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City and County of Honolulu Fiscal Year 2021 Budget Communication #2

Nelson H. Koyanagi, Jr., Director
Department of Budget and Fiscal Services
March 12, 2020

The FY 2021 Budget was prepared with the following guiding principles:

- 1. Focus on enhancing core services and maintaining City facilities and infrastructure**
- 2. Address mandated requirements**
- 3. Build a resilient community**
- 4. Ensure that the City has adequate reserves**

The Administration's main policy initiatives for FY 2021 include the following priorities:

- Maintaining and Improving Parks and Park Facilities
- Enhancing Bus and Handivan Services
- Integrating Bus, Rail, and TOD
- Improving the Sewer System
- Repaving Roads
- Combating Homelessness
- Addressing Climate Change, Sustainability and Resiliency

Operating Budget Comparison by Source of Funds

<u>Fund</u>	<u>FY 20</u>	<u>FY 21</u>	<u>% Change</u>
General Fund	1,645,283,101	1,690,447,083	2.7%
Highway Fund	148,967,965	155,862,289	4.6%
Sewer Fund	371,112,255	366,793,461	-1.2%
Transportation Fund	269,926,190	358,839,659	32.9%
Liquor Commission Fund	7,180,660	7,386,964	2.9%
Bikeway Fund	881,849	889,372	0.9%
Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund	8,320,581	5,681,889	-31.7%
Special Events Fund	12,991,324	12,178,147	-6.3%
Honolulu Zoo Fund	11,338,991	11,894,697	4.9%
Golf Fund	15,641,233	16,554,145	5.8%
Solid Waste Special Fund	202,946,397	207,541,354	2.3%
Hanauma Bay Nature Preserve Fund	7,053,351	7,237,496	2.6%
Rental Assistance Fund	233,000	233,000	0.0%

Operating Budget Comparison by Source of Funds (continued)

Fund	FY 20	FY 21	% Change
Housing Development Special Fund	894,000	701,854	-21.5%
Clean Water and Natural Lands Fund	295,528	244,931	-17.1%
Affordable Housing Fund	280,199	447,784	59.8%
Patsy T. Mink Central Oahu Regional Park Fund	534,800	444,800	-16.8%
Waipio Peninsula Soccer Park Fund	112,100	112,100	0.0%
Grants in Aid Fund	9,852,702	10,012,039	1.6%
Community Development Fund	1,762,050	1,708,718	-3.0%
Housing and Community Development Rehabilitation Loan Fund	3,004,300	3,004,300	0.0%
Housing and Community Development Section 8 Contract Fund	59,345,426	62,181,473	4.8%
Federal Grants Fund	40,675,266	39,228,540	-3.6%
Special Projects Fund	<u>16,233,397</u>	<u>19,991,426</u>	23.1%
TOTAL	2,834,866,665	2,979,617,521	5.1%

CIP Budget Comparison by Source of Funds

<u>Fund</u>	<u>FY 20</u>	<u>FY 21</u>	<u>% Change</u>
Sewer Revenue Bond Improvement Fund	253,729,000	552,500,000	117.8%
General Improvement Bond Fund	416,688,832	171,618,799	-58.8%
Highway Improvement Bond Fund	162,206,000	132,576,100	-18.3%
Solid Waste Improvement Bond Fund	65,961,106	60,959,000	-7.6%
Affordable Housing Fund	7,260,000	8,500,000	17.1%
Bikeway Fund	730,000	750,000	2.7%
Clean Water and Natural Lands Fund	11,700,000	18,300,000	56.4%
General Fund	200,000	200,000	0.0%
Hanauma Bay Nature Preserve Fund	1,800,000	0	n/a
Parks and Playgrounds Fund	2,013,398	1,797,100	-10.7%
State Funds	9,750,000	0	n/a
Sewer Fund	166,501,000	212,614,540	27.7%
Utilities' Share	2,600,000	100,000	-96.2%
Community Development Fund	7,450,772	6,834,872	-8.3%
HCD Rehabilitation Loan Fund	400,000	0	n/a
Federal Grants Fund	58,328,228	101,641,630	74.3%
TOTAL	1,167,318,336	1,268,392,041	8.7%

