

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
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KIRK CALDWELL
MAYOR

NELSON H. KOYANAGI, JR.
ACTING DIRECTOR

GARY T. KUOKAWA
DEPUTY DIRECTOR

March 11, 2013

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2013 MAR 11 AM 8:45

The Honorable Ann H. Kobayashi, Chair
and Members of the Budget Committee
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Kobayashi and Committee Members:

SUBJECT: Budget Communication No. 2 – Administrative Overview

Enclosed is the information requested in the Administrative Overview section of Budget Communication Number 2. Please note that the information requested in question 10 on page 2 is included in the Update of User Fees and Charges report and in the Departmental Revenue Summary in the Executive Program and Budget Volume I.

Should you have any questions regarding this information, please contact me at 768-3901.

Sincerely,


Nelson H. Koyanagi, Jr.
Acting Director

NHK/CK:ly

Enclosures

APPROVED:



Ember Lee Shinn
Managing Director Designate

DEPT. COM. 125

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**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL
MAYOR

EMBER LEE SHINN
MANAGING DIRECTOR DESIGNATE

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

February 11, 2013

MEMORANDUM

TO: All Departmental Directors
(Excluding the Board of Water Supply)

FROM: Ember Lee Shinn, Managing Director Designate
Office of the Mayor

SUBJECT: Budget Communication No. 2
Fiscal Year (FY) 2014 Departmental Budget Briefing Procedures & Schedule

The attached Budget Communication No. 2 from the City Council provides the Departmental Budget Briefing Schedule for the City Council's FY 2014 Budget Review.

Please note that this year's briefings, after the administrative overview, will be followed by each department making one presentation covering both its Capital Budget and Operating Budget. Each department's presentation of its Capital and Operating Budgets should be limited to 15 – 20 minutes and the remaining time reserved for committee members' questions and other testimony. Department officials scheduled for a particular morning or afternoon session should be represented in the Committee Meeting and prepared to make a presentation when called upon. Specific time assignments for each department have not been provided.

Project Review:

In view of the City's increasing debt burden, new capital projects should be justified as to: (1) why they are necessary (i.e. mandated, required or a Mayor's priority); and (2) why they must be implemented in this budget cycle. The requirement for justification includes projects that received planning and/or design funding in the past, but have not yet gone out to bid. Ongoing projects should be discussed in terms of their current status, projected completion date and amounts expended and encumbered to date versus amounts appropriated.

Very few projects appropriating funds for both pre-construction (i.e., land acquisition, planning, and design) and construction work phases within the same budget ordinance are implemented within the 12-month fiscal year. Therefore, please justify why projects proposing such multi-phase funding in a single fiscal year should be appropriated. Explain in detail how all proposed budgeted phases would be implemented in the same fiscal year.

Although not requested by the Committee on Budget, I am requesting that the Department of Design and Construction be represented throughout the relevant CIP reviews to provide information on the status of on-going projects and the basis for cost estimates. You will need to provide information regarding requested projects, implementation schedules, and on-going projects.

Operating Budget Review:

The Operating Budget Review presentations should be brief and focused on the departmental budget – not on general background or general policies of the department. Page 3 of the attached Budget Communication No. 2 explains the four items that need to be contained in the Operating Budget review presentations.

For item number 3 on the justification of vacant funded positions, use the position vacancy report (as of February 1, 2013) as a basis for explaining your vacancies and justifying your vacant funded positions.

The Budget and Fiscal Services staff will assist you in the preparation of your presentation. Please send a draft copy of your presentation to your Operating and/or Fiscal Analysts, the Director of Budget and Fiscal Services and Managing Director for review before it is finalized, no later than Wednesday, March 6, 2013. A copy of your final presentation should also be provided to the Department of Budget and Fiscal Services and Managing Director prior to submission to Council.

The BFS staff is available to meet with you during the week of March 4 to 8 to review your budget and prepare you for the briefing session. You will be contacted to schedule a minimum one hour session to review the process, your budget and your presentation. I will sit in as time permits.

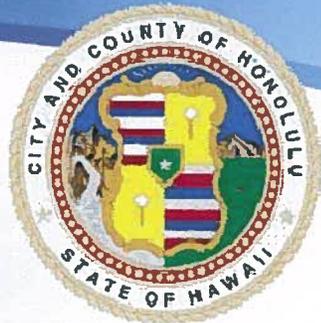
Please understand that the City Council's Annual Budget Review meetings are a priority for the Administration and that the department heads, deputies and administrative staff shall be available to present information on and respond to inquiries regarding the annual Capital Improvement Program (CIP) and Operating Budgets of the executive agencies.

