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City and County of Honolulu Fiscal Year 2016 Budget Communication #2

Nelson H. Koyanagi, Jr., Director
Department of Budget and Fiscal Services
March 10, 2015

DEPT. COM. 141

The FY 2016 Budget was prepared with the following guiding principles:

- **Continue to focus on core services**
- **Exercise fiscal prudence**
- **Evolove the practice of budget preparation**

The Administration's main policy initiatives for FY 2016 include the following priorities:

- Improvement of TheBus and TheHandi-Van services
- Road repaving, maintenance and preservation
- Investing and protecting parks and playgrounds, including restoring and revitalizing iconic and historic parks
- Improving the City's sewer system and meeting the deadlines of the Global Consent Decree
- Bus and rail integration, and expanding the capital commitment to Transit-Oriented Development
- Additional funding for the Housing First program to address the issue of chronic homelessness
- Investment in renewable and alternative energy sources to reduce the City's energy costs and improve the long-term sustainability of our community's resources
- Funding for the development of low-income affordable housing

Operating Budget Comparison by Source of Fund

<u>Fund</u>	<u>FY 15</u>	<u>FY 16</u>	<u>%Change</u>
General Fund	1,154,813,745	1,240,215,901	7.4%
Highway Fund	115,759,014	124,921,826	7.9%
Sewer Fund	302,286,240	311,319,583	3.0%
Bus Transportation Fund	214,891,778	232,114,120	8.0%
Liquor Commission Fund	5,941,349	5,907,083	-0.6%
Bikeway Fund	696,712	713,935	2.5%
Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund	4,214,163	5,541,934	31.5%
Special Events Fund	17,712,187	18,811,832	6.2%
Golf Fund	13,666,284	14,030,412	2.7%
Solid Waste Special Fund	186,007,509	206,483,096	11.0%
Hanauma Bay Nature Preserve Fund	5,931,915	5,266,697	-11.2%
Rental Assistance Fund	733,000	233,000	-68.2%

Operating Budget Comparison by Source of Funds (continued)

<u>Fund</u>	<u>FY 15</u>	<u>FY 16</u>	<u>%Change</u>
Leasehold Conversion Fund	15,567	12,685	-18.5%
Housing Development Special Fund	200,000	200,000	0.0%
Clean Water and Natural Lands Fund	0	250,000	n/a
Affordable Housing Fund	75,000	250,000	233.3%
Grants in Aid Fund	5,638,000	6,445,586	14.3%
Community Development Fund	1,563,500	1,662,214	6.3%
Housing and Community Development Rehabilitation Loan Fund	3,205,000	3,005,000	-6.2%
Housing and Community Development Section 8 Contract Fund	47,313,301	50,106,784	5.9%
Federal Grants Fund	52,044,667	45,464,913	-12.6%
Special Projects Fund	<u>9,299,340</u>	<u>7,632,898</u>	-17.9%
TOTAL	2,142,008,271	2,280,589,499	6.5%

CIP Budget Comparison by Source of Funds

<u>Fund</u>	<u>FY 15</u>	<u>FY 16</u>	<u>% Change</u>
Sewer Revenue Bond Improvement Fund	\$191,328,000	\$142,497,000	-25.5%
General Improvement Bond Fund	134,846,863	40,091,000	-70.3%
Highway Improvement Bond Fund	178,973,000	154,110,000	-13.9%
Solid Waste Improvement Bond Fund	32,685,900	9,827,000	-69.9%
Affordable Housing Fund	21,077,000	18,355,922	-12.9%
Clean Water and Natural Lands Fund	15,735,000	4,800,000	-69.5%
General Fund	250,000	1,050,000	320.0%
Hanauma Bay Nature Preserve Fund	880,000	1,746,972	98.5%
Parks and Playgrounds Fund	3,602,039	1,027,388	-71.5%
Sewer Fund	80,198,300	70,123,000	-12.6%
Utilities' Share	100,000	100,000	0.0%
Solid Waste Special Fund		10,000,000	n/a
Community Development Fund	6,916,341	6,863,281	-0.8%
Federal Grants Fund	42,239,330	33,838,332	-19.9%
TOTAL	\$708,831,773	\$494,429,895	-30.2%