Operating Budget Comparison by Function

<u>Function</u>	<u>FY20</u>	<u>FY21</u>	<u>% Change</u>
General Government	219,496,222	227,092,326	3.5%
Public Safety	516,461,196	530,576,883	2.7%
Highways and Streets	43,198,702	42,018,971	-2.7%
Sanitation	294,404,955	300,399,633	2.0%
Human Services	116,726,805	122,981,509	5.4%
Culture-Recreation	127,574,679	114,985,457	-9.9%
Utilities or Other Enterprises	302,902,392	376,740,152	24.4%
Debt Service	586,253,300	583,754,000	-0.4%
Miscellaneous	627,848,414	681,068,590	8.5%
TOTAL	2,834,866,665	2,979,617,521	5.1%

CIP Budget Comparison by Function

<u>Function</u>	<u>FY20</u>	<u>FY21</u>	<u>% Change</u>
General Government	196,713,556	78,711,100	-60.0%
Public Safety	59,537,712	61,758,100	3.7%
Highways and Streets	149,365,000	138,094,000	-7.5%
Sanitation	483,231,000	812,527,540	68.1%
Human Services	103,141,500	10,556,830	-89.8%
Culture-Recreation	114,579,568	98,349,471	-14.2%
Utilities or Other Enterprises	60,750,000	68,395,000	12.6%
TOTAL	1,167,318,336	1,268,392,041	8.7%

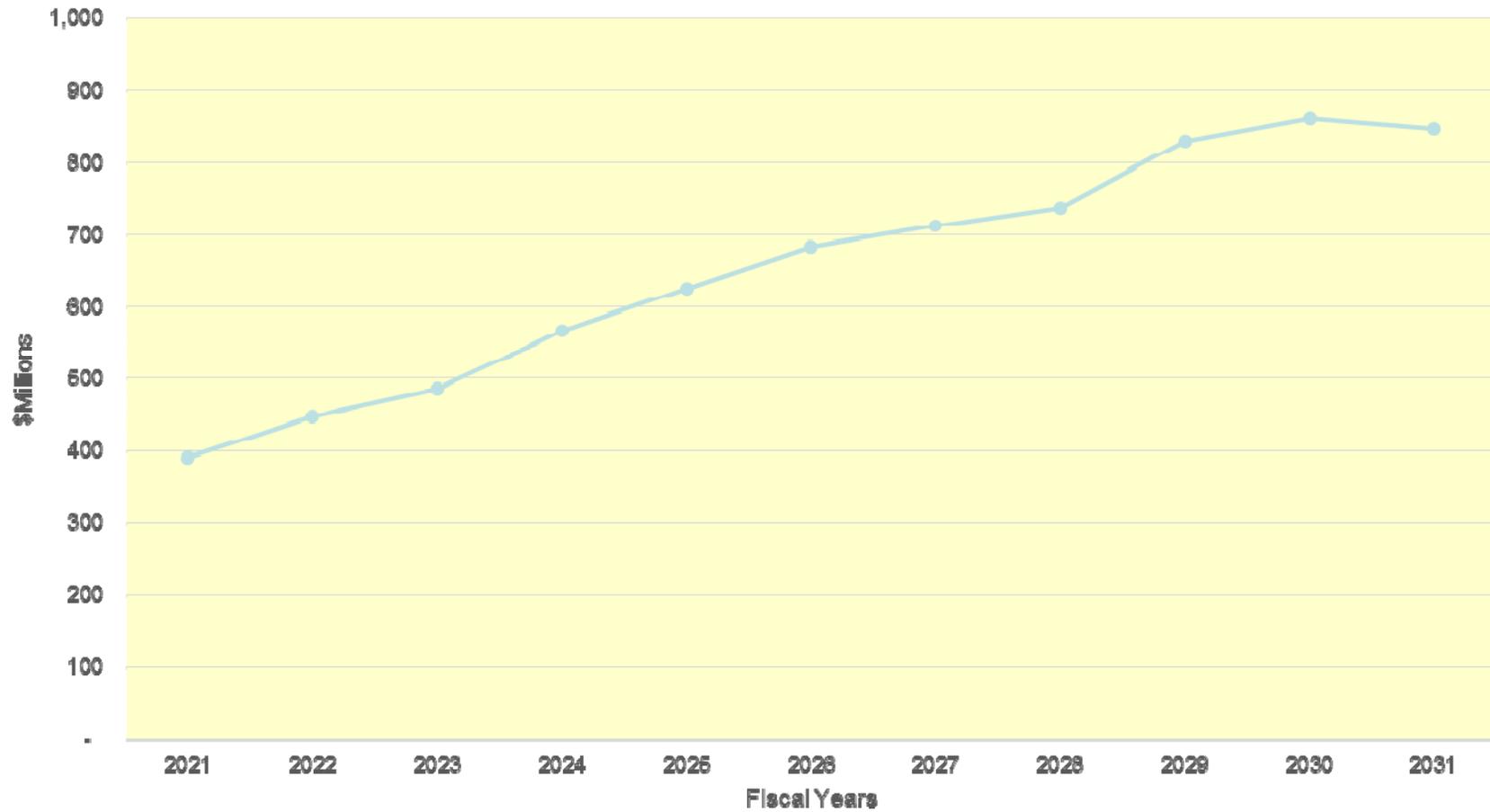
New G.O. Bond Issuances, Retirements and Net Debt Issuance Projections

