COUNTY OF MAUI

COST OF GOVERNMENT COMMISSION

ANNUAL REPORT

2019 – 2020
The Commission shall have the power and duty to:
Study and investigate the organizations and methods of operations of all departments, commissions, boards, offices, and other instrumentality of all branches of the county government and determine what changes, if any, may be desirable to accomplish the policy set forth herein.¹

COMMISSIONERS

Michael Williams, Chair
Michelle Del Rosario, Vice Chair
Noemi Barbadillo, Member
Paula Heiskell, Member
Lu Ann Lankford-Faborito. Member
Barbara Mattson, Member
Patrick O'Neil, Member
Sarah Simmons, Member
Hannah Werth, Member

¹ Charter, County of Maui, Section 3-9.3 (2019)
COST OF GOVERNMENT COMMISSION
2019 – 2020 ANNUAL REPORT

I. INTRODUCTION

The Cost of Government Commission ("COGC" or "Commission") was created in 1976, when voters approved the recommendation of the Charter Commission. In its final report dated February 19, 1976, the Charter Commission stated, "The Cost of Government Commission would provide a cyclical review of cost and efficiency of both the legislative and executive branches of County government. The [Charter] Commission believes that this Commission [COGC], if adopted, will be one of the first of its kind in local government."¹

According to the County Charter, the purpose of the Commission is to "[s]tudy and investigate the organizations and methods of operations of all departments, commissions, boards, offices, and other instrumentality of all branches of the county government and determine what changes, if any, may be desirable to accomplish the policy set forth herein."² These responsibilities correspond to the County’s policy “to promote economy, efficiency and improved service in the transaction of the public business in the legislative and executive branches of the county.”³

The Charter also requires that the Commission present an annual report of its findings and recommendations to the Mayor, County Council, and County Auditor. For the prior Commission term (April 1, 2019 – March 31, 2020), the Commission issued its annual report on June 12, 2020. This Annual Report covers the activities of the Commission for the 13-month period from April 1, 2019 to April 30, 2020.⁴

II. COMMISSION COMPOSITION

The Commission is comprised of nine (9) volunteers with various educational and employment backgrounds. The cumulative wisdom and experience of its members are notable and, collectively, the commissioners have dedicated their time and

³ Id., Section 3-9.
⁴ This Annual Report reviews work through April 2020 (which is part of the Commission’s 2020–2021 term), because the Commission’s March meeting was cancelled due to COVID-19 concerns. The Commission held its April 2020 meeting via videoconference to review and vote on its Report on the County of Maui’s Grant to the Maui Visitors Bureau, the culmination of a two-year investigation. The Commission voted to approve the report and the investigation is now closed.
knowledge to improving Maui County. The Commission believes its investigations and recommendations should be a catalyst for more in-depth discussions and a foundation for the development of legislation and improved processes and/or policies on the subject investigated.

At the start of the 2019 – 2020 Commission term, there were eight commissioners, with one vacancy. Three of the eight commissioners were newly appointed. In addition, one commissioner was unable to attend meetings due to health issues and resigned in June, and the Commission Chair resigned in December. Consequently, the Commission operated with at least vacancy throughout most of the year. The Commission’s first meeting in this term with a full slate of nine commissioners was on February 20, 2020.

The following individuals have served the Commission during some or all of the past 13 months:

- Sharron Courter (appointed January 2017; resigned December 2019; Vice Chair in April 2019; Chair from May – November 2019)
- Paula Heiskell (appointed April 2017; Vice Chair from May – November 2019)
- Barbara Mattson (appointed July 2017)
- Bonnie DeRose (appointed May 2018; resigned June 2019)
- Noemi Barbadillo (appointed August 2018)
- Hannah Werth (appointed March 2019)
- Michelle Del Rosario (appointed April 2019; elected Vice Chair in April 2020)
- Sarah Simmons (appointed April 2019; Vice Chair from December 2019 – March 2020)
- Michael Williams (appointed May 2019; Chair from December 2019 – present)
- Patrick O’Neil (appointed October 2019)
- Lu Ann Lankford-Faborito (appointed March 2020)

Although the County Charter calls for staggered 5-year terms for all commissioners, the rapid turnover of its membership leaves it now with no commissioner with more than 3 years’ tenure.
III. COMMISSION MEETINGS, INVESTIGATIONS, AND ATTENDANCE

The Commission meets on the second Thursday of each month from 10:15 a.m. to 12:15 p.m. in the Mayor’s conference room on the ninth floor of the Kalana O Maui Building. The Commission receives support from the Office of the Corporation Counsel, the Office of the Mayor who designates an Ex-Officio Member, the County Auditor, and the Technical Writer.

Fourteen meetings were scheduled during the 13-month period. Of those, five were cancelled, primarily due to a lack of quorum. On March 16, 2020, the County Council passed an ordinance designed to improve attendance for all boards and commissions. It will be interesting to see if this has a positive effect on COGC attendance in the next term.

A general summary of each of the meetings, including attendance, is provided below.

**April 11, 2019 Meeting**

Two members were excused: Noemi Barbadillo and Bonnie DeRose. A quorum of seven was present, including new commissioners Hannah Werth, Sarah Simmons, and Michelle Del Rosario. The meeting was chaired by Vice-Chair Courter because there had been no March 2019 meeting (due to a lack of quorum) to replace outgoing Chair Paul Kailiponi.

