

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
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April 28, 2020

The Honorable Joey Manahan, Chair  
and Members  
Committee on Budget  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Manahan and Councilmembers:

SUBJECT: Budget Communication No. 15

In response to your letter dated April 23, 2020, please see our responses to your questions below.

1. Since introduction of the Operating and CIP budget bills on March 2, 2020, what adjustments or recommendations is the Administration proposing to adjust to the likelihood of reduced city revenues from the global COVID-19 pandemic?
  - a. Please identify the total amount of revenue shortfalls projected for the City's sources of FY 21 revenues (e.g., declines in RPT collections, other sources of funding)?

**Response:** The Department of Budget and Fiscal Services (BFS) submitted Department Communication 279 (2020), proposed amendments to Bill 20 (2020) and Bill 21 (2020). The amendments included adjustments to FY 2021 revenues in the Detailed Statement of Revenues due to the effects of the COVID-19 pandemic. The revenue amendments included lower real property tax and other revenues, as well as lower revenues at certain City facilities. Please refer to that document.

- b. Please identify any readjusted funding levels from the City's sources of FY 21 revenues.

**Response:** Department Communication 279 (2020) includes proposed amendments that adjust appropriations in Bill 20 (2020), the Executive Operating Budget and Program for Fiscal Year (FY) 2021, and Bill 21 (2020), the Executive Capital Budget and Program for Fiscal Year 2021. The

amendments decrease appropriations by \$135.5 million in order to address the effects of the estimated decrease in revenues due to the COVID-19 pandemic. Please refer to that document.

- c. How does the Administration plan to use federal monies from the recently-adopted CARES Act to fill in projected funding gaps? Please identify the amounts and purposes for which these CARES Act funds are being allocated.

**Response:** The City and County of Honolulu was provided a guidance document for what the Coronavirus Relief Fund may be used for. This document specifies that payments from the Fund may only be used to cover costs that: 1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); 2) were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and 3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. As such, the Administration is unable to use any of these federal monies to fill in projected funding gaps. In regard to what the Fund may actually be used for, the exact amounts and purposes for each allocation are still being developed. At this time, we only have a rough estimate breakdown which was provided to you previously in MM-051(20). Please refer to that document.

The FTA CARES Act of 2020 funding can and will be allocated for the following purposes: FY 2020 – Approximately \$15 million for Preventative Maintenance and approximately \$4 million to cover costs in excess of revenues. FY 2021 – Approximately \$71 million for Bus and Handivan operations.

2. Under the recently enacted CARES Act, \$150 billion was appropriated to help the states, territories, Washington DC, and tribal units. What is the dollar amount of additional revenues that are programmed for the City & County of Honolulu?

**Response:** The City and County of Honolulu received \$387 million from the Coronavirus Relief Fund from the U.S. Treasury. An estimated breakdown for other various funding sources identified in CARES Act were provided in MM-051(20).

- a. Under the CARES Act provisions, HUD's CDBG program allocates \$2 billion to be distributed to cities and counties for elderly, public health, and homeless services in three rounds. An additional \$1 billion was appropriated to help keep homeless citizens safe. Based upon HUD information (Hawaii website), how does the Administration plan to expend \$4.8 million in additional CDBG funds designated for Honolulu?

**Response:** The moneys allocated to the City and County of Honolulu under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) is being put out as separate competitive solicitations for these funds as required programmatically by the US Department of Housing and Urban Development (“HUD”) for the Emergency Solutions Grant (“ESG”) program and the Community Development Block Grant (“CDBG”) program.

Allowable uses of these funds can be found in the following HUD guidance on infectious diseases.

ESG - <https://files.hudexchange.info/resources/documents/Eligible-ESG-Program-Costs-for-Infectious-Disease-Preparedness.pdf>

CDBG - <https://files.hudexchange.info/resources/documents/CARES-Act-Flexibilities-CDBG-Funds-Used-Support-Coronavirus-Response.pdf>

<https://files.hudexchange.info/resources/documents/Quick-Guide-CDBG-Infectious-Disease-Response.pdf>

Private nonprofit agencies, federally qualified health centers, and in certain circumstances private individuals and for-profit entities, were encouraged to submit applications for funding by the City’s deadline of 10:00 am, Monday, April 27, 2020 for these funds.

As stated in the solicitations, for expediency, the City’s selection committee will review all proposals received by the deadline and will make their recommendations. Proposals for City projects were collected from City agencies, and recommendations were made based on eligibility. Recommendations will then be approved by BFS, Managing Director, and the U.S. Department of Housing and Urban Development (HUD). The City Council will be notified of the selections.