<u>Fiscal Year</u>	<u>G.O. Bond Issuance</u>	<u>G.O. Bond Retirements</u>	<u>Net Additional Debt</u>
2021	749,000,000	189,404,000	559,596,000
2022	550,000,000	183,555,000	366,445,000
2023	300,000,000	229,766,000	70,234,000
2024	300,000,000	260,053,000	39,947,000
2025	760,000,000	339,986,000	420,014,000
2026	190,000,000	405,544,000	(215,544,000)
2027	190,000,000	475,203,000	(285,203,000)
2028	190,000,000	515,580,000	(325,580,000)
2029	190,000,000	581,154,000	(391,154,000)
2030	190,000,000	677,507,000	(487,507,000)
2031	190,000,000	730,665,000	(540,665,000)

FY 2021 through 2025 G.O. issuance amounts include G.O. bonds (not including TECP) for HART. Information on HART bonds was obtained from HART.

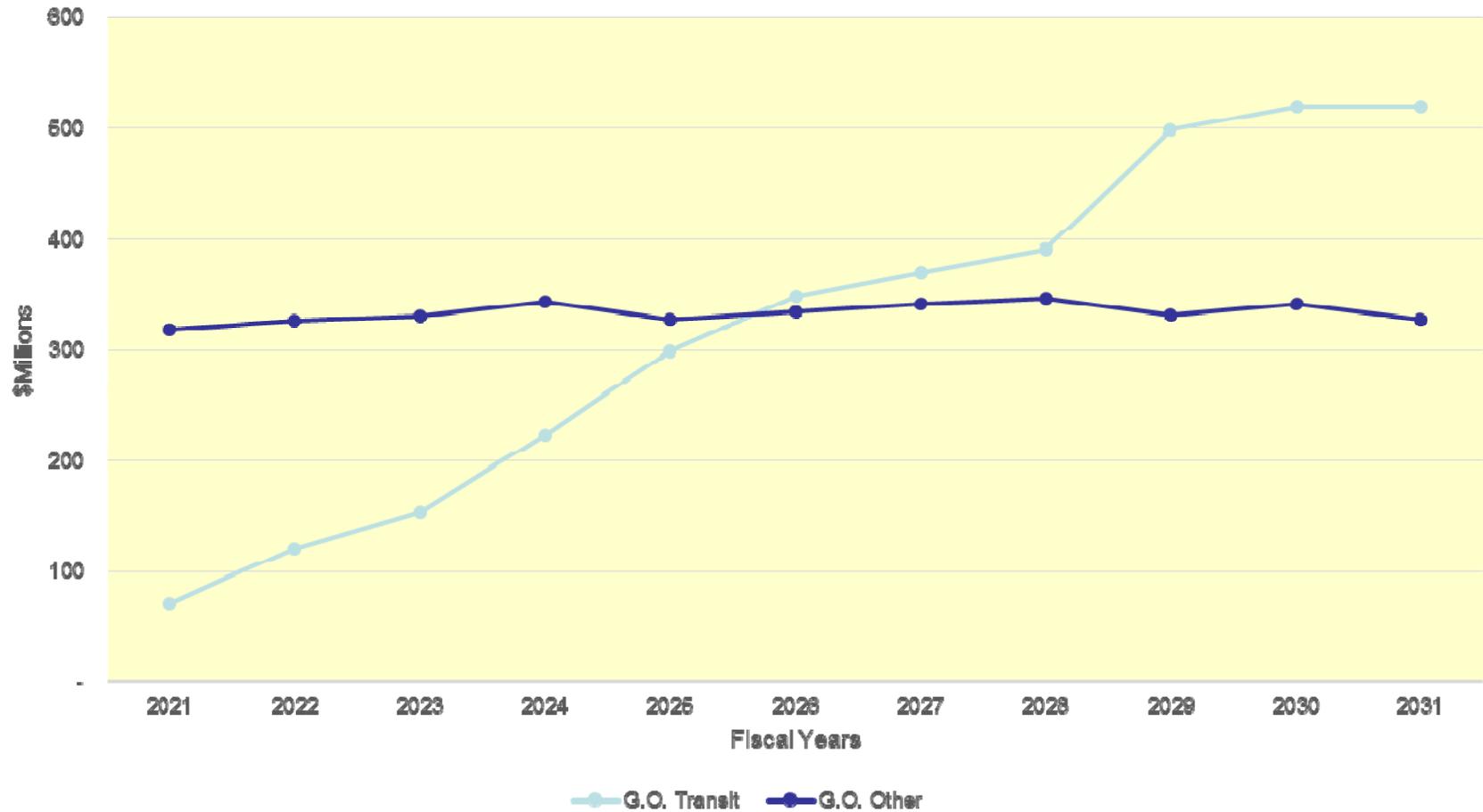
G.O. Bond Debt Service Projections

(In millions)



Assuming annual G.O. bond issue projection provided in Question 3. Includes G.O. bond debt service for Rail, which is paid by HART.