There was no public testimony.

Karla Peters, Director of Parks and Recreation, provided the Commission with a brief overview of the Department’s operations and budget, as well as three strategies (facility and preventative maintenance; long-range planning; and improved customer service, safety and outreach) the Department was implementing for Fiscal Year 2019.

The Commission authorized the County Auditor to issue a Request for Proposals from persons interested in serving as its Technical Writer, as the contract with its current writer, Shelley Pellegrino, was set to expire on June 30, 2019.

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**Investigation Update**

County’s Grant to the Maui Visitors Bureau: Commissioner Mattson gave a brief update on her continuing investigation of the County’s annual grant to the Maui Visitors Bureau (MVB), the only investigation being conducted by the Commission at that time. No action on the MVB inquiry was taken.

Vice-Chair Courter offered the Waiehu Golf Course and the shortage of County employee parking as potential new topics to discuss at the next meeting.

The Commission elected Sharron Courter as Chair and Paula Heiskell as Vice Chair for the Commission’s new term.

**May 9, 2019 Meeting**

Three members were excused: Bonnie DeRose, Paula Heiskell, and Barbara Mattson. Newly appointed member Michael Williams and the remaining members made up a quorum of six.

There was no public testimony.

The Commission received a presentation on the Sunshine Law from Deputy Corporation Counsel Gary Murai.

The Commission authorized the Chair and Vice Chair to serve on an Evaluation Committee as part of the Request for Proposal (RFP) process to select the Technical Writer.

**New Topics of Investigation**

The Commission approved the following new investigation topics:

1. The status of funding for Department of Water Supply capital improvement projects and how the Council-appropriated funds were spent or reallocated (Commissioners Del Rosario and Williams)

2. The County’s affordable housing plan coupled with enforcement of short-term rental laws (Commissioners Williams and Barbadillo)

3. The costs of homelessness in Maui County and how it has changed over the last five years (Chair Courter and Commissioner Werth)
June 13, 2019 Meeting

Three members were excused: Noemi Barbadillo, Bonnie DeRose, and Michael Williams. There was a quorum of six.

There was no public testimony.

The County Auditor reported that his office was in the process of moving locations, and that he succeeded in getting a new half-time support position for the Commission approved in the County budget for FY 2020, but that the recruitment process would take some time.

Investigation Update

County’s Grant to the Maui Visitors Bureau: Commissioner Mattson made a PowerPoint presentation on her ongoing investigation of the County’s grant to the MVB.

Technical Writer Shelley Pellegrino presented a draft annual report (in the form of a letter, under the advice of Corporation Counsel) for the prior term. The Commission approved it and directed that it be transmitted to the Mayor, Auditor, and County Council.

July 11, 2019 Meeting

The July meeting was cancelled by Chair Courter. She decided not to post an agenda due to various reasons, including lack of a contract with a Technical Writer, the status of the MVB report, and the Office of the County Auditor’s transition into new office space.

August 8, 2019 Meeting

Two members were excused: Barbara Mattson and Hannah Werth. A quorum of six was present. There was one vacancy.

There was no public testimony.

Chair Courter reported that there were two applicants for the Technical Writer position. She and Vice-Chair Heiskell met with County Auditor Lance Taguchi, and each of them graded the applicants separately. Ms. Pellegrino was selected for the position, and her contract began on August 1, 2019.
Investigation Update

County’s Grant to the Maui Visitors Bureau: The Commission discussed the status of Commissioner Mattson’s investigation of the Maui Visitors Bureau. It was agreed that Commissioner Del Rosario would assist Commissioner Mattson with finishing the report.

New Investigations Formalized

The Commission unanimously formally authorized four investigations, including three Temporary Investigative Groups (TIGs):

1. A TIG consisting of Commissioners Williams and Barbadillo to investigate the County’s enforcement of short-term rental laws.

2. A TIG consisting of Commissioners Williams and Del Rosario with the following objectives:
   a. identify projects specified and funded by the County Council, but not implemented by the Department of Water Supply; and
   b. evaluate the Department of Water Supply’s Countywide five-year capital improvement plan.

3. An investigation by Commissioner Simmons into information technology issues in the County.

4. A TIG consisting of Chair Courter, Vice-Chair Heiskell and Commissioner Barbadillo to investigate ways to reduce the cost to the County of fighting wildfires and the potential liability of private landowners.

September 12, 2019 Meeting

Three members were excused: Noemi Barbadillo, Michelle Del Rosario, and Barbara Mattson. A quorum of five was present, with one seat still vacant. Patrick O’Neal, newly appointed to that vacancy, attended the meeting, but did not participate because he was not yet sworn in.

There was no public testimony.

The Auditor reported that he had completed the relocation of his office.
Investigation Updates

1. County’s Grant to the Maui Visitors Bureau: discussion was deferred.

2. Short-Term Rental TIG: Commissioner Williams provided a preliminary investigation report, and the Commission authorized the TIG to move forward on its additional scope of investigation.