Memo on Budget Communication No. 2
February 11, 2013
Page Three

Should you or your staff have any questions, please contact your assigned Fiscal Analyst for your CIP Budget, or your assigned Budget Analyst for your Operating Budget.

ELS/GK/dw

Attachment



City and County of Honolulu Fiscal Year 2014 Budget Communication #2

Nelson H. Koyanagi, Jr., Acting Director
Department of Budget and Fiscal Services

March 11, 2013

The Mayor's Executive Program and Budget Policies and Priorities

The FY 2014 Budget was prepared to meet the Administration's main policy initiatives:

- **Bus service restoration**
- **Road repaving, maintenance and preservation**
- **Parks improvements**
- **Sewer and infrastructure repair and maintenance**

The attached operating, capital, and revenue budget instructions reflect these policy initiatives.

Operating Budget Comparison by Source of Fund

	FY 2013	FY 2014	% Change
General Fund	1,037,533,901	1,110,947,904	7.08%
Highway Fund	102,630,929	110,393,797	7.56%
Sewer Fund	267,599,775	288,852,682	7.94%
Bus Transportation Fund	196,157,747	210,902,016	7.52%
Liquor Commission Fund	5,675,760	5,749,300	1.30%
Bikeway Fund	522,969	600,547	14.83%
Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund	4,384,919	4,528,702	3.28%
Special Events Fund	15,830,881	16,698,822	5.48%
Golf Fund	12,679,018	13,726,264	8.26%
Solid Waste Special Fund	207,938,675	202,730,977	-2.50%
Zoo Animal Purchase Fund	2,200	0	-100.00%
Hanauma Bay Nature Preserve Fund	4,882,444	4,956,114	1.51%
Rental Assistance Fund	233,000	5,233,000	2145.92%
Leasehold Conversion Fund	15,567	15,567	0.00%
Housing Development Special Fund	200,000	200,000	0.00%
Other Post-Employment Benefits	96,148	0	-100.00%
Grants in Aid Fund		5,544,851	new
Community Development Fund	1,611,071	2,470,203	53.33%
Housing and Community Development Rehabilitation Loan Fund	3,205,000	3,205,000	0.00%
Housing and Community Development, Section 8 Contract Fund	47,768,662	47,164,399	-1.26%
Federal Grants Fund	49,703,335	46,162,696	-7.12%
Special Projects Fund	5,539,346	8,904,091	60.74%
TOTAL	1,964,211,347	2,088,986,932	6.35%

Capital Improvement Program and Budget Comparison by Source of Fund

	<u>FY 2013</u>	<u>FY 2014</u>	<u>%</u>
Sewer Revenue Bond Improvement Fund	223,704,000	144,387,000	-35.46%
General Improvement Bond Fund	62,255,000	74,631,000	19.88%
Highway Improvement Bond Fund	135,953,000	197,807,000	45.50%
Solid Waste Improvement Bond Fund	24,306,000	7,182,000	-70.45%
Sewer Fund	72,958,069	70,578,942	-3.26%
Parks and Playground Fund	629,000	1,361,352	116.43%
State Funds	4,000,000	2,000,000	-50.00%
Affordable Housing Fund	7,600,000	4,600,000	-39.47%
Bus Transportation Fund	3,042,000	1,065,800	-64.96%
Clean Water and Natural Lands Fund	5,828,250	12,000,000	105.89%
Golf Fund	505,000	555,000	9.90%
Special Events Fund	195,000	255,000	30.77%
Bikeway Fund	342,000	334,000	-2.34%
Highway Fund	6,684,000	5,369,000	-19.67%
Solid Waste Special Fund	20,000,000	15,403,602	-22.98%
General Fund	200,000	4,872,900	2336.45%
Housing Development Special Fund		605,000	n/a
Developers Share	165,000	-	-100.00%
Hanauma Bay Nature Preserve Fund		1,087,000	n/a
Ewa Highway Impact Fee	2,200,000		-100.00%
Federal Grants Fund	41,471,624	37,853,023	-8.73%
Community Development Fund	7,954,097	40,585,154	410.24%
Utilities Share	100,000	100,000	0.00%
TOTAL	620,092,040	622,632,773	0.41%
Budget Communication #2, Question 2			