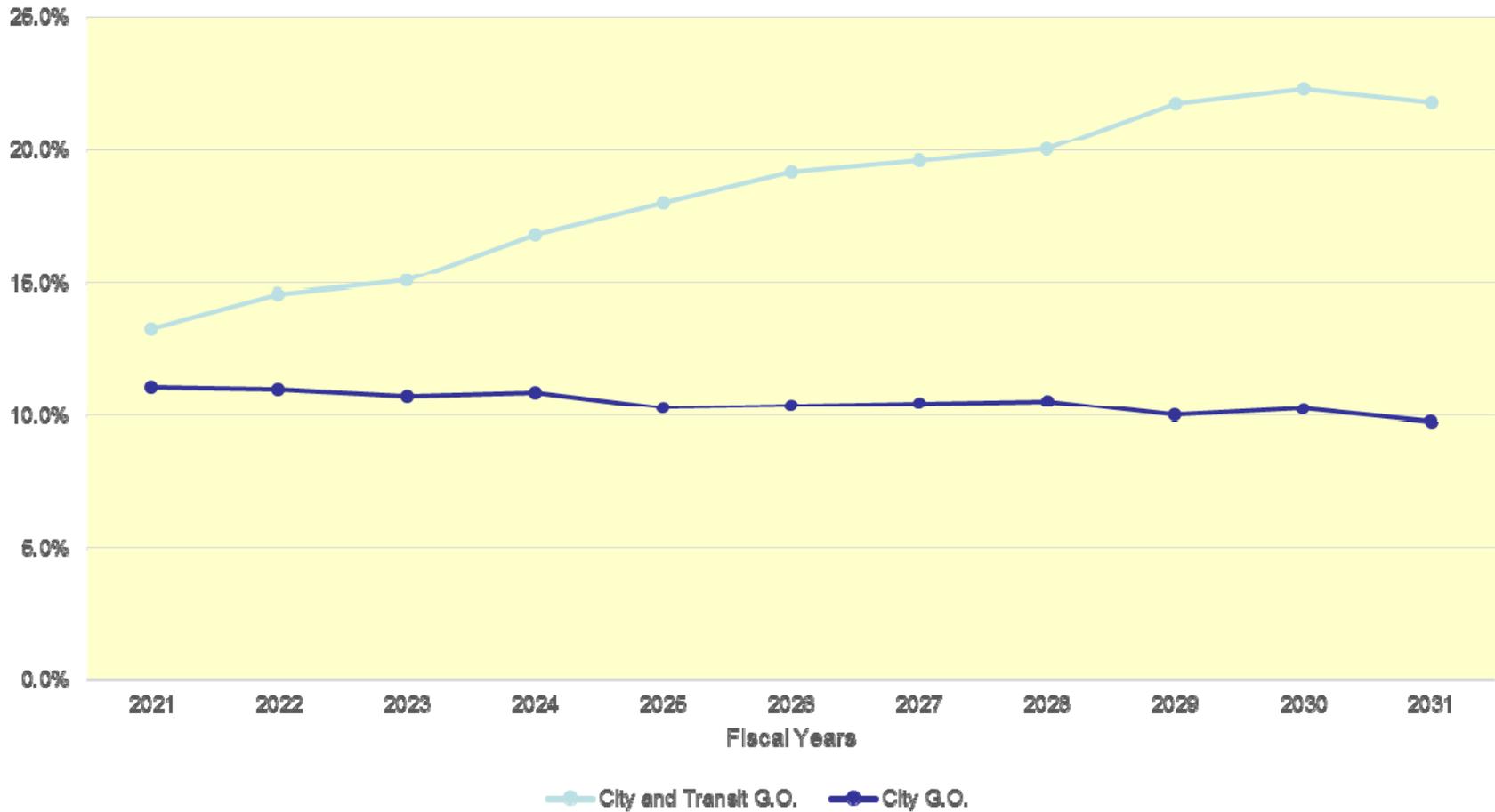
G.O. Bond Debt Service Projections



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, 2020

Gross funded indebtedness	\$6,405,574,650 (a)
Less Exclusions:	
G. O. for HART	658,955,000
G. O. for Sewer	593,712
State Loans Payable	224,226,187
Wastewater Revenue Bonds	2,200,005,000
Water Supply Revenue Bonds	197,470,000
G. O. for Solid Waste	139,618,532
G. O. for H-POWER	353,110,000
G. O. for Housing	<u>24,251,965</u>
Total Exclusions	<u>3,798,230,396</u>
Net Funded Debt	<u>\$2,607,344,254</u>

(a) Outstanding balance as of March 5, 2020. Total includes \$658,955,000 in G.O. bonds which are to be paid for from HART revenues.