3. Department of Water Supply CIP Budget TIG: Commissioners Williams and Del Rosario planned to meet in the coming month to develop a proposed scope.

4. Information Technology: Commissioner Simmons reported on progress in her information gathering regarding the County’s IT usage.

5. Wildfire Costs and Responsibility of Private Landowners TIG: The Commission approved inviting the Fire Chief to make a presentation at the next meeting.

No new topics for investigation were proposed.

October 10, 2019 Meeting

Three members were excused: Sarah Simmons, Patrick O’Neal, and Hannah Werth. A quorum of six was present.

There was no public testimony.

Fire Chief David Thyne made a presentation on the County’s efforts to prevent and suppress wildfires, as well as efforts to recoup its costs.

The Commission deferred discussion of all other active investigations.

No new topics for investigation were proposed or discussed.

November 14, 2019 Meeting

The meeting was cancelled less than two hours before it was to start for lack of a quorum. Commissioners Barbadillo, Heiskell, and Simmons had been excused, and Chair Courter had a family medical emergency the morning of the meeting. With one vacancy, there were only four commissioners remaining.
December 12, 2020 Meeting

One member was excused: Noe Barbadillo. A quorum of seven members was present.

Vice-Chair Heiskell announced that Chair Courter had resigned, and the Commission elected Michael Williams as the new Chair.

Paula Heiskell stepped down as Vice-Chair, and Sarah Simmons was elected the new Vice Chair.

There was no public testimony.

The Commission reviewed and approved its proposed budget for Fiscal Year 2021, which included the cost of the technical writer, funds for ferry and airfare transportation for the Lana‘i and Moloka‘i commissioners, per diem mileage for all commissioners, office supplies, and miscellaneous expenses. The Commission also authorized the proposed budget to include funding for airfare, transportation, and training for commissioners. The total budget figure remained unchanged from Fiscal Year 2020.

Investigation Updates

1. County’s Grant to the Maui Visitors Bureau: Discussion centered on communication with the Office of Economic Development and led to the discussion (see below) regarding Commission communication procedures.

2. Short-Term Rental TIG: Commissioner Williams indicated that the TIG’s investigation was moving along.

3. Department of Water Supply CIP Budget TIG: Commissioner Del Rosario indicated she and Commissioner Williams were considering expanding the scope to include other departments.

4. Information Technology: Commissioner Simmons reported that she had spoken with Jacob Verkerke from the Information Technology Division and that he was interested in appearing before the Commission in early 2020.

5. Wildfire Costs and Responsibility of Private Landowners TIG: Discussion was deferred to the next meeting.
No new topics for investigation were proposed or discussed.

The Commission engaged in a lengthy discussion about how and when to send official letters in aid of an authorized investigation. The Commission appointed Vice-Chair Simmons and Commissioner Werth to draft communication guidelines to present at a future meeting.

**January 9, 2020 Meeting**

This meeting was cancelled due to lack of a quorum. Commissioners Noemi Barbadillo, Michelle Del Rosario, Barbara Mattson, and Sarah Simmons were excused, leaving only four commissioners who could attend (with one vacancy).

Chair Williams decided to reschedule the meeting for January 16, and after polling the commissioners, six (of the eight) indicated they would be available, so a notice and agenda were posted. After posting, a third commissioner indicated she would not be able to attend.

**January 16, 2020 Meeting**

At the scheduled start of the meeting, only the Chair and three other commissioners were present, so no quorum was reached, and the meeting was cancelled. Commissioners Noemi Barbadillo, Barbara Mattson, Sarah Simmons, and Paula Heiskell did not attend.

**February 20, 2020 Meeting**

All nine commissioners were present, including newly appointed Lu Ann Lankford-Faborito from Moloka‘i.

There was no public testimony.

County Auditor Lance Taguchi distributed a copy of a January 29, 2020 paper by James Mak and Robert D. Ebel entitled, “Charting a New Fiscal Course for Hawai‘i: Fiscal Architecture Approach.” He underscored the import of the fiscal issues (including climate change, housing, and unfunded liabilities) that the State, County, and Federal governments will face in the coming years. Mr. Taguchi stated that it would be good for commissioners to be aware of and understand the issues identified in the report so they can better inform not only themselves, but the public whom they serve.
The Commission discussed the draft communication guidelines for conducting investigations, and a few changes were recommended. The drafting committee was instructed to present a revised draft at the next meeting.

Investigation Updates

1. County’s Grant to the Maui Visitors Bureau: Commissioner Mattson presented a draft of her report and the commissioners discussed it at length. The Commission approved having Chair Williams and Ms. Pellegrino assist Commissioner Mattson with finalizing the report for the March meeting.

2. Short-Term Rental TIG: Commissioner Williams indicated that he hoped to have a draft report available in March.

3. Department of Water Supply CIP Budget TIG: Commissioner Del Rosario and Chair Williams presented a draft description of the scope and parameters of their TIG investigating the capital budgets of Department of Water Supply, and expanded the scope to include the Department of Environmental Management. The Commission voted unanimously to approve the new expanded scope and to add Commissioner O’Neil to the TIG.

4. Information Technology: Discussion was deferred to the next meeting.

5. Wildfire Costs and Responsibility of Private Landowners TIG: The Commission approved adding Commissioner O’Neil to the TIG.