Operating Budget Comparison by Function

	FY 2013	FY 2014	%
General Government	170,073,669	191,108,011	12.37%
Public Safety	358,049,992	378,557,412	5.73%
Highways and Streets	20,552,487	27,058,265	31.65%
Sanitation	287,561,082	300,146,978	4.38%
Human Services	84,092,467	93,177,134	10.80%
Culture-Recreation	85,951,053	92,143,548	7.20%
Utilities or Other Enterprises	222,431,604	231,923,568	4.27%
Debt Service	375,902,000	414,768,000	10.34%
Miscellaneous	359,596,993	360,104,016	0.14%
TOTAL	1,964,211,347	2,088,986,932	6.35%

Capital Improvement Program and Budget Comparison by Function

	FY 2013	FY 2014	%
General Government	32,678,000	41,368,302	26.59%
Public Safety	46,491,000	42,577,000	-8.42%
Highways and Streets	124,428,000	177,316,000	42.50%
Sanitation	332,012,069	226,149,942	-31.89%
Human Services	19,043,721	48,595,177	155.18%
Culture - Recreation	34,565,250	43,110,352	24.72%
Utilities or Other Enterprises	30,874,000	43,516,000	40.95%
TOTAL	620,092,040	622,632,773	0.41%

New G.O. Bond Issuances, Retirements and Net Debt Issuance Projections

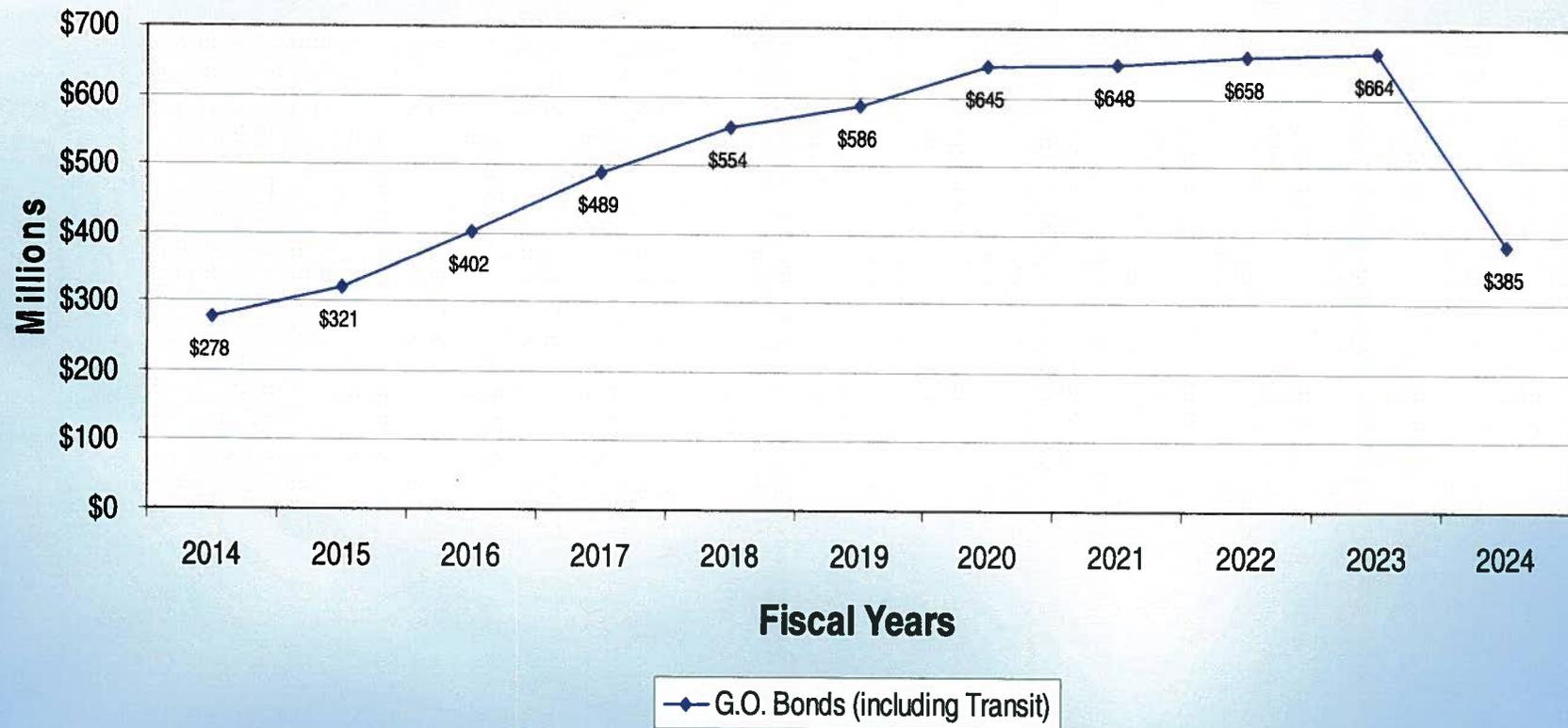
(In thousands)