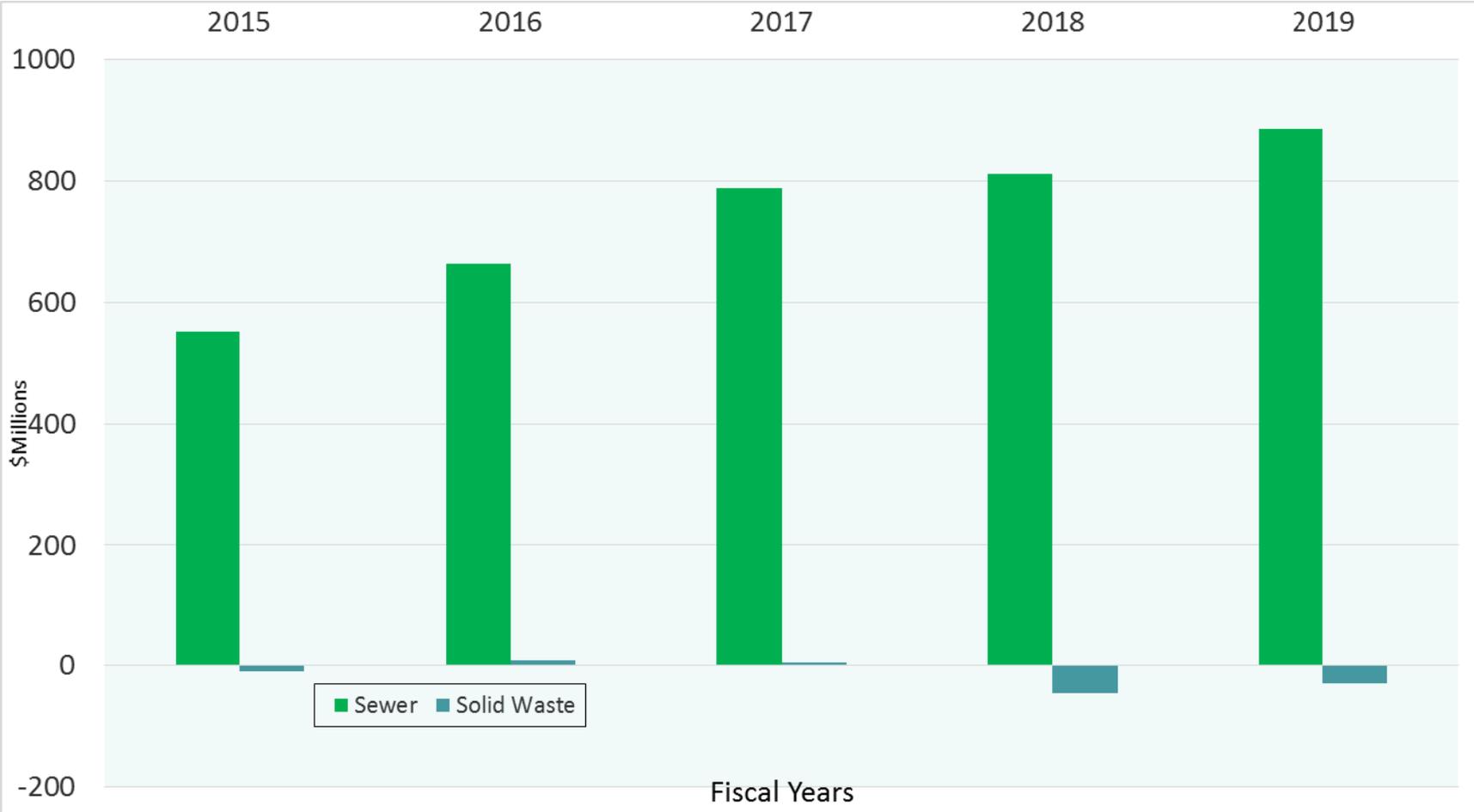
Bond Issuances and/or Restructuring Proposed for Fiscal Year 2021

	<u>Sewer Revenue Bonds</u>	<u>State Revolving Fund</u>	<u>General Obligation</u>	<u>Tax Exempt Commercial Paper (TECP) TR</u>	<u>GOB-TR</u>
Issue amount	450,000,000	10,000,000	205,000,000	301,000,000	544,000,000
Estimated Interest Rate	4.75%	3.70%	4.00%	3.00%	4.00%
Term	30 Years	20 Years	25 Years		11 years
Structure	Level Payment	Level Payment	Level Payment		Interest only first five years, principal and interest thereafter
Projected Date of Issuance	First half of Fiscal Year	Various	First half of Fiscal Year	Periodically through fiscal year based upon cash flow requirements.	Second half of Fiscal Year
Projected Annual Debt Service Payment	28,600,000	638,000	13,100,000	Outstanding balance refunded in next bond issue.	10,930,600*

* Annual interest-only payment amount, first five years.