New Investigations

- Private Financing of Wailuku Parking Garage Via Opportunity Zones: The Commission voted unanimously to authorize Chair Williams to investigate why the County was seeking to fund the proposed Wailuku Parking Garage with its own money instead of using private capital that could take advantage of the new Opportunity Zone tax incentives.

March 12, 2020 Meeting

Because of the new concern over spread of the coronavirus, Chair Williams, after consulting with the Mayor’s support staff, decided to cancel this meeting.
April 9, 2020 Meeting

This meeting was held using the BlueJeans video conferencing platform.

Commissioner Werth was excused. Eight commissioners attended.

There was extensive live public testimony, lasting about two hours, and some written testimony, all on the subject of the proposed report on the County’s grant to the Maui Visitors Bureau (MVB). The draft report and all the other documents sent to the Commissioners for this meeting, including all written testimony received before the start of the meeting, were posted in a Dropbox accessible to the public.

The County Auditor stated that he previously recommended to Chair Williams that the Commission meeting be cancelled because he was not sure whether the meeting complied with the current Sunshine Law. He added that he thought cancelling the meeting was the best course of action to protect the Commission and its members.

Deputy Corporation Counsel Stephanie Chen also stated that she had expressed her concern about the meeting taking place because she learned of the meeting on the day the agenda was to be posted and did not have sufficient time to provide legal guidance to the Commission given her other responsibilities in assisting with the COVID-19 emergency. Nonetheless, Ms. Chen noted that the meeting was being conducted via BlueJeans videoconference, the public had access to the meeting, and public testimony had been accepted, which was in accordance with the Sunshine Law and the Governor’s Emergency Proclamation. She added that the Commission also seemed to address the issue of making the board packet available, by posting the material on Dropbox. She recommended that if the Commission planned to continue holding meetings (during the COVID-19 emergency), every effort be made to comply with the Sunshine Law and other applicable laws.

Chair Williams explained that he decided to hold the meeting despite the reservations that were raised because it was important to finish the MVB report in time for the County Council’s Economic Development and Budget Committee to consider during its imminent deliberations on the County’s grant to the MVB, because the report had been two years in the making, and because by using BlueJeans and a public Dropbox site, the meeting was fully in compliance with the Sunshine Law.

The Commission voted 5-2 to approve the report, as amended, on the County’s grant to the Maui Visitors Bureau. Two commissioners were excused (Commissioner
Werth and Commissioner Barbadillo, who had to leave the meeting before the vote was taken).

The Commission deferred discussion of the other investigations due to the pandemic disruptions of County operations.

The Commission re-elected Michael Williams as Chair and elected Michelle Del Rosario as Vice Chair for the new Commission term (April 1, 2020 – March 31, 2021).

No new investigation topics were proposed.

IV. REPORT ON THE COUNTY GRANT TO THE MAUI VISITORS BUREAU

The “Cost of Government Commission Report on the County of Maui’s Grant to the Maui Visitors Bureau” was the only report issued by the Commission during its 2019 – 2020 term (extended to April 9 due to the pandemic interference with normal business). The Commission’s release of the report concluded a two-and-a-half-year investigation. A recap of the Commission’s findings and recommendations is set forth below and a copy of the report is attached as Exhibit B.

Findings

- The Hawai‘i State Legislature awards $79 million in Transient Accommodations Tax (TAT) money annually to market the entire State of Hawai‘i to visitors worldwide.
- The Hawai‘i Tourism Authority awards more than $29 million to the Hawai‘i Visitor and Convention Bureau’s island visitors bureaus, with more than $7 million of that annually going to support Maui County’s visitor industry and community events.
- Coupled with over $44 million in marketing dollars spent in Maui County by the visitor industry (e.g., large resorts and hotels, tour companies, airlines, activities, sporting events), there is more than enough money spent on marketing Maui as a destination.
- There is no clear connection between Maui County’s grant to MVB and additional visitor arrivals or visitor spending. Despite a reduction in MVB’s grant from $4 million to $3 million in Fiscal Year 2020, visitor numbers and spending increased. Visitors and visitor spending are multi-contextual and thus depend upon many different factors in the economy.
• Hawai‘i Island and Kaua‘i County granted only $325,000 and $215,000 respectively to their visitors’ bureaus in Fiscal Year 2018. The City and County of Honolulu granted $0.

• Maui County’s $975 return on investment per MVB grant dollar awarded is significantly lower than that of neighbor island counties ($5,662 and $7,209 respectively for Hawai‘i Island and Kaua‘i).

• The Maui Visitors Bureau will not cease to operate, even with a reduction in Maui County grant funds. MVB will still receive its share of HTA funds just as the other island visitor bureaus do and they will continue to market the uniqueness of Maui County just as the other island visitor bureaus do with their counties.

• Given the current COVID-19 pandemic, with visitor arrivals at a standstill and a shifting of priorities to ensure the health and welfare of Maui County’s residents in the near term, TAT funds should be used to assist our residents and local businesses through this tenuous situation so they may once again thrive and be ready to receive visitors.