Fiscal Year	<u>G.O. Issuance</u>	<u>Bond Retirement</u>	<u>Net Additional Debt</u>
2014	632,620	135,886	496,734
2015	653,898	167,734	486,164
2016	652,451	229,175	423,276
2017	527,058	298,786	228,272
2018	371,826	355,786	16,040
2019	310,766	383,041	(72,275)
2020	207,000	433,029	(226,029)
2021	200,000	431,457	(231,457)
2022	200,000	444,369	(244,369)
2023	200,000	453,305	(253,305)
2024	200,000	176,283	23,717

FY 2014 through 2020 G.O. issuance amounts include G.O. bonds for Transit/HART.

Bond Debt Service Projections (In millions)

G.O. Bonds (including Transit)

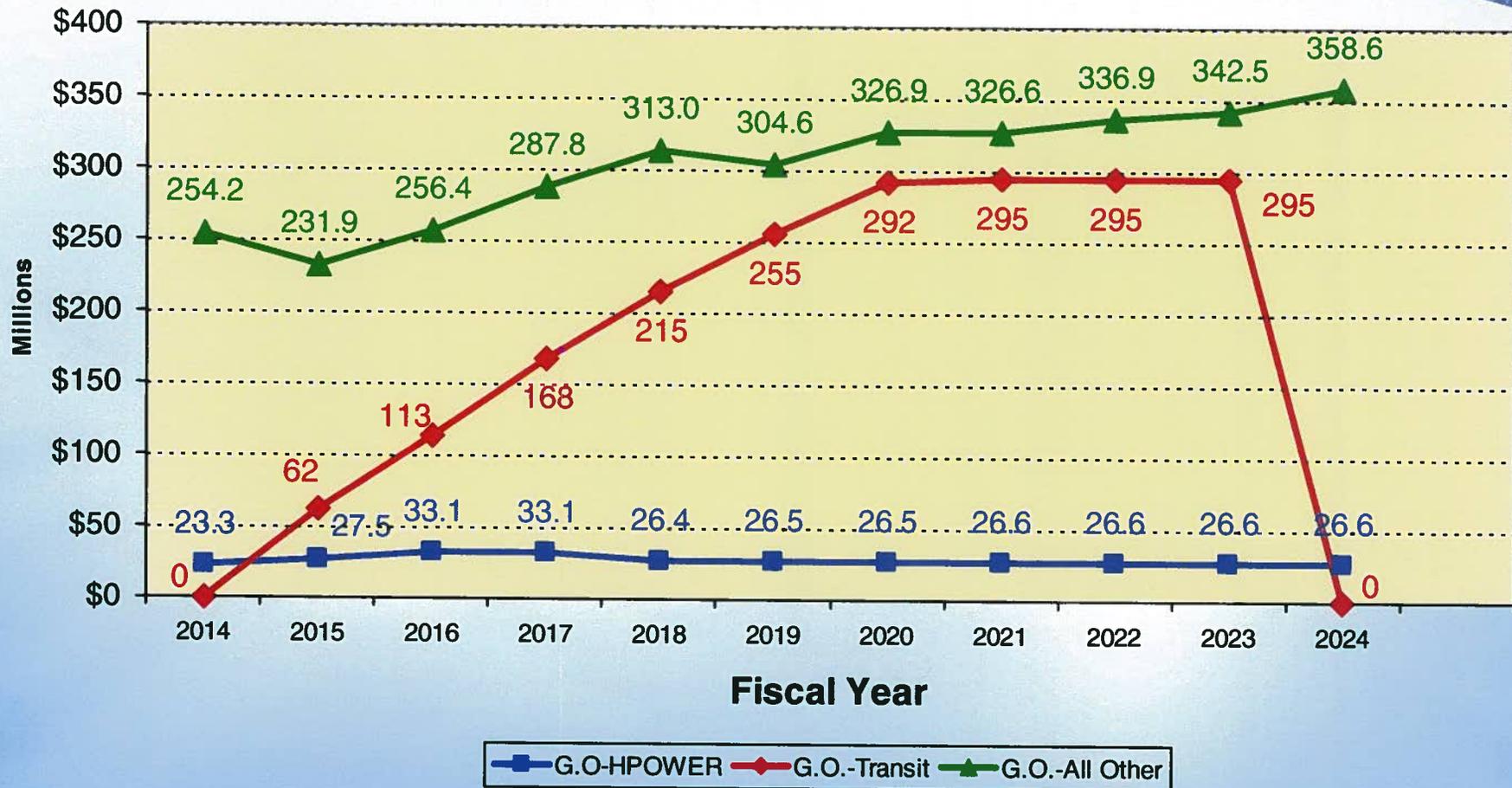


Assuming annual G.O. bond issue projection provided in Question 3.