Operating Budget Comparison by Function

<u>Function</u>	<u>FY15</u>	<u>FY16</u>	<u>% Change</u>
General Government	\$191,737,249	\$188,663,217	-1.6%
Public Safety	419,937,857	435,283,929	3.7%
Highways and Streets	26,408,022	28,590,037	8.3%
Sanitation	283,021,693	304,645,026	7.6%
Human Services	93,255,887	93,256,540	0.0%
Culture-Recreation	91,060,933	96,762,534	6.3%
Utilities or Other Enterprises	244,511,274	253,809,216	3.8%
Debt Service	406,145,000	452,854,000	11.5%
Miscellaneous	385,930,356	426,725,000	10.6%
TOTAL	\$2,142,008,271	\$2,280,589,499	6.5%

CIP Budget Comparison by Function

<u>Function</u>	<u>FY15</u>	<u>FY16</u>	<u>% Change</u>
General Government	47,880,500	4,302,000	-91.0%
Public Safety	44,431,500	32,266,000	-27.4%
Highways and Streets	155,686,000	124,485,000	-20.0%
Sanitation	292,724,300	232,447,000	-20.6%
Human Services	64,940,671	29,713,535	-54.2%
Culture-Recreation	53,669,802	19,194,360	-64.2%
Utilities or Other Enterprises	49,499,000	52,022,000	5.1%
TOTAL	708,831,773	494,429,895	-30.2%

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

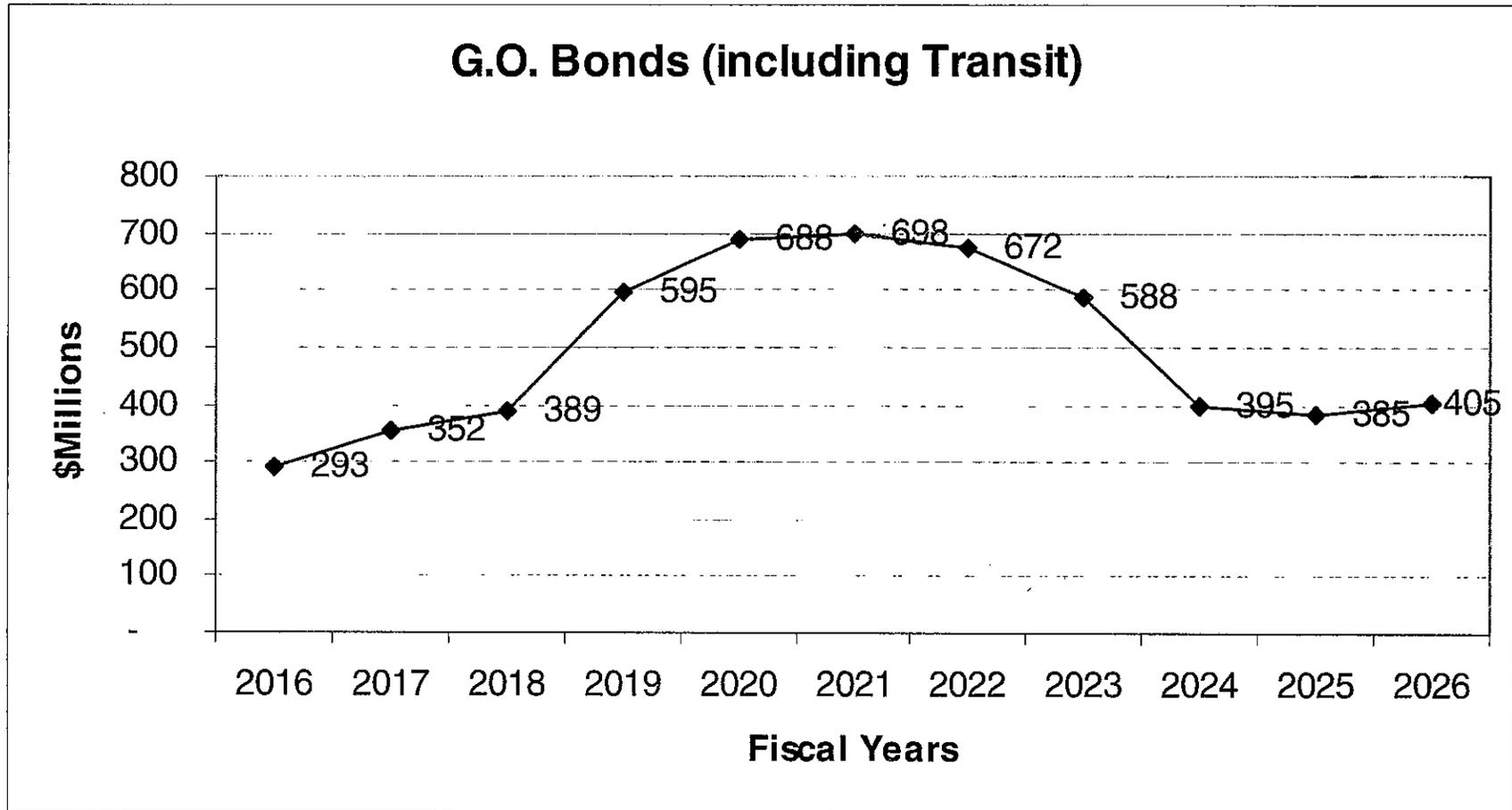
(In thousands)

