for residents. A committee reviewed eight applications and recommended the five projects in the proposed bill.

Your Committee notes the \$200,000 grant to Uptown Service Inc. will assist with renovation of the existing car wash into a full-service and take-out restaurant called “Da Car Wash Café.” The project will help revitalize Wailuku Town and generate at least 15 jobs.

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

Page 3

**Committee
Report No.** _____

Your Committee was informed Maui Innovation Group LLC will utilize the \$175,000 grant to complete the development of software to enable medical offices to better manage patients' care and to comply with the Affordable Care Act. The project will generate four full-time jobs in the first year. Once the product becomes operational and marketable, Maui will continue to be the base of operation for product development, quality assurance, design, and technical support activities that may create an additional 80 jobs.

Your Committee was further informed the \$250,000 grant to HNu Photonics, LLC will fund infrastructure improvements and equipment to deploy technology on the International Space Station. HNu Photonics, LLC has been awarded the opportunity under a National Aeronautics and Space Administration Space Act Agreement to serve the needs of biological researchers, funded by the Center for Advancement of Science in Space, who are studying stem cell differentiation under microgravity conditions. This project is expected to create between five and ten jobs.

Your Committee further notes Aumakua Holdings, Inc. will utilize the \$250,000 grant to purchase equipment for its Maui Brewing Co. facility in Kihei to produce and commercialize three new product lines: non-alcoholic sodas, cider, and distilled spirits. These products will be brewed for consumption locally and for export. This project will create 10 to 15 jobs.

The Director informed your Committee each grant will be issued in installments, and companies will be required to provide one-to-one matching funds. The grant agreements will be structured to require the grantee to demonstrate specific progress before additional funds will be released.

Your Committee expressed concern with the format of the proposed bill, with all grantees combined on a single proposal. Individual proposals would allow the Council to better consider the merit of each project, rather than facing the choice presented by the Administration of either approving all elements of the package or none.

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 4

Committee
Report No. _____

Your Committee also expressed concern with awarding large grants instead of zero- or low-interest loans. Issuing grants instead of loans will deplete the EDRF. Your Committee suggested that companies voluntarily contribute back to the fund as their businesses generate revenue from the assistance of the grant from the County. This would allow the fund to be available for other companies.

Your Committee voted 7-0 to recommend passage of the revised proposed bill on first reading and filing of the communication. Committee Chair Hokama, Vice-Chair White, and members Baisa, Cochran, Couch, Crivello, and Victorino voted "aye". Committee members Carroll and Guzman were excused.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill _____ (2015), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING APPENDIX A OF THE FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2015, ECONOMIC DEVELOPMENT REVOLVING FUND", be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That County Communication 14-223 be FILED.

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 5

**Committee
Report No.** _____

This report is submitted in accordance with Rule 8 of the Rules of the Council.



RIKI HOKAMA, Chair

bf:cr:15125aa:mrp

ORDINANCE NO. _____

BILL NO. _____ (2015)

A BILL FOR AN ORDINANCE AMENDING APPENDIX A
OF THE FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI
AS IT PERTAINS TO PART II, SPECIAL PURPOSE REVENUES -
SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2015,
ECONOMIC DEVELOPMENT REVOLVING FUND

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Ordinance No. 4133, Bill No. 37 (2014), as amended, "Fiscal Year 2015 Budget", Appendix A, Part II, Special Purpose Revenues – Schedule of Revolving/Special Funds for Fiscal Year 2015, is hereby amended as it pertains to the Economic Development Revolving Fund, by adding provisos, to read as follows:

**"II. SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS
FOR FISCAL YEAR 2015**

	<u>ESTIMATED BALANCE AS OF 6/30/14</u>	<u>ANTICIPATED REVENUES FOR FY 2015</u>	<u>TOTAL FOR FY 2015</u>
Q. Economic Development Revolving Fund (Chapter 3.81, Maui County Code)	1,000,000	0	1,000,000
(1) <u>Provided, that \$200,000 shall be for Uptown Service Inc. to renovate and convert its existing car wash facility to a full-service and take-out restaurant called "Da Car Wash Café", serving Wailuku and the broader community.</u>			
(2) <u>Provided, that \$175,000 shall be for Maui Innovation Group LLC for the development of a medical care management software solution for medical offices to better manage patient care and comply with new Affordable Care Act regulations.</u>			
(3) <u>Provided, that \$250,000 shall be for HNu Photonics, LLC for the purchase of infrastructure improvements and equipment acquisition to deploy proprietary technology on the International Space Station for the purpose of studying stem cell differentiation under microgravity conditions.</u>			

(4) Provided, that \$250,000 shall be for Aumakua Holdings, Inc. for the purpose of obtaining additional equipment for a new Maui Brewing Co. facility in Kihei that will enable the company to add new lines of beverages for local consumption as well as increase exportation to new and existing markets."

SECTION 2. New material is underscored.

SECTION 3. This Ordinance shall take effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:



JEFFREY UEOKA
Deputy Corporation Counsel