Budget Communication #2, Question 4

G.O. Bond Debt Service Projections

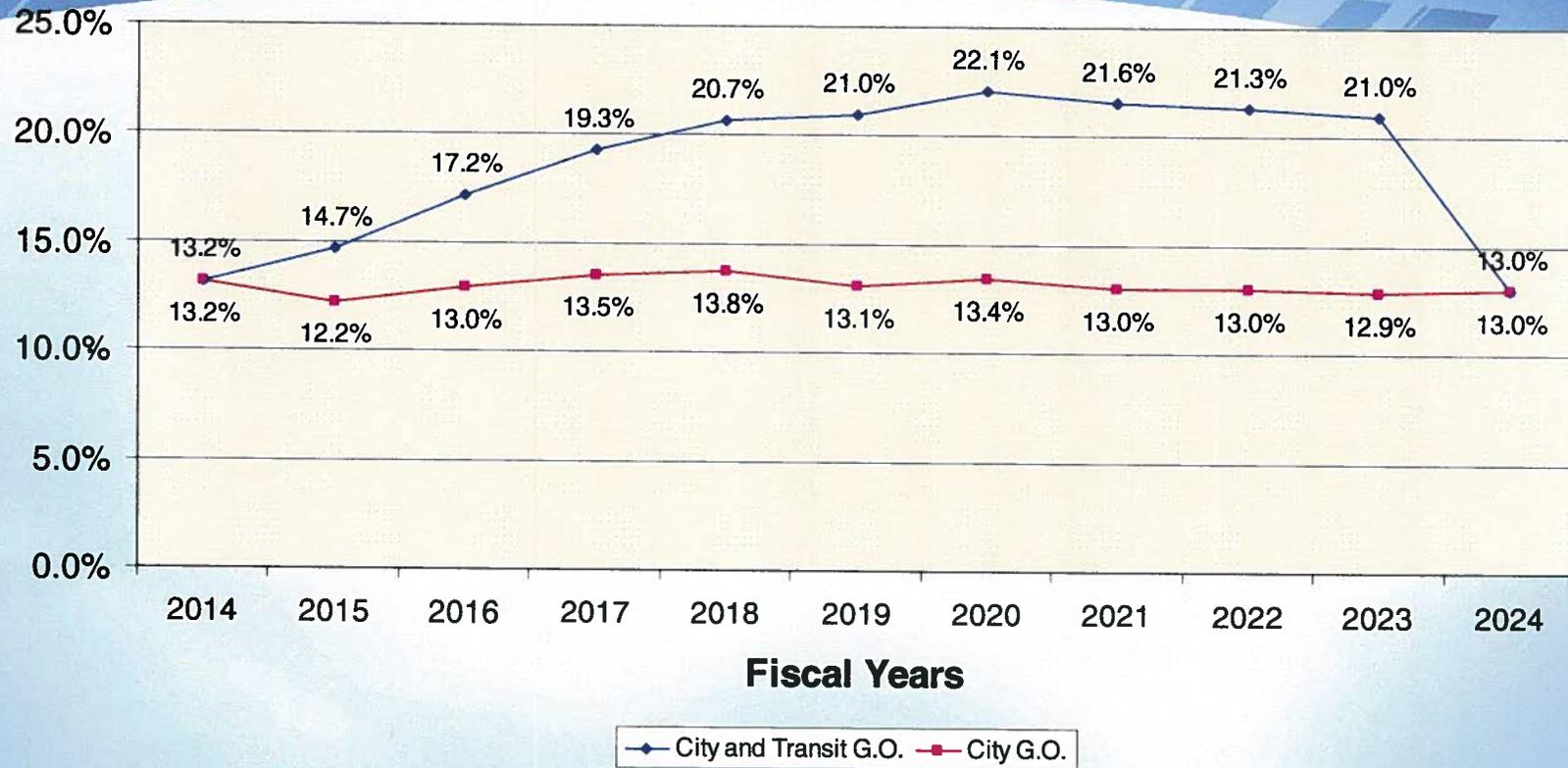
(In millions)



Assuming annual G.O. bond issue projection provided in Question 3.

Budget Communication #2, Question 4

G.O. Bond Debt Service as a Percentage of Operating Budget



Upper line is the percentage of total debt service to the City's operating revenues but Transit debt service is paid with Transit revenues per Ordinance 07-001.