<u>Fiscal Year</u>	<u>G.O. Issuance</u>	<u>G.O. Bond Retirement</u>	<u>Net Additional Debt</u>
2016	742,795,000	145,261,000	597,534,000
2017	509,420,000	173,355,000	336,065,000
2018	506,020,000	193,636,000	312,384,000
2019	250,000,000	383,802,000	(133,802,000)
2020	250,000,000	480,921,000	(230,921,000)
2021	250,000,000	491,883,000	(241,883,000)
2022	250,000,000	469,452,000	(219,452,000)
2023	250,000,000	388,268,000	(138,268,000)
2024	250,000,000	194,404,000	55,596,000
2025	250,000,000	178,393,000	71,607,000
2026	250,000,000	192,388,000	57,612,000

FY 2016 through 2018 G.O. issuance amounts include G.O. bonds for Transit/HART. Information on Transit/HART bonds was obtained from HART.

Bond Debt Service Projections

(In millions)

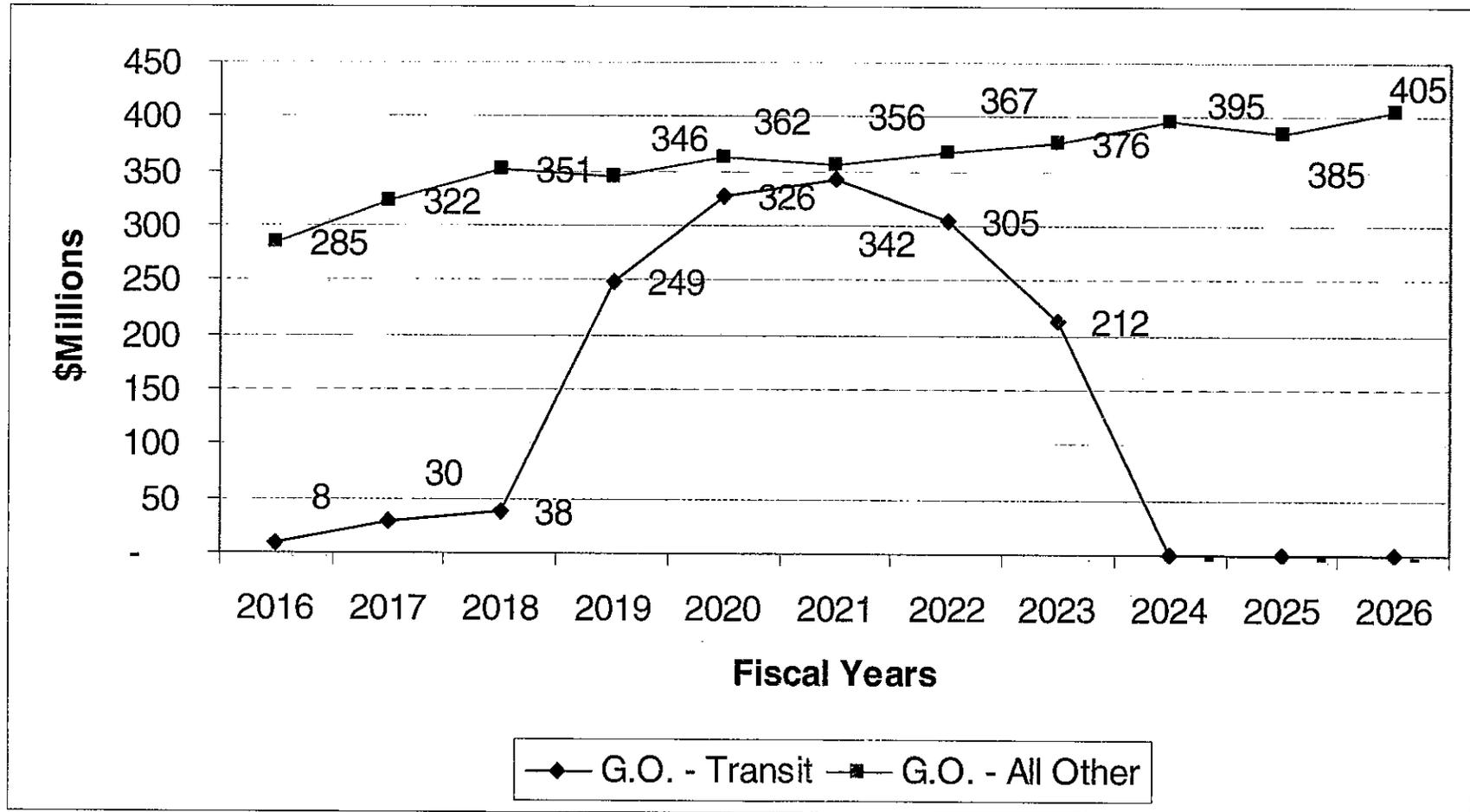


Assuming annual G.O. bond issue projection provided in Question 3.

