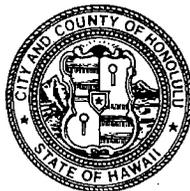


RECEIVED
CITY CLERK
CITY AND COUNTY OF HONOLULU

2015 MAY -7 PM 3:14

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

GARY T. KUROKAWA
DEPUTY DIRECTOR

May 5, 2015

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

RECEIVED
CITY COUNCIL
HONOLULU, HAWAII

2015 MAY -6 P 4: 28

RECEIVED

Dear Chair Kobayashi and Councilmembers:

**SUBJECT: Executive Operating Budget Bill 13 (2015) Proposed CD2
Amendments – Provisionals**

We have concerns regarding the CD1 amendments and proposed CD2 amendments to the FY 2016 operating budget. The proposed reductions to the provisional accounts are significant when the impacts are reviewed from a general fund perspective. We request that you consider the points discussed below and restore the funding needed for city operations.

1. Reduction to the Provision for Energy Costs (\$1.5 million in general funds)

The \$1.5 million reduction represents a 50% cut to the \$3.0 million in general funds requested in this provisional account to provide a safety net for spikes in fuel and electricity costs. Although the City did not need to use these provisional funds in FY 2014, general funds were transferred to city agencies in FY 2012 and FY 2013, a total of \$1.5 million and \$3.0 million respectively to cover unanticipated increases in fuel and electricity costs. City operations and services would have been impacted if provisional funds were not available to cover the shortages.

In addition to the reduction made to the provisional account, a total of \$1.3 million in electricity funding was also cut from 10 agency budgets in CD1 amendments. These budgets were already lean as they were carefully scrutinized during the Administration's budget review process and kept relatively flat, except for areas where energy consumption was projected to increase. The sewer and bus

transportation funds in the provisional account are restrictive and can not be used for general funded agencies.

2. Reduction to the Provision for Vacant Positions (\$6.1 million in general funds)

This provisional account was already reduced by \$3.1 million in Bill 13, CD1. The proposed CD2 amendments will cut an additional \$3.0 million in general funds, which will result in an overall reduction of \$6.1 million or nearly 30%. This reduction in vacant funded positions is significant because it will impact the agencies that are funded by the general fund. Four departments comprise over half of the provisional general fund monies – the Departments of Parks and Recreation, Police, Planning and Permitting and Facility Maintenance. The vacant positions in these departments are highly critical to the maintenance of city parks, radio dispatch operations and other public safety support functions, permitting and building inspections and the maintenance and safety of city buildings and facilities.

Departments are actively filling vacant positions and the Departments of Budget and Fiscal Services and Human Resources have streamlined procedures to expedite the filling process. The overall number of vacancies has decreased by 8.5% from FY 2015.

3. Reduction to the Provision for Risk Management (\$1.0 million in general funds)

Full funding of \$9,051,000 is needed to maintain current levels of commercial insurance and projected self-insured claims. The current FY 2015 Risk Management Provisional account of \$8,600,000 retained funding at the FY 2014 level and forced deferment of program upgrades and enhancements. With the City's commitment to improve and expand services to the public, the City's Risk Management program is under-funded to properly protect its assets, adversely impacting the City's fiscal standing.

The Honorable Ann H. Kobayashi, Chair
and Members
Committee on Budget
May 5, 2015
Page 3

Should you have any questions regarding the information provided or would like to discuss this matter further, please contact me at 768-3901.

Sincerely,



Nelson H. Koyanagi, Jr., Director
Budget and Fiscal Services

APPROVED:



Roy K. Amemiya, Jr.
Managing Director