Sewer and Solid Waste Funds Unrestricted Net Assets

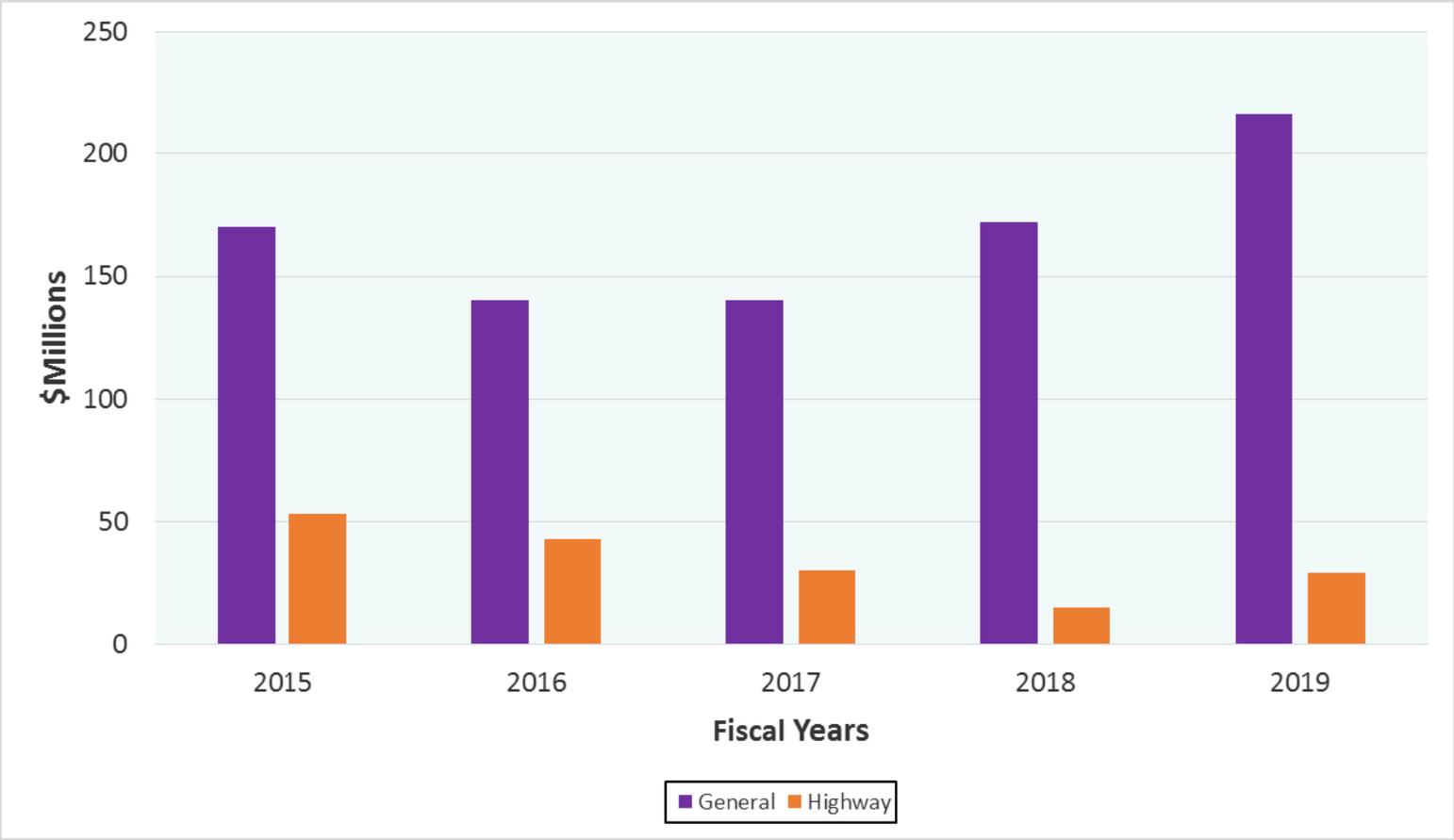
(In millions)