Budget Communication #2, Question 4

G.O. Bond Debt Service Projections

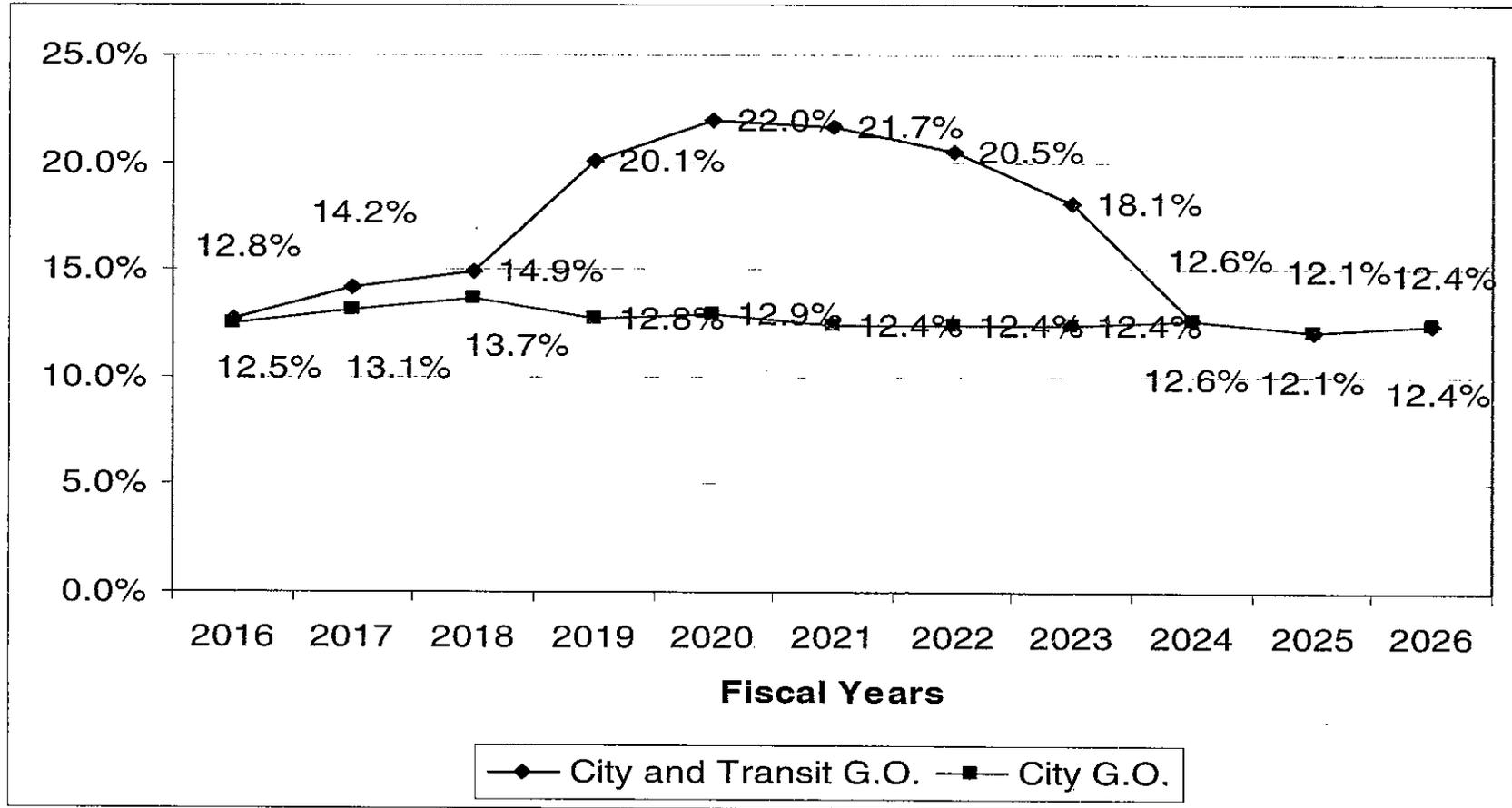
(In millions)



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 budget 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 5, 2015

Gross funded indebtedness	\$	4,765,630,350
Less Exclusions:		
G. O. for Sewer		803,180
State Loans Payable		251,493,465
Wastewater Revenue Bonds		1,652,218,026
Water Supply Revenue Bonds		239,150,000
G. O. for Solid Waste		152,572,774
G. O. for H-POWER		352,635,000
G. O. for Housing		44,157,180
Total Exclusions		2,693,029,625
Net Funded Debt	\$	2,072,600,725

There is no outstanding debt for HART at this time.
Budget Communication #2, question 5

City's Current Authorized, but Unissued Debt(a)