**Recommendation**

The Cost of Government Commission recommended that the County reduce its grant to the Maui Visitors Bureau to $0 for Fiscal Year 2021. The Commission also recommended that future County grants to the Maui Visitors Bureau be limited to between $0 and $500,000.

**Response to Report**

The Commission transmitted its report to the County Auditor, Mayor Victorino, and the County Council. The Council’s Economic Development and Budget Committee considered the Commission’s report in its budget deliberations and recommended reducing the County’s grant to the Maui Visitors Bureau to $1.5 million for Fiscal Year 2021. The Committee’s recommendation is now before the full Council.

**V. CONTINUING INVESTIGATIONS**

The Commission will now turn its focus to the investigations started over the past year, including (1) short-term rentals; (2) Departments of Water Supply and Environmental Management capital improvement project budgets; (3) information technology; (4) wildfire costs and cost recovery efforts; and (5) private funding of the Wailuku parking garage.
The Commission continues to welcome suggestions from the Mayor, County Council, and general public on issues of County economy and efficiency that the Commission might consider reviewing. The Commission encourages the Mayor and the Maui County Council to implement policies that will continue to give taxpayers the best value for their money. Best management practices are strongly recommended to increase systemic efficiencies while reducing uneconomical or wasteful expenditures. The Mayor and the Maui County Council should collaborate to improve government processes, increase efficient implementation of these processes and policies, and balance spending against the efficiency of the provided service.

VI. ACKNOWLEDGMENTS

The Commission would like to thank Mayor Michael Victorino, as well as the members of the Maui County Council, who have continued to support and consider the Commission’s work.

The Commission also thanks First Deputy Corporation Counsel Edward Kushi and Department of the Corporation Counsel deputy attorneys Gary Murai, Jerrie Sheppard, and Stephanie Chen for their guidance, advice, and assistance in ensuring that the Commission is adhering to all legal matters correctly and efficiently.

The Commission would like to thank Gladys Baisa, Community Liaison for the Office of the Mayor and the Ex-Officio Member of the Commission. Her time, attention, and assistance in communicating our concerns and questions to the Mayor are greatly appreciated.

The Commission would also like to thank Darlene Endrina, Community Liaison, Office of the Mayor, who attends most meetings as an additional observer for the Mayor.

Finally, the Commission would like to thank the Office of the County Auditor and Shelley Pellegrino, Technical Writer to the Commission, for their professionalism and support.
LIST OF EXHIBITS

Exhibit A  Ordinance No. 5070, amending Chapter 2.41, Maui County Code, Relating to Attendance at Board, Commission, and Committee Meetings by Appointed Members (March 20, 2020)

Exhibit B  Cost of Government Commission, “Report on County of Maui Grant to the Maui Visitors Bureau” (April 2020)
Exhibit A

Ordinance No. 5070, amending Chapter 2.41, Maui County Code, Relating to Attendance at Board, Commission, and Committee Meetings by Appointed Members (March 20, 2020)
A BILL FOR AN ORDINANCE AMENDING CHAPTER 2.41, MAUI COUNTY CODE, RELATING TO ATTENDANCE AT BOARD, COMMISSION, AND COMMITTEE MEETINGS BY APPOINTED MEMBERS

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

SECTION 1. Chapter 2.41, Maui County Code, is amended by adding a new section to be appropriately designated and to read as follows:

"2.41.090 Attendance at board, commission, and committee meetings by appointed members. A. It is vital to the proper function of County government that duly appointed members of all boards, commissions, and committees fully and faithfully serve and attend all duly noticed, regularly scheduled meetings of their respective boards, commissions, and committees.

B. It is the responsibility of departmental staff assigned to a respective board, commission, or committee to record and document the attendance of members at every duly noticed, regularly scheduled meeting.

C. Attendance of each member will be recorded and documented at every board, commission, or committee meeting as either present, absent or unexcused, or excused.

D. If a member is unable to attend a meeting of a board, committee, or commission of which they are a member, the member must notify the chairperson and departmental staff of the member's non-attendance, including the reason for the non-attendance, at least forty-eight hours prior to the start of the meeting. Except in cases of an emergency, failure of a member to provide the requisite notice within the time period specified will result in the member's non-attendance to be recorded and documented as unexcused or absent. In all other instances, it is the responsibility of the chairperson to determine whether a member's non-attendance is excused.

E. In a six-month period, once a board, commission, or committee record reflects a member's non-attendance of 50 percent or more meetings, or absences of at least 25 percent of meetings, within thirty days of the member's last excused or unexcused absence, the chairperson of the board, commission, or committee must send a letter to the mayor, with a copy to the council, informing of the member's attendance record."
F. If any board, commission, or committee chairperson fails to submit the letter to the mayor as set forth in subsection E, departmental staff will submit the letter on the board, commission, or committee’s behalf.

G. If the absence of members create a lack of quorum for a posted meeting, the absence will be counted as unexcused for those members even if that meeting was not held."

SECTION 2. This ordinance will take effect on approval.