Budget Communication #2, Question 7

General and Highway Fund Unreserved, Undesignated Balance

(In millions)



Budget and Actual Resources Comparison (In \$Millions)

Type of Revenue	FY 2019 Budget	FY 2019 Actual	FY 2020 Budget	FY 2021 Proposed	Percent Change
Real Property Tax	1,255,790,946	1,276,143,561	1,393,676,760	1,408,847,520	1.1%
Fuel Tax	51,526,000	51,139,808	51,784,000	51,935,080	0.3%
Motor Vehicle Weight Tax	164,347,327	171,422,857	182,480,380	184,431,820	1.1%
Public Utility Franchise Tax	47,707,700	47,047,435	47,048,000	48,801,737	3.7%
Federal Grants	100,315,894	90,913,876	97,406,108	102,520,472	5.3%
State Grants	21,658,956	21,307,656	24,259,363	24,237,928	-0.1%
Transient Accommodations Tax	45,423,000	45,423,000	45,423,000	45,423,000	0.0%
Public Service Company Tax	46,007,251	41,182,468	37,980,000	42,808,500	12.7%
Licenses and Permits	64,856,795	62,201,822	64,246,362	64,374,511	0.2%
Charges for Services	36,909,461	37,611,816	33,317,058	39,772,995	19.4%
Sewer Charges	265,094,408	254,545,934	298,133,377	254,410,746	-14.7%
Transportation Revenues	54,030,000	57,139,735	56,228,000	56,228,000	0.0%
Solid Waste Revenues	136,786,900	141,928,695	133,578,648	134,205,700	0.5%
Other Revenues	130,223,243	183,482,474	183,699,284	186,831,358	1.7%
Carry-Over - Unrestricted	112,630,030	187,849,553	128,445,115	204,829,521	59.5%
Carry-Over - Restricted	791,641,523	911,063,939	671,091,470	1,019,713,439	51.9%
TOTAL	3,324,949,434	3,580,404,629	3,448,796,925	3,869,372,327	12.2%

Budget and Actual Resources are for the operating budget only, consistent with page D-28 of the Executive Program and Budget Volume I.

*Unrestricted Carry-Over is comprised of General and Highway Fund Carry-Over. Restricted Carry-Over is comprised of Carry-Over in Special Funds.

Uncontrollable Cost Comparison

(in \$millions)

	<u>FY 2019</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Percent</u>	<u>FY 2021</u>	<u>Percent</u>
<u>SOURCE</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Change (1)</u>	<u>Proposed</u>	<u>Change (2)</u>
Operating Expenditures						
Executive Agency Budgets	\$ 1,536	\$ 1,476	1,620.7	5.5%	1,714.8	5.8%
Debt Service	\$ 522	481.8	586.3	12.3%	583.8	-0.4%
Fringe Benefits	468.8	430.0	529.8	13.0%	568.6	7.3%
Miscellaneous	84.0	32.9	98.1	16.8%	112.4	14.6%
Total Operating Expenditures	2,610.6	2,420.5	2,834.9	8.6%	2,979.6	5.1%

(1) Percentage change between FY 2020 Budget and FY 2019 Budget

(2) Percentage change between FY 2021 Proposed and FY 2020 Budget

Fringe Benefits includes Retirement System Contributions, FICA and Pension, Health Benefits Contributions, and OPEB

Note that the Miscellaneous category includes provisionals, including Provision for Vacant Positions and Provision for Salary Adjustments and Accrued Vacation Pay, that are transferred to departments and expended from the department budgets.