

COUNCIL OF THE COUNTY OF MAUI
PLANNING COMMITTEE

September 4, 2015

Committee

Report No. _____

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

Chair and Members:

Your Planning Committee, having met on August 6, 2015, makes reference to County Communication 15-79, from the Planning Director, transmitting comments in response to Resolution 14-97, which referred to the Maui Planning Commission a proposed bill to amend the Maui Island Plan Long-Range Implementation Program by identifying potential revenue sources to support infrastructure improvements.

The proposed bill, entitled "A BILL FOR AN ORDINANCE AMENDING THE MAUI ISLAND PLAN IMPLEMENTATION PROGRAM," was approved as to form and legality by the Department of the Corporation Counsel and transmitted to your Committee by correspondence dated August 4, 2015.

Your Committee notes the Maui Planning Commission recommended approval of the proposed bill.

The bill's proposed amendments to the Long-Range Implementation Program of the Maui Island Plan, enacted by Ordinance 4126 (2014), identify non-General Fund revenue sources County departments could access for implementing capital improvements consistent with the Maui Island Plan. The potential revenue sources listed in the bill include special district financing, toll roads, and business improvement districts. Your Committee notes establishment of some of the revenue sources would require separate State or County legislation.

Your Committee voted 6-0 to recommend passage of the proposed bill on first reading and filing of the communication. Committee Chair Couch, Vice-Chair Carroll, and members Baisa, Cochran, Guzman, and White voted "aye." Committee member Victorino was excused.

COUNCIL OF THE COUNTY OF MAUI
PLANNING COMMITTEE

Page 2

Committee
Report No. _____

Your Planning Committee RECOMMENDS the following:

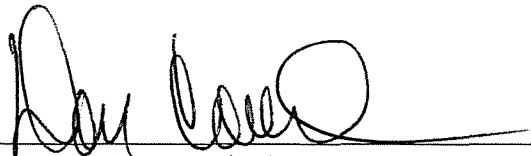
1. That Bill _____ (2015), attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING THE MAUI ISLAND PLAN IMPLEMENTATION PROGRAM," be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That County Communication 15-79 be FILED.

COUNCIL OF THE COUNTY OF MAUI
PLANNING COMMITTEE

Page 3

**Committee
Report No.** _____

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



DON COUCH, Chair

pc:cr:15017aa:gjg/jkm

ORDINANCE NO. _____

BILL NO. _____ (2015)

A BILL FOR AN ORDINANCE AMENDING THE MAUI ISLAND PLAN
IMPLEMENTATION PROGRAM

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

SECTION 1. The purpose of this bill is to amend the Maui Island Plan Implementation Program by inserting information on potential additional sources of revenue for County infrastructure improvements.

SECTION 2. The Capital Improvement Requirements and Financing section of the Maui Island Plan Implementation Program, Ordinance 4126 (2014), is amended to read as follows:

“CAPITAL IMPROVEMENT REQUIREMENTS AND FINANCING

The purpose of this section is fourfold:

1. Provide the County’s policy regarding the role and responsibility of the public and private sectors for providing infrastructure and public facilities;
2. Identify major regional capital improvement projects necessary to address existing service deficits and projected growth to 2030;
3. Identify potential funding mechanisms to finance future CIP projects; and
4. Ensure that capital improvement projects are scheduled and constructed in a timely manner.

The infrastructure funding strategy provides an efficient and equitable means of planning and financing infrastructure improvements. Major County capital improvement projects and potential funding mechanisms are discussed by each County agency and include solid waste, water, wastewater, roads, transit, parks, and public safety.

Infrastructure Planning and Finance Policy Framework

The County CIP funding strategy is comprised of three policy statements with underlying strategies to effectuate the policies.

1. Infrastructure Services Policy: The County is responsible for determining areas where infrastructure and public facilities will be supported.

2. Infrastructure Expansion Policy: Developers are generally responsible for public facility and infrastructure expansion costs associated with their projects.