APPROVED AS TO FORM AND LEGALITY:

EDWARD S. KUSHI, JR.
Department of the Corporation Counsel
County of Maui
WE HEREBY CERTIFY that the foregoing BILL NO. 39 (2020)

1. Passed FINAL READING at the meeting of the Council of the County of Maui, State of Hawaii, held on the 13th day of March, 2020, by the following vote:

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<th>Alice L. LEE</th>
<th>Keani N. W. RAWLINGS-FERNANDEZ</th>
<th>G. Riki HOKAMA</th>
<th>Natalie A. KAMA</th>
<th>Kelly T. KING</th>
<th>Michael J. MOLINA</th>
<th>Tamara A. M. PALTIN</th>
<th>Shane M. SINENCI</th>
<th>Yuki Lei K. SUGIMURA</th>
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2. Was transmitted to the Mayor of the County of Maui, State of Hawaii, on the 16th day of March, 2020.

DATED AT WAILUKU, MAUI, HAWAII, this 16th day of March, 2020.

\[ALICE L. LEE, CHAIR\]

\[COUNCIL OF THE COUNTY OF MAUI\]


\[MICHAEL P. VICTORINO, MAYOR\]

\[COUNTY OF MAUI\]

I HEREBY CERTIFY that upon approval of the foregoing BILL by the Mayor of the County of Maui, the said BILL was designated as ORDINANCE NO. 5070 of the County of Maui, State of Hawaii.

\[KATHY L. KAOHU, COUNTY CLERK\]

\[COUNTY OF MAUI\]

Passed First Reading on February 21, 2020
Effective date of Ordinance March 16, 2020

I HEREBY CERTIFY that the foregoing is a true and correct copy of Ordinance No. 5070, the original of which is on file in the Office of the County Clerk, County of Maui, State of Hawaii.

Dated at Wailuku, Hawaii, on
Exhibit B

Cost of Government Commission,
“Report on County of Maui Grant to the Maui Visitors Bureau” (April 2020)
The Commission shall have the power and duty to:
Study and investigate the organizations and methods of operations of all departments, commissions, boards, offices, and other instrumentality of all branches of the county government and determine what changes, if any, may be desirable to accomplish the policy set forth herein.¹

COMMISSIONERS

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Barbara Mattson, Member
Patrick O’Neil, Member
Sarah Simmons, Member
Hannah Werth, Member

¹ Charter, County of Maui, Section 3-9.3 (2019)
INTRODUCTION

The Cost of Government Commission (Commission) is tasked with studying and investigating “the organizations and methods of operations of all departments, commissions, boards, offices, and other instrumentality of all branches of the county government” as it strives to support the County’s policy to “promote economy, efficiency and improved service in the transaction of the public business.”¹ The Commission carried out a two-year review of the County’s $4 million line-item grant (reduced to $3 million in Fiscal Year 2020) to the Maui Visitors Bureau (MVB). The MVB grant is administered by the Maui County Office of Economic Development (OED), and is reviewed annually by the County Council during its budget deliberations, with Council members having the final decision on the amount awarded. It has been a County Budget line-item grant since the early ’90s, and over the past 30 years, the MVB grant award increased incrementally to $4 million. In Fiscal Year 2020, the County Council reduced MVB’s grant to $3 million. Mayor Victorino recently released his proposed budget and recommended that MVB receive $3.5 million in Fiscal Year 2021. The Mayor has also proposed $200,000 for visitor education.

BACKGROUND

During the course of its two-year investigation, the Commission reviewed the three most recent MVB annual grant applications and reports, transaction detail reports (by account), University of Hawai’i Economic Research Organization (UHERO) working papers, and reports by the Hawaii Tourism Authority (HTA) and the Department of Business, Economic Development, and Tourism. The Commission also conducted phone interviews with representatives from the Counties of Kaua’i, Hawai’i, and the City and County of Honolulu who were familiar with grant funding for their respective visitor bureaus. MVB Executive Director Sherry Duong and former OED Director Teena Rasmussen also appeared before the Commission to provide an overview of the grant and MVB’s work. Current OED Director Kay Fukumoto has provided timely responses to the Commission’s many questions and requests for information.²

¹ Charter, County of Maui, Sections 3-9.3(1), 3-9 (2019).
² The Commission reviewed many facets of the MVB grant over the course of its investigation, including reviewing advertising expenditures, analyzing marketing tools, and evaluating oversight of companies contracted by MVB. Excel reports were generated. In the end, the Commission decided that it is not equipped to attempt to micromanage the MVB. Instead, the Commission deemed it more prudent to simply look at the big picture — as reviewed in this report.
At its February 20, 2020 meeting, the Commission reviewed its first set of draft recommendations related to the grant. Following the meeting, Terryl Vencl, Office of the Mayor Community Liaison for Tourism, contacted Commission Chair Michael Williams to request an opportunity to discuss the recommendations with representatives from the MVB and Hawai‘i Visitors and Convention Bureau (HVCB). On March 6, 2020, Chair Williams and the Commission’s Technical Writer, Shelley Pellegrino, met with the following individuals:

- John Monahan, President and Chief Executive Officer, HVCB
- Tom Mullen, Senior Vice President and Chief Operations Officer, HVCB
- Jay Talwar, Senior Vice President of Marketing, Chief Marketing Officer, HVCB
- Sherry Duong, Executive Director, MVB
- Kay Fukumoto, Director, Office of Economic Development
- Terryl Vencl, Community Liaison (Tourism), Office of the Mayor
- Gladys Baisa, COGC Ex-Officio Member, Office of the Mayor

The following insights and information were offered by MVB and HVCB representatives:

- All of the island visitor bureaus and their respective employees are connected to / employed by HVCB.
- HVCB is contracted by Hawai‘i Tourism Authority (HTA) to market the islands as a tourist destination for the U.S. leisure market, and also has a global contract to market the State for meetings and conventions.
- HVCB markets each island separately. There is no statewide brand.
- HVCB officials stated they are unable to produce an objective and verifiable method of the marginal effect of the Maui County grant on total visitors and spending.