As of March 5, 2015

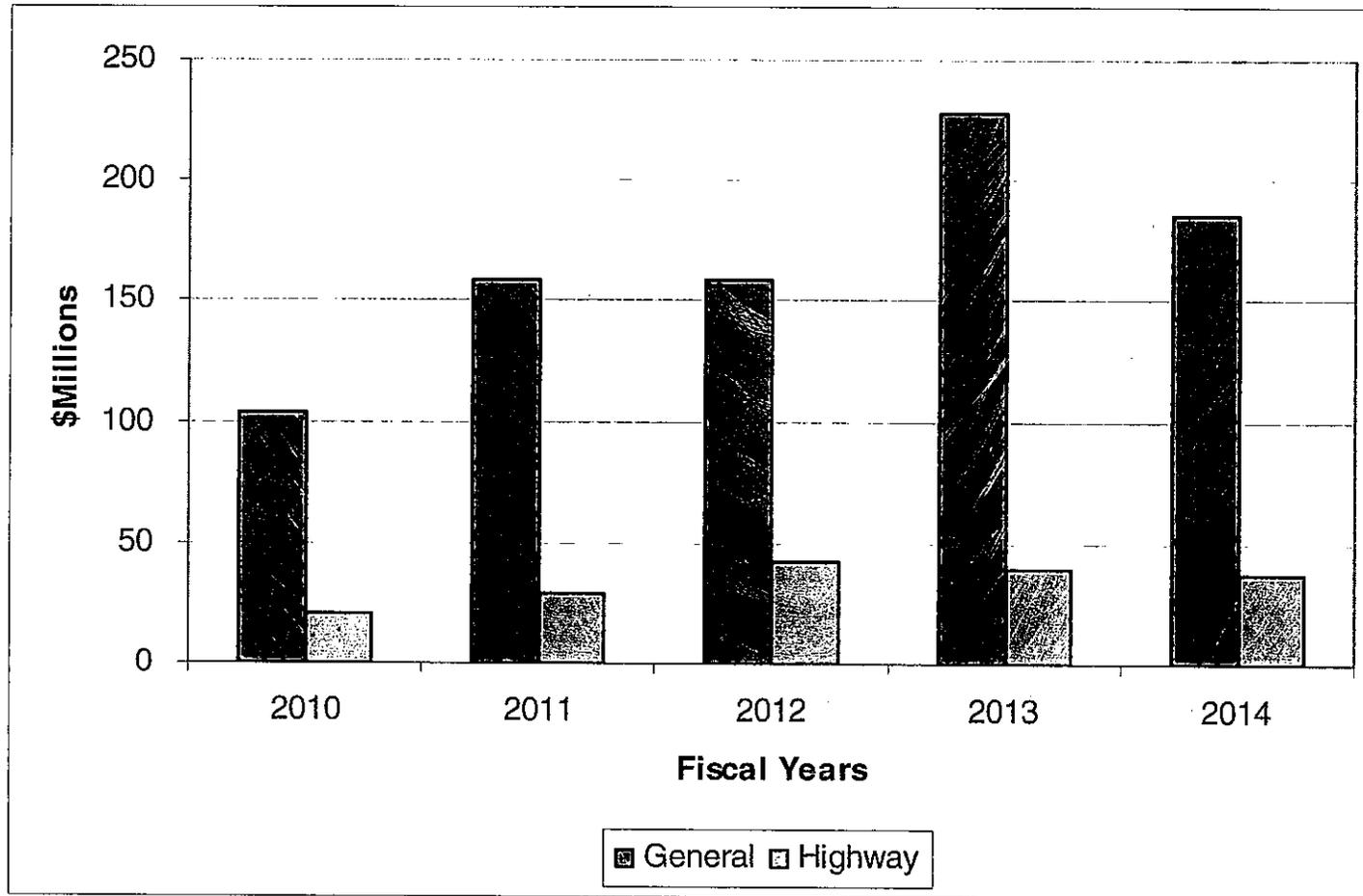
General Obligation Bonds	\$	993,536,880	
GO - HART		2,569,940,520	(b)
Sewer Improvement Revenue Bonds		718,087,894	
	\$	4,281,565,294	
(a) Lapse report cut-off date is February 27, 2015			
(b) HART Breakout by Ordinance:			
Ordinance No. 14-21 (2014-15)	\$	786,741,929	
Ordinance No. 13-23 (2013-14)		789,527,800	
Ordinance No. 12-23 (2012-13)		291,584,960	
Ordinance No. 11-23 (2011-12)		33,442,681	
Ordinance No. 10-12 (2010-11)		68,305,330	
Ordinance No. 09-12 (2009-10)		600,337,820	
	\$	2,569,940,520	