Budget Communication #2, Question 4

City's Outstanding Debt

As of March 11, 2013

Gross Outstanding Debt	\$	5,014,354,484
Less Exclusions :		
G. O. for Sewer Projects		822,798
State Revolving Fund Payable		224,826,784
Wastewater Revenue Bonds		1,727,586,256
Water Supply Revenue Bonds		277,180,000
G. O. for Solid Waste Projects		166,298,905
G. O. for H-POWER Projects		367,560,000
G. O. for Housing Projects		63,225,685
Total Exclusions		<u>2,827,500,428</u>
Net Outstanding Debt	\$	<u>2,186,854,056</u>

There is no outstanding debt for HART at this time.

City's Current Authorized, but Unissued Debt

As of March 11, 2013*

General Obligation Bonds

City:	476,794,571
Transit/HART (a):	1,402,587,323
Sewer Improvement Revenue Bonds	540,476,895
Total Authorized, Unissued	<u>\$ 2,419,858,789</u>

(a) Includes:

\$ 291,584,960 (Ordinance No. 12-23) FY 13 CIP budget for HART

\$ 103,999,429 (Ordinance No. 11-23) FY 12 CIP budget for HART

\$ 133,662,740 (Ordinance No. 10-12) FY 11 CIP budget for Transit

\$ 873,340,194 (Ordinance No. 09-12) FY 10 CIP budget for Transit

\$1,402,587,323 Total G.O. bonds authorized but unissued for Transit/HART

•Estimated using lapsed report as of 2/28/13 and projected through 3/11/13.

Budget Communication #2, Question 5

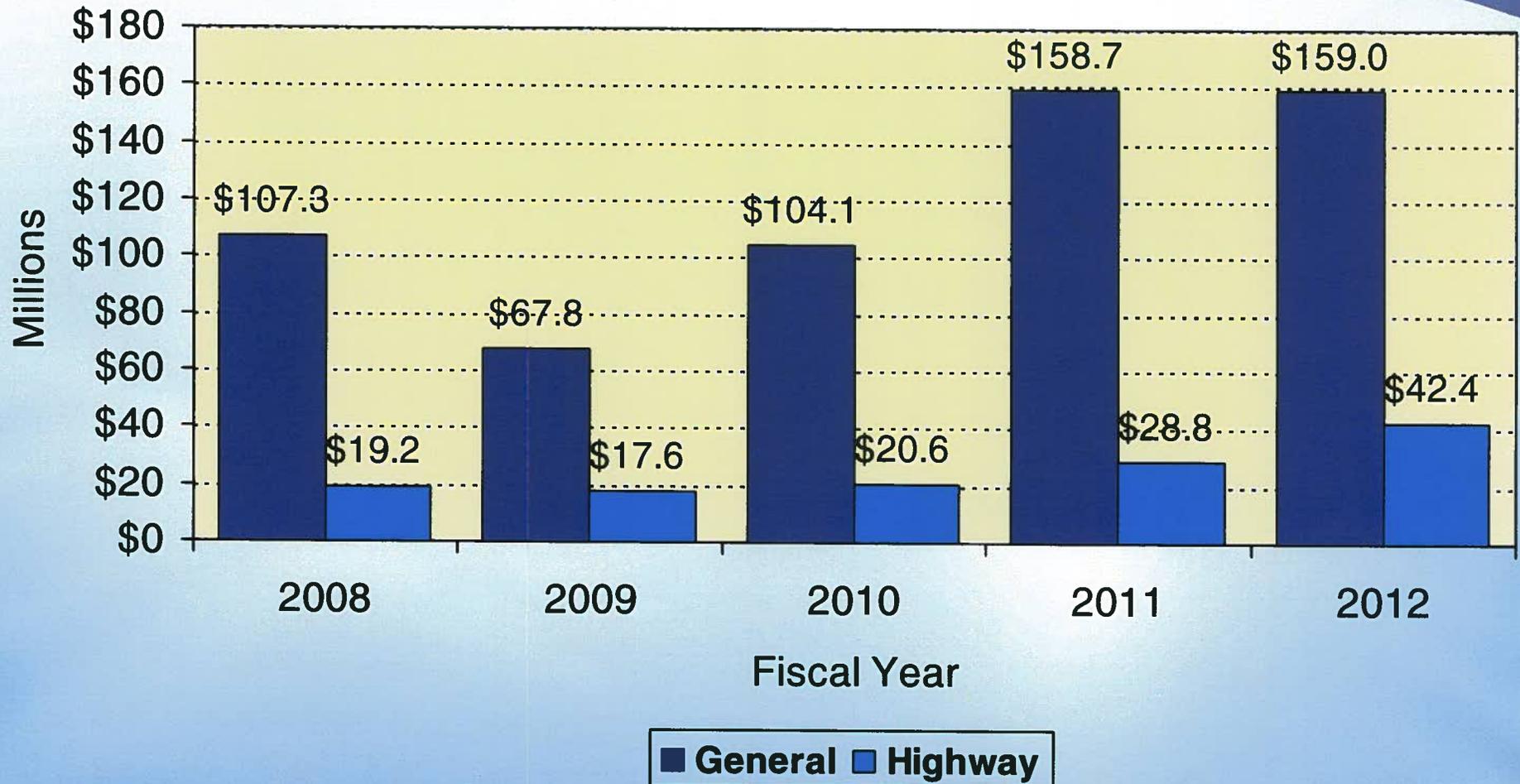
Bond Issuances and/or Restructuring Proposed for Fiscal Year 2014