As a condition of subdivision or development approval, the County often requires new developments to construct on-site water, roads, wastewater, park facilities, and other infrastructure and public facilities pursuant to County standards. Upon completion of construction, the County may require the developer to dedicate the infrastructure/facilities to the County. Developments may also be required to donate easements or other types of partial rights to the County. In addition, developments are often required to provide financial assurance, such as bonding, to ensure enforcement of needed corrective action(s) or uninterrupted operation (in case of bankruptcy, abandonment, or any other default on financial obligation).

The County has also considered the imposition of impact fees, which are designed to mitigate the impact of new development on infrastructure and public facility systems. These one-time payments are made by the development; fees are typically passed on to either the seller of land or homebuyer to pay for the cost of infrastructure caused by new development. While the enabling ordinance for traffic impact fees have been enacted, the required studies that determine the actual fee amounts have yet to be adopted; other impact fee ordinances have been discussed but not enacted.

To ensure that no ambiguities exist regarding infrastructure funding responsibilities, the County may establish an infrastructure funding strategy to ensure that infrastructure improvements are implemented prior to or concurrent with development by the responsible party depending on the nature of the infrastructure project.

3. Existing Deficiencies Policy: Through its CIP program, the County is responsible for funding operations and capital improvements to address existing deficiencies of County-owned and operated systems.

The Existing Deficiencies Policy shall be implemented by, but not limited to, the following strategy:

A. Identify existing service deficiencies and project future operations and maintenance needs: Using the CIP program, needs assessment studies, or adopted level-of-service standards, the County will identify existing service deficiencies and projected operations and maintenance needs. The County may provide revenues sufficient to maintain the minimum acceptable level-of-service standards over the 20-year planning horizon. The County will encourage the State to upgrade its facilities to meet the County's LOS standards.

B. Develop and [Utilize Alternative Funding Sources] utilize alternative funding sources: The County could consider alternative funding sources to be used to finance major CIP projects. Some of these sources are currently available while others would require enabling legislation or voter approval before they could be utilized. Such alternatives include: public-private partnerships, which can save time and costs; strategic budget allocations or trust funds to create special funds for

specific purposes; special district financing, such as tax districts or redevelopment districts, where revenues are reinvested in the same geographic area; and peak demand pricing, where the charge for the use of public facilities or infrastructure is increased during periods of heaviest use.

[Table 10-1, Sources of Existing Revenues for Infrastructure, describes current revenue sources through which the County raises needed revenues.] Table 10-1, Alternative Revenue Sources, describes several potential revenue sources. Table 10-2, Sources of Revenues for Infrastructure, identifies current and potential alternative revenue sources for major infrastructure categories.

Table 10-1: Alternative Revenue Sources

<u>Funding source</u>	<u>Description</u>
<u>Public-private partnerships</u>	<u>Partnering with the private sector to design, finance, build, and operate infrastructure systems and public facilities may provide infrastructure faster and at a lower cost than through projects implemented solely by the public sector. Public-private partnerships come in many forms, including build-operate-own, build-operate-transfer, and private financing initiatives.</u>
<u>Strategic budget allocations</u>	<u>With strategic budget allocations, a designated portion of a tax or rate collection is deposited into a special fund allocated for future projects.</u>
<u>Trust funds</u>	<u>Like with strategic budget allocations, a portion of tax revenues could be placed in a trust fund to finance projects. This may be less expensive in the long term than using bonds or loans.</u>
<u>Special district financing</u>	<u>Special district financing includes special taxing districts, benefit assessment districts, business improvement districts, and redevelopment districts. It can be established to help fund upgrades to utility services within a designated area. Its establishment often requires the approval of residents. Revenues are typically generated through special levies, assessments, or tax increment financing.</u>
<u>State and Federal funding</u>	<u>Additional government funding may be used to finance major projects. The primary State funding source relied upon by the County is the State Revolving Fund for water and wastewater projects. Potential Federal funding sources include the Environmental Protection Agency, Department of Transportation Federal Highway Administration, Federal Transit Administration, Department of Agriculture, Department of Housing and Urban Development, and Department of Commerce Economic Development Agency.</u>
<u>Congestion Pricing, Tolls, and Rental Car Tax</u>	<u>Congestion pricing is the practice of charging motorists more to use a road during periods of the heaviest use. Tolls charge motorists for the use of roads, regardless of the time of use. Congestion pricing and tolls encourage the use of alternative forms of transportation. Many communities levy taxes on rental cars to finance capital improvements, and this can also have the benefit of encouraging transit use.</u>