Bond Issuances and/or Restructuring Proposed for Fiscal Year 2016

	Sewer Revenue Bonds	State Revolving Fund	City G.O. Bonds	Tax Exempt Commercial Paper	Transit G.O. Bonds – Fixed Rate	G.O. Bonds - Variable Rate
Issue amount	\$200,000,000	\$10,000,000	\$290,000,000	\$72,500,000 Quarterly	\$221,200,000	\$231,630,000
Estimated Interest Rate	5.50%	1.00%	5.50%	4.50%	2.33%	2.75%
Term	30 Years	20 Years	25 Years		8 years	8 years
Structure	Level Payment	Level Payment	Level Payment		Level Payment	Level Payment
Projected Date of Issuance	First half of Fiscal Year	Various	Second half of Fiscal Year		First half of Fiscal Year	First half of Fiscal Year
Projected Annual Debt Service Payment	\$15,386,000	\$512,000	\$21,600,000	Outstanding balance refunded in next bond issue	\$49,520,600	\$32,748,000

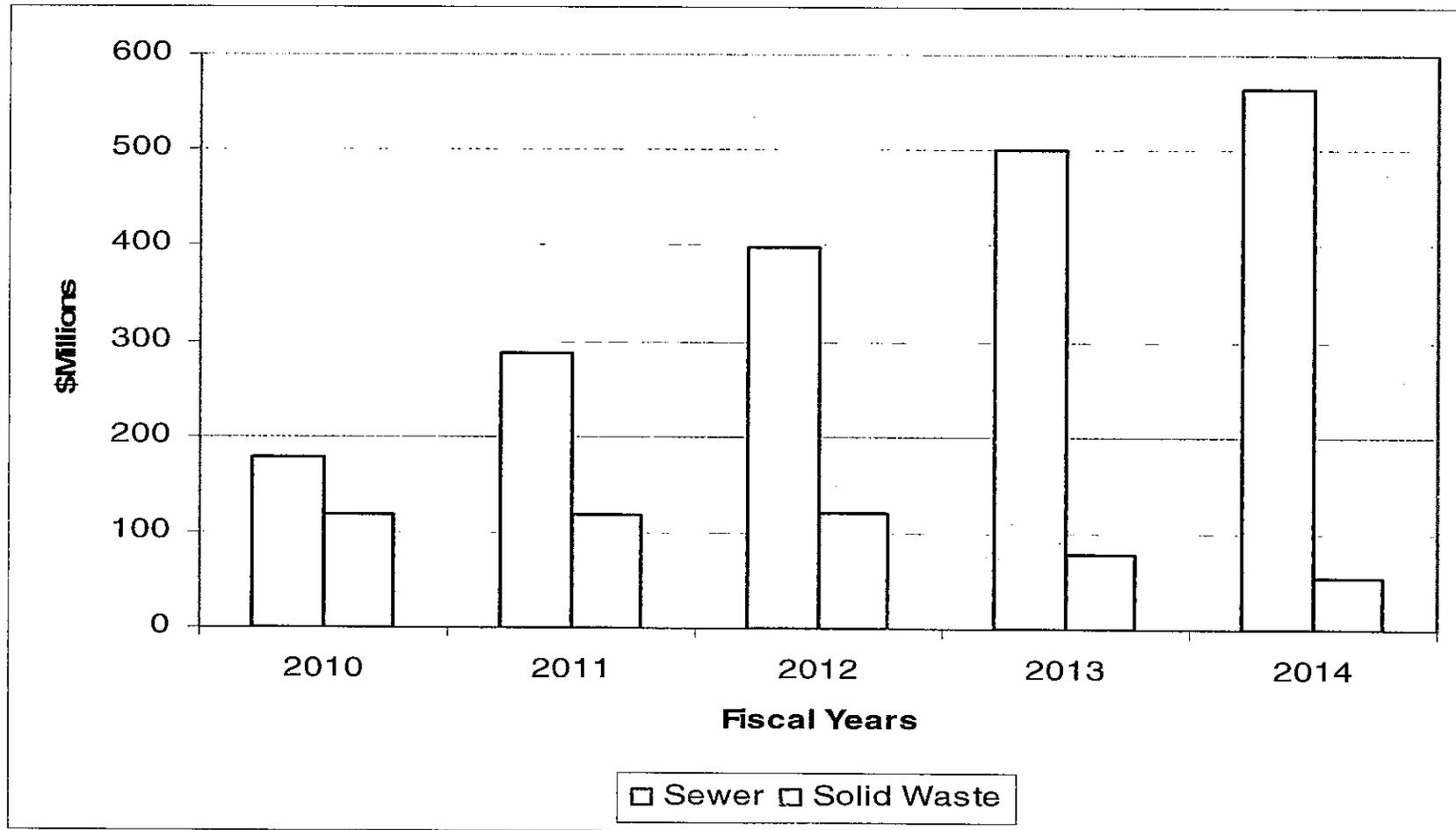
General and Highway Fund Unreserved, Undesignated Balance