	<u>Sewer Revenue</u>	<u>State Revolving Fund</u>	<u>General Obligation</u>	<u>Tax Exempt Commercial Paper</u>	<u>G.O. Transit Short-term Construction Financing</u>	<u>General Obligation - Transit</u>
Bond Issue amount	190,000,000	10,000,000	279,620,000	69,905,000 Quarterly	100,000,000	353,000,000
Interest Rate	5.75%	0.75%	5.00%	5.00%	1.50%	2.50%
Term (Years)	30 Years	20 Years	25 Years			9 years
Structure	Level Payment	Level Payment	Level Payment			Level debt
Issue Date	First half of Fiscal Year	Various	First half of Fiscal Year			1/1/14
Annual Debt Service	15,400,000	540,000	21,800,000	Outstanding balance refunded in next bond issue	refinanced annually or repaid through a combination of available cash or refinanced into long-term debt	62,000,000

Budget Communication #2, Question 6

General and Highway Fund Unreserved, Undesignated Balance

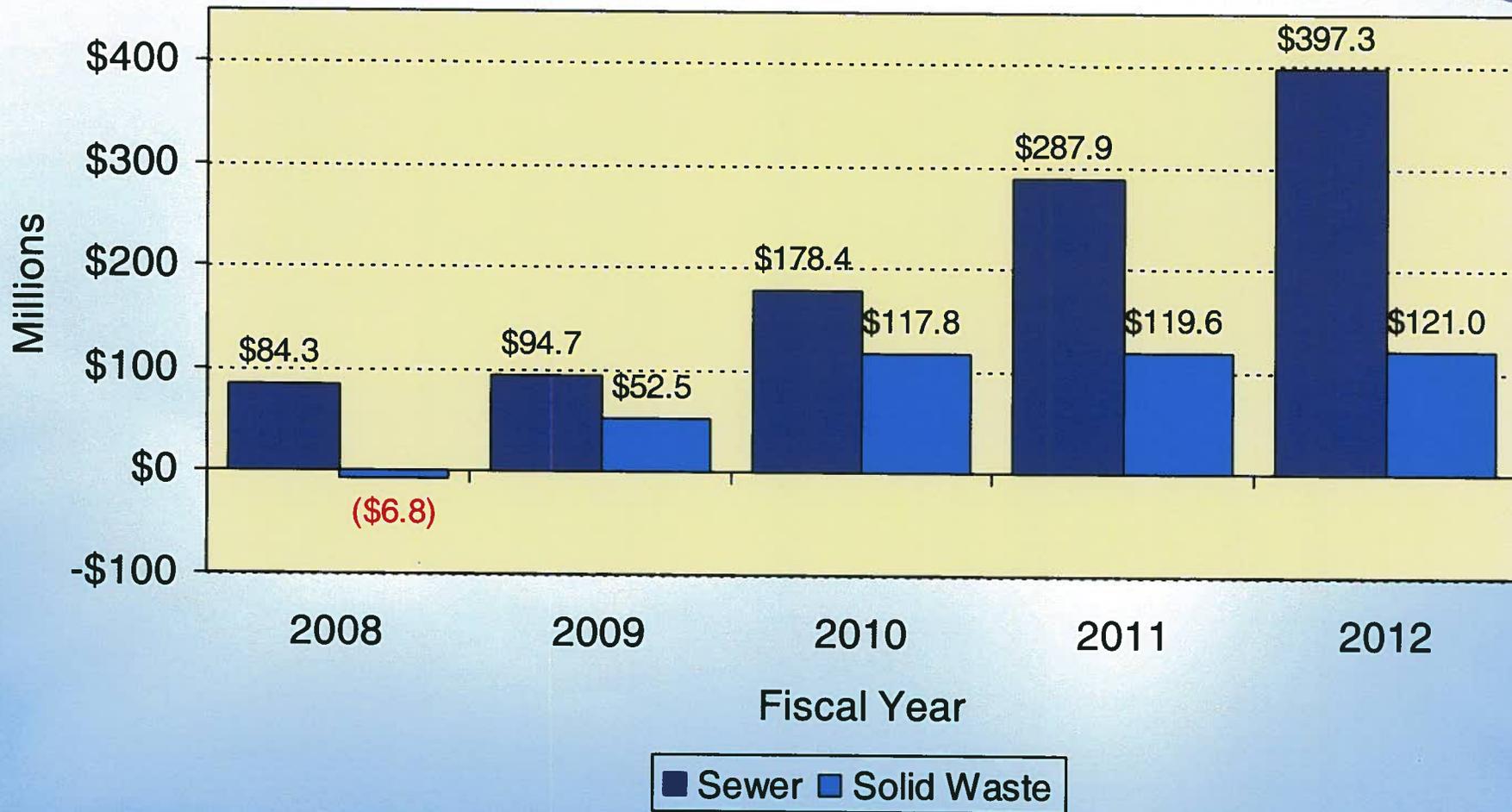
(In millions)