**DISCUSSION**

**Transient Accommodations Tax (TAT) & Program Funding**

Maui County resorts, hotels, and its 11,000 condos that are legal transient accommodations generated over $180 million in Transient Accommodations Tax (TAT) in both 2018 and 2019, and yet Maui County received back just $23.4 million in TAT dollars from the State of Hawai‘i. Of that $23.4 million, Maui County grants $3–$4 million to the Maui Visitors Bureau.

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In 2018, the HTA received $82 million in TAT funds\(^5\) and, of that amount, the HTA distributed a total of $29,346,212 to the four island county visitor bureaus to highlight and promote each individual island’s uniqueness.\(^6\)

### HAWAII TOURISM AUTHORITY PROGRAM FUNDING BY ISLAND

<table>
<thead>
<tr>
<th>Island</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maui Visitors Bureau</td>
<td>$3,736,732</td>
</tr>
<tr>
<td>Molokaʻi Visitors Bureau</td>
<td>$934,183</td>
</tr>
<tr>
<td>Lanaʻi Visitors Bureau</td>
<td>$934,183</td>
</tr>
<tr>
<td>Community Enrichment Programs</td>
<td>$1,598,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,203,598</strong></td>
</tr>
<tr>
<td>Oʻahu Visitors Bureau</td>
<td>$3,736,732</td>
</tr>
<tr>
<td>Community Enrichment Programs</td>
<td>$5,489,895</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9,226,627</strong></td>
</tr>
<tr>
<td>Hawaii Island Visitors Bureau</td>
<td>$6,000,916</td>
</tr>
<tr>
<td>Community Enrichment Programs</td>
<td>$1,628,445</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,629,361</strong></td>
</tr>
<tr>
<td>Kauaʻi Visitors Bureau</td>
<td>$4,725,916</td>
</tr>
<tr>
<td>Community Enrichment Programs</td>
<td>$560,710</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,286,626</strong></td>
</tr>
</tbody>
</table>

#### Return on Investment Per Grant Dollar Awarded

The Commission also reviewed the return on investment per grant dollar awarded. Maui County awards its visitors bureau more than ten times what neighbor island counties award to their visitors bureaus. In Fiscal Year 2018, Maui County awarded $4 million, Hawaiʻi County awarded $325,000, Kauaʻi County awarded $215,000, and the City and County of Honolulu awarded $0.\(^7\)

To determine the return on investment per grant dollar awarded, the Commission divided the total visitor spending by the total grant amount awarded for the fiscal year. The table below sets forth the revenue per grant dollar by county in Fiscal Year 2018.

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\(^6\) See Hawaiʻi Tourism Authority, 2018 Annual Report to the Hawaiʻi State Legislature, pp. 20–23.
\(^7\) Phone conversation on 7/2/19 with Nalani Brun, Program Administrative Officer, Office of Economic Development Program Administrative Officer, County of Kauaʻi (July 2, 2019), Diane Ley, Director, Department of Research and Development, County of Hawaiʻi (July 5, 2019), and Yazmyn Rodriquez, Secretary, Office of Economic Development, City and County of Honolulu (July 8, 2019).
RETURN ON INVESTMENT PER GRANT DOLLAR AWARDED (FISCAL YEAR 2018)

<table>
<thead>
<tr>
<th>COUNTY</th>
<th>GRANT AWARD</th>
<th>NUMBER OF VISITORS</th>
<th>VISITOR SPENDING</th>
<th>REVENUE PER GRANT DOLLAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maui</td>
<td>$4,000,000</td>
<td>2.2 million</td>
<td>$3.9 billion</td>
<td>$975</td>
</tr>
<tr>
<td>Hawaiʻi</td>
<td>$325,000</td>
<td>1.3 million</td>
<td>$1.84 billion</td>
<td>$5,662</td>
</tr>
<tr>
<td>Kauaʻi</td>
<td>$215,000</td>
<td>1.1 million</td>
<td>$1.55 billion</td>
<td>$7,209</td>
</tr>
<tr>
<td>City and County of Honolulu</td>
<td>$0</td>
<td>4.5 million</td>
<td>$6.21 billion</td>
<td>NA</td>
</tr>
</tbody>
</table>

If one were to add in the marketing expenditures of large hotels and resorts — $43.5 million\(^8\) — to the Maui Visitor Bureau grant of $3–4 million, the return on investment is further reduced to $84.87 per dollar spent on marketing. Additionally, if the $7.2 million HTA allocates to MVB to promote Maui,\(^9\) as well as all the other marketing dollars expended by other entities in the tourism industry (e.g., airlines, tour companies, travel sites, cruise lines, activities, sports and cultural events), were figured in, the return on marketing investment would decline even further.