(In millions)



Sewer and Solid Waste Funds Unrestricted Net Assets

(In millions)



Budget and Actual Resources Comparison (In \$Millions)

	<u>FY 2014 Budget</u>	<u>FY 2014 Actual</u>	<u>FY 2015 Budget</u>	<u>FY 2016 Proposed</u>	<u>Percent Change</u>
Real Property Tax	834.8	850.3	925.3	998.9	8.0%
Fuel Tax	51.3	51.4	51.2	51.9	1.4%
Motor Vehicle Weight Tax	115.6	121.1	117.6	121.1	3.0%
Public Utility Franchise Tax	58.2	56.3	53.6	55.2	3.0%
Federal Grants	95.8	75.9	101.2	97.8	-3.4%
State Grants	9.0	8.7	9.5	7.9	-16.8%
Transient Accommodations Tax	41.0	41.0	45.4	45.4	0.0%
Public Service Company Tax	53.6	53.1	51.0	51.1	0.2%
Licenses and Permits	56.5	52.2	54.0	53.8	-0.4%
Charges for Services	36.6	33.1	34.1	33.0	-3.2%
Sewer Charges	299.4	323.9	334.8	388.9	16.2%
Bus Transportation Revenues	55.4	58.0	56.8	57.2	0.7%
Solid Waste Revenues	116.4	118.7	122.8	122.9	0.1%
Other Revenues	179.7	288.2	79.7	88.9	11.5%
Carry-Over	601.4	842.9	573.7	759.0	32.3%
	2,604.7	2,974.8	2,610.7	2,933.0	12.3%

Uncontrollable Cost Comparison

(In millions)

SOURCE	FY 2014 Budget	FY 2014 Actual	FY 2015 Budget	FY 2015 Projected	Percent Change (1)	FY 2016 Proposed	Percent Change (2)
<u>Operating Expenditures</u>							
Executive Agency Budgets	1,309	\$1,240.6	\$1,349.9	\$1,286.9	3.1%	1,401.0	3.8%
Debt Service	485	402.8	406.1	381.1	-16.2%	452.9	11.5%
Retirement System Contributions	111	102.7	122.3	112.7	9.9%	135.7	10.9%
FICA and Pension Costs	25	23.6	27.9	27.9	13.5%	29.8	6.8%
Health Benefit Contributions *	150.8	143.3	163.2	155.6	8.3%	163.7	0.3%
Miscellaneous	80.7	30.5	72.5	64.3	-10.2%	97.5	34.5%
Total Operating Expenditures	\$2,161.1	\$1,943.6	\$2,142.0	\$2,028.6	-0.9%	2,280.6	6.5%

(1) Percentage change between FY 2015 Budget and FY 2014 Budget

(2) Percentage change between FY 2016 Proposed and FY 2015 Budget

•Health Benefit Contribution includes Other Post Employment Benefits Contributions