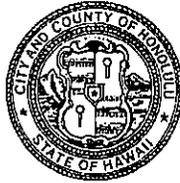


DEPARTMENT OF BUDGET AND FISCAL SERVICES
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KIRK CALDWELL
MAYOR



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DIRECTOR

MANUEL T. VALBUENA
DEPUTY DIRECTOR

April 27, 2018

MEMORANDUM

TO: Roy K. Amemiya Jr., Managing Director
Nelson H. Koyanagi, Jr.

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

SUBJECT: Response to Budget Communication No. 12 for the Department of Budget
and Fiscal Services

The following is our agency's response to the revenue questions in the Budget Communication received from the Committee on Budget. Please see our attached response.

Attachments

18APR27 PM 12:54 CITY CLERK

Attachment

Question 1. The Detailed Statement of Revenues and Surplus section of the Fiscal Year ("FY") 2019 Executive Program and Budget, Volume 1 – Operating Program and Budget ("Program Book") indicates that estimated disposal charges for the FY 2019 will be \$2,300,000, which is notably lower than the FY 2018 estimate of \$5,000,000 and the FY 2017 actual of \$5,529,353 (see page C-22). At the special budget meeting held on Thursday, April 12, the Department of Environmental Services testified that this decrease was the result of the diversion of refuse to H-Power and there is a commensurate increase in Tip Fees from the H-Power facility.

Therefore, I am respectfully requesting that the Council be provided with the page reference in the Program Book where the commensurate increase in Tip Fees can be seen.

Response 1. The tip fees can be found on page C-22 of the Program Book under the subcategory "Utilities or Other Enterprises." The following table includes FY 2019 disposal charges (page C-22 under subcategory "Charges for Services") and tip fees and the net changes from FY 2018 estimated revenues as shown on page C-22.

Description	FY 2019 Estimated Revenues	Net Increase/(Decrease) from FY 2018
Disposal Charges	\$2,300,000	(\$2,700,000)
Tip Fees-Private Direct	\$31,000,000	\$1,000,000
Tip Fees-Other	\$22,500,000	\$1,500,000
Difference		\$200,000

The increase in Tip Fees-Private Direct and Tip Fees-Other totaling \$2,500,000 in FY 2019 is due to an increase in delivery of material and tonnage to H-Power rather than the Waimanalo Gulch Sanitary Landfill (Landfill). During the current fiscal year, extended maintenance outages at H-power caused the diversion of additional tonnage to the Landfill. However, the amount projected in the FY 2019 budget is consistent with normal H-power operations to maximize diversion of waste from the landfill, and thus the continued reduction in the delivery of material to the Landfill.

This increase is close to the amount of decrease of \$2.7 million in Disposal Charges. The difference of \$200,000 was not included in the revenues due to a conservative approach to estimating the amount of tonnage and material.

Question 2. I am requesting a brief explanation of the assumptions used to estimate the decrease of approximately \$2,700,000 in estimated disposal charges over the prior year as it appears that disposal charges have remained relatively stable over the past two fiscal years, per the Program Book.

Response 2. As noted in the response to Question 1, there were extended maintenance outages at H-power which caused the diversion of additional tonnage to the Landfill. This is the reason for the decrease in disposal charges, and the corresponding increase in H-Power tip fees in FY 19.

The FY 2019 estimated disposal charges reflect projected disposal at transfer stations and the landfill by commercial haulers, to include recyclers, and by City agencies. Fees per ton vary depending on the disposal location. Actual revenues may vary from projections depending on public waste generation and H-power operational status where maintenance diversions from H-power to the landfill will shift the revenue from H-power tip fees to Disposal charges. The assumptions used in the calculation of the FY 2019 disposal charges are as follows:

Description	Rate/ton	FY 2019	
		Tons	Rounded Revenue
Transfer Stations	\$110.60	6,700	\$ 740,000
Landfill	81.00	8,000	647,000
Recyclers	60.75	8,000	485,000
Transfer Station	102.00	3,000	305,000
Landfill	62.00	2,000	123,000
Rounded Total		27,700	\$ 2,300,000