<u>Road maintenance districts</u>	<u>Road maintenance districts, such as urban, small town, and rural road maintenance districts, could be established to help fund roadway operation and maintenance. Revenues collected within a district can be based on assessed property values.</u>
<u>Street utility fees</u>	<u>A street utility fee could be established to fund roadway projects.</u>
<u>Solid waste fees</u>	<u>Currently, the County's fee collections do not cover the full cost of solid waste services. The County could consider implementing fees to cover the cost of services not currently covered by existing fees, such as a fee to cover the cost of landfill disposal services for residential customers.</u>
<u>Real estate excise tax</u>	<u>Real estate excise tax includes collection a tax on real property sales. Funds collected are based on selling price, and can be placed in a special fund to help fund CIP operations, maintenance, and expansion projects. Revenues will fluctuate with the real estate market.</u>
<u>Transfer of development rights</u>	<u>Transfer of development rights can be used to reduce the cost of acquiring coastal lands and open space. Through a transfer program, potential development could be relocated from areas where proposed land use or environmental impacts are considered undesirable to another site chosen on the basis of its ability to accommodate additional units of development beyond that for which it is zoned.</u>
<u>Benefit assessment districts</u>	<u>Benefit assessment districts are used to help fund park, library, fire, flood control, and other capital projects. Properties within a benefit assessment district have an annual tax placed on their properties to help fund projects within the district. These funds are used to finance capital improvements, land acquisition, ongoing maintenance, and related long-term debt service. An assessment can be applied to a neighborhood, special district, or larger geographical areas such as a community plan area or the entire island.</u>
<u>Business improvement districts</u>	<u>Business improvement districts operate like benefit assessment districts but are directed toward improving the business climate within a defined area. Business improvement districts commonly fund activities such as streetscape beautification, park maintenance, and public safety. Maui's various commercial districts, including downtown Wailuku and the surrounding Wailuku Redevelopment Area, downtown Kahului, Paia, and Kihei, could benefit from the establishment of business improvement districts.</u>
<u>Peak demand pricing</u>	<u>Peak demand pricing is the practice of charging more to use public facilities or infrastructure during periods of the heaviest use. It can also charge users less during periods of low demand.</u>
<u>Resource reserve fund</u>	<u>A resource reserve fee addresses allocation of resources from a given source, most often a natural system or water project. It may be useful in areas where anticipated demand is higher than natural systems will bear, where a limited allocation has been granted to a given purveyor, where a portion of a resource is set aside for ecological purposes, or where other factors could generate competition for the same resource.</u>
<u>Depreciation sinking fund</u>	<u>A depreciation sinking fund takes revenues collected toward depreciation and puts them aside for replacement of the assets that are being depreciated. Replacement of depreciated facilities does not cost the same amount each year, but rises and falls with the expense and number of facilities due for replacement. A depreciation sinking fund could help to prepare for years when the necessary replacement investment is expected to be higher than average.</u>