Budget Communication #2, Question 7

Sewer and Solid Waste Funds Unrestricted Net Assets

(In millions)



Budget and Actual Resources Comparison

(In millions)

SOURCE	FY 2012 Budget	FY 2012 Actual	FY 2013 Budget	FY 2014 Prop	Percent Change
OPERATING RESOURCES					
Real Property Tax	\$ 800.0	\$ 813.3	\$ 811.8	\$ 834.8	2.8%
Fuel Tax	51.9	49.2	51.9	66.8	28.8%
Motor Vehicle Weight Tax	117.3	115.7	117.0	115.6	-1.3%
Public Utility Franchise Tax	45.1	53.8	53.8	58.2	8.3%
Federal Grants	97.7	100.5	99.2	95.8	-3.4%
State Grants	5.3	12.1	5.5	9.0	62.4%
Transient Accommodations Tax	41.0	44.3	41.0	41.0	0.0%
Public Service Company Tax	45.4	47.8	52.9	53.6	1.4%
Licenses and Permits	48.9	45.8	47.9	56.5	17.8%
Charges for Services	31.9	31.4	32.6	36.6	12.4%
Sewer Charges	270.8	293.6	281.7	299.4	6.3%
Bus Transportation Revenues	55.0	55.8	50.6	54.3	7.3%
Solid Waste Revenues	87.1	112.2	107.3	106.8	-0.5%
Other Revenues	72.8	104.1	76.2	178.2	134.0%
Carry-Over	497.5	738.6	526.5	604.2	14.8%
TOTAL OPERATING RESOURCES	\$ 2,267.8	\$ 2,618.3	\$ 2,355.9	\$ 2,610.8	10.8%

Uncontrollable Cost Comparison

(In millions)

SOURCE	FY 2012 Budget	FY 2012 Actual	FY 2013 Budget	FY 2013 Projected	Percent Change(1)	FY 2014 Proposed	Percent Change(2)
Operating Expenditures							
Executive Agency Budgets	\$ 1,225.5	\$ 1,162.3	\$ 1,228.7	\$ 1,179.4	0.3%	\$ 1,314.1	7.0%
Debt Service	383.0	351.2	375.9	353.3	-1.9%	414.8	10.3%
Retirement Sys. Contributions	96.9	78.7	103.3	95.1	6.7%	113.1	9.4%
FICA and Pension Costs	26.9	21.6	27.0	21.0	0.3%	26.3	-2.6%
Health Benefit Contributions*	149.0	137.6	96.0	96.0	-35.6%	109.1	13.6%
Miscellaneous	43.6	32.0	133.3	130.3	205.4%	111.7	-16.2%
Total Operating Expend.	\$ 1,924.9	\$ 1,783.4	\$ 1,964.2	\$ 1,875.1	2.0%	\$ 2,089.0	6.4%

- (1) Percentage change between FY 2013 Budget and FY 2012 Budget
- (2) Percentage change between FY 2014 Proposed and FY 2013 Budget

- Health Benefit Contribution includes Other Post Employment Benefits Contributions for FY 2012

Projected City Contribution to the Hawaii Employer-Union Health Benefits Trust

(In millions)

“Pay-As-You-Go” + OPEB