Questions to Consider

During the Commission’s investigation, questions emerged. First, is it prudent, efficient, or necessary for Maui County to grant $3–$4 million of its $23.4 million TAT dollars to the Maui Visitors Bureau, particularly when the HTA already allocates more than $7 million to Maui County for tourism promotion? Second, does the County’s return on investment per grant dollar justify the $3–$4 million grant award? Based on the information set forth above, the Commission asserts that the answer to both questions is no.

But could Maui County reduce its grant award to zero — as Oʻahu does — and still realize as many visitor dollars spent in the islands? In Fiscal Year 2020, Maui County reduced MVB’s grant by $1 million (from $4 million to $3 million). Did Maui County see less spending or fewer visitors? No. In fact, in January 2020 (compared to the year prior), visitor spending on Maui increased by 7.7% to $510.7 million, boosted by a 3.6% increase in visitor arrivals to 242,472 and an increase of 6.3% in daily spending.\(^10\) There is no correlation between what Maui County grants to MVB and the number of visitors or

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\(^8\) Maui Visitors Bureau Grant Application Packet, FY2020, p. 33.


spending by them. It provides no evidence to support MVB’s claimed beneficial effect from receiving Maui County’s extra grant dollars.

Effects of COVID-19

The Commission’s two-year investigation of MVB grant took place during a continued time of growth in Maui County tourism. That growth came to a grinding halt last month with the unprecedented change and uncertainty caused by the COVID-19 pandemic. With the slowdown in the economy and near zero visitor arrivals, Maui County faces new and pressing priorities to ensure that its residents remain safe, healthy, housed, and fed. This is also an opportunity for Maui County to decide how it will welcome visitors once again. Balance is key to managing both. Maui County’s resources are limited and any TAT funds it receives in the near term will be needed to assist our residents and local businesses to get back on their feet. It also is an opportune time to investigate other sustainable options to maintain our island economies, should another catastrophic event occur in the future.

Recapping the Facts:

- The Hawaiʻi State Legislature awards $79 million in TAT money annually to market the entire State of Hawaiʻi to visitors worldwide.
- The Hawaiʻi Tourism Authority awards more than $29 million to HVCB’s island visitors bureaus, with more than $7 million of that annually going to support Maui County’s visitor industry and community events.
- Coupled with over $44 million in marketing dollars spent in Maui County by the visitor industry (e.g., large resorts and hotels, tour companies, airlines, activities, sporting events), there is more than enough money spent on marketing Maui as a destination.
- There is no clear connection between Maui County’s grant to MVB and additional visitor arrivals or visitor spending. Despite a reduction in MVB’s grant from $4 million to $3 million in Fiscal Year 2020, visitor numbers and spending increased. Visitors and visitor spending are multi-contextual and thus depend upon many different factors in the economy.
- Hawaiʻi Island and Kauaʻi County granted only $325,000 and $215,000 respectively to their visitors’ bureaus in Fiscal Year 2018. The City and County of Honolulu granted $0.
- Maui County’s $975 return on investment per MVB grant dollar awarded is significantly lower than that of neighbor island counties ($5,662 and $7,209 respectively for Hawaiʻi Island and Kauaʻi).
- The Maui Visitors Bureau will not cease to operate, even with a reduction in Maui County grant funds. MVB will still receive its share of HTA funds just as the other
island visitor bureaus do and they will continue to market the uniqueness of Maui County just as the other island visitor bureaus do with their counties.

- Given the current COVID-19 pandemic, with visitor arrivals at a standstill and a shifting of priorities to ensure the health and welfare of Maui County’s residents in the near term, TAT funds should be used to assist our residents and local businesses through this tenuous situation so they may once again thrive and be ready to receive visitors.

RECOMMENDATION

Based on the findings set forth above, the Cost of Government Commission recommends that the County reduce its grant to the Maui Visitors Bureau to $0 for Fiscal Year 2021. The Commission also recommends that future County grants to the Maui Visitors Bureau be limited to between $0 and $500,000.

ACKNOWLEDGMENTS

The Commission would like to thank the members of the Arakawa and Victorino Administrations, as well as the members of the Maui County Council, who have continued to support and consider the Commission’s work.

The Commission also thanks First Deputy the Corporation Counsel Edward Kushi and Department of the Corporation Counsel attorneys Gary Murai, Jerrie Sheppard, and Stephanie Chen for their guidance, advice, and assistance in ensuring that the Commission is adhering to all legal matters correctly and efficiently.

The Commission would like John Buck, Mike Molina, and Gladys Baisa, who have served as Ex-Officio Members of the Commission. Their time, attention, and assistance in communicating our concerns and questions to the Mayor are greatly appreciated.

The Commission would like to thank Commissioner Barbara Mattson, whose work has been central to this report. She exemplifies public service and care for our community.

Finally, the Commission would like to thank the Office of the County Auditor and Shelley Pellegrino, Technical Writer to the Commission, for their professionalism and support.

Respectfully Submitted:

MICHAEL WILLIAMS, CHAIR

DATE: April 9, 2020