Table [10 – 1:] 10 - 2: Sources of [Existing] Revenues for Infrastructure

Infrastructure	Operation & Maintenance	Capital Investment (Deficits)	Capital Investments (Growth)
Wastewater	<p><u>Existing source:</u> Monthly sewer fees Monthly reclaimed water fees</p> <p><u>Potential source:</u> <u>Special district financing</u></p>	<p><u>Existing source:</u> Wastewater hook-up (impact) fees Bond financing and SRF loans based on rate revenues and fees</p> <p><u>Potential source:</u> <u>Special district financing</u></p>	<p><u>Existing source:</u> Wastewater hook-up (impact) fees Subdivision exactions for on-site improvements Bond financing and SRF loans based on rate revenues and fees</p> <p><u>Potential source:</u> <u>Impact fees for regional improvements</u> <u>Public-private partnerships</u> <u>Special district financing</u></p>
Water	<p><u>Existing source:</u> Monthly water fees Water system development (impact) fees Special district financing</p> <p><u>Potential source:</u> <u>Peak demand pricing</u></p>	<p><u>Existing source:</u> Water system development (impact) fees Bond financing and SRF loans based on rate revenues and fees</p> <p><u>Potential source:</u> <u>Special district financing</u> <u>Strategic budget allocations</u> <u>Depreciation sinking fund</u></p>	<p><u>Existing source:</u> Water hook-up (impact) fees Subdivision exactions for on-site improvements Bond financing and SRF loans based on rate revenues and fees</p> <p><u>Potential source:</u> <u>Impact fees for regional improvements</u> <u>Public-private partnerships and in-kind contributions</u> <u>Special district financing</u> <u>Strategic budget allocations</u> <u>Resource reserve fee</u></p>

Roadways	<p><u>Existing source:</u> Federal and State funding sources County gas tax</p> <p><u>Potential source:</u> <u>Road maintenance districts</u></p>	<p><u>Existing source:</u> Federal and State funding sources County gas tax</p> <p><u>Potential source:</u> <u>Congestion pricing, tolls</u> <u>Street utility fee</u></p>	<p><u>Existing source:</u> Federal and State funding sources Subdivision exactions for on-site improvements</p> <p><u>Potential source:</u> <u>Impact fees</u> <u>Public-private partnerships</u></p>
Transit	<p><u>Existing source:</u> Federal and State funding sources County gas tax General fund Farebox/advertising</p> <p><u>Potential source:</u> <u>Road maintenance districts</u></p>	<p><u>Existing source:</u> Federal and State funding sources County gas tax</p> <p><u>Potential source:</u> <u>Congestion pricing, tolls</u> <u>Street utility fee</u></p>	<p><u>Existing source:</u> Federal and State funding sources Subdivision exactions for on-site improvements</p> <p><u>Potential source:</u> <u>Impact fees</u> <u>Public-private partnerships</u></p>
Parks	<p><u>Existing source:</u> General fund revenues</p> <p><u>Potential source:</u> Benefit assessment district</p>	<p><u>Existing source:</u> General fund revenues Bond financing based on general fund revenues Maui Open Space Preservation Fund</p> <p><u>Potential source:</u> <u>Benefit assessment district</u> <u>Real estate excise tax</u> <u>Transfer of development rights</u></p>	<p><u>Existing source:</u> Subdivision exactions for on-site improvements Impact fees</p> <p><u>Potential source:</u> <u>Transfer of development rights</u></p>
Solid Waste	<p><u>Existing source:</u> Landfill disposal and collection fees Grant revenues</p> <p><u>Potential source:</u> <u>N/A</u></p>	<p><u>Existing source:</u> Landfill disposal and collection fees Grant revenues User charge and bond financing based on user charge</p> <p><u>Potential source:</u> <u>N/A</u></p>	<p><u>Existing source:</u> Landfill disposal and collection fees Grant revenues Bond financing based on collection fees</p> <p><u>Potential source:</u> <u>N/A</u></p>


Police / Fire	<u>Existing source:</u> General fund revenues <u>Potential source:</u> <u>N/A</u>	<u>Existing source:</u> General fund revenues <u>Potential source:</u> <u>Special district financing</u> <u>Bond financing based on general fund and alternative revenue sources</u>	<u>Existing source:</u> General fund revenues Impact fees Bond financing based on general fund and alternative revenue sources <u>Potential source:</u> <u>N/A</u>
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SECTION 3. Material to be repealed is bracketed. New material is underscored. In printing this bill, the County Clerk need not include the brackets, the bracketed material, or the underscoring.

SECTION 4. This ordinance shall take effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:



MICHAEL J. HOPPER
 Department of the Corporation Counsel
 County of Maui

pc:misc:017abill01