Once HUD approves the amendments to the Annual Action Plan, selected programs will be notified, and public notice will be provided through the Honolulu Star Advertiser. Selected programs will also need to execute an Agreement with the City and then will be issued a Notice to Proceed (NTP) stating when they will be allowed to start incurring costs.

- i. How does it plan to expend the additional \$2.4 million in ESG funds and \$95,000 in HOPWA funding?

**Response:** The ESG funds are going through the same competitive selection process as CDBG as outlined above.

Consistent with the City's HUD Consolidated Plan, the HOWPA funds will be allocated on a 80/20 split between the only two organizations providing direct services to persons with AIDS.

- b. What are the City's plans for the \$57 million in additional funding appropriated for Section 8 vouchers?

**Response:** The additional funding is expected to cover a larger share of the rent payable by the City as family members' jobs are cut or hours of employment reduced. When family income is reduced, an adjustment is made so that the family share of rent is reduced as well.

- c. To what extent is the City administration working to expand upon the \$400 million allocated to Hawaii Public Housing Authority and other public housing programs in the CARES Act?

**Response:** Funding for the Hawaii Public Housing Authority (HPHA) is not available to the City. The City is a housing authority for purposes of the Section 8 program, but not able to receive funding intended for the federal public housing program as HPHA is. Specifically, the CARES Act appropriation to the public housing operating fund is strictly for federal public housing properties.

- d. What other federal assistance does the City anticipate receiving for social services, rental assistance and related needs?

**Response:** The City contemplates allocating a portion of the Coronavirus Relief Fund to support social services, rental assistance, and related needs.

The Department of Community Services (DCS), WorkHawaii Division is collaborating with the local workforce development board for a grant from the National Dislocated Workers Grant from the U.S. Department of Labor. The Elderly Affairs Division of DCS will receive additional funding from the Administration for Community Living (ACL) for nutrition programs, home and community based services for kupuna and support for family caregivers. ACL is a division within the U.S. Department of Health and Human Services. At this time the actual funding amount is undetermined.

3. What amounts does the City Administration anticipate accessing from the City's 'rainy day' Budget Stabilization fund as a 'bridge financing' tool between use of federal CARES Act appropriations and any FY 20 and FY 21 shortfalls?

**Response:** To date, no monies have been spent from the Reserve for Fiscal Stability Fund and there are no immediate plans to expend monies from the fund in FY2020 and FY2021. If the pandemic situation becomes more severe or lasts an extended period of time, or another emergency such as a hurricane arises and there are no other available resources, then funds in the Fiscal Stability Reserve may be needed.

Operating and CIP Budget Amendment Questions:

1. What priorities/guidelines were given to the departments to develop their Operating/CIP budgets?
  - a. Ensuring public health and safety?

**Response:** The FY21 Executive Operating Budget instruction emphasized fiscal discipline as operational expenses continues to outpace revenue collection. City Agencies were instructed to formulate their budget to provide for the Mayor's priorities of core services including public safety. Agencies were given a budget ceiling, instructed to utilize zero-based budgeting principles, and to submit their FY2021 Executive Budget Request within the ceiling or otherwise the budget would not be accepted. After an initial review of the City's fiscal condition, agencies were then provided an opportunity to request for items that could not be met within budget ceiling, but is still essential for public health and safety. Many of the items that were considered and added to the FY 21 Executive Operating Budget were the budget requests of transportation and public safety agencies.

The FY 21 Executive Capital Program and Budget also continued to exercise fiscal discipline by providing a dollar threshold of projects to the overall Capital Improvement Program (CIP) to limit and control future general obligation bond debt service. The CIP budget focused on the Mayor's priorities on mandated and required projects which support the delivery of ongoing core city services.

- b. What percentage of FY 21 CIP projects are new projects, as opposed to continuing and completing existing projects?

**Response:** The FY 21 CIP includes 144 projects. The three (3) new projects which make up 2% of the total number of CIP projects are: 1) Ala Wai Bridge [BILL 21, page 12], 2) Kakaako Parks [BILL 21, page 26], and 3) Transit Guideway Fiber Optic Backbone [BILL 21, page 30].

- c. What was the basis for city departments proposing new FY 21 projects?

**Response:** The FY 2021 Executive Capital Program and Budget was developed with a focus on the Mayor's priorities on mandated and required projects which support the delivery of ongoing core city services, and on maximizing the use of capital assets of the City, and controlling future debt service by limiting the amount of general obligation bond requirements.

- d. What is the total dollar amount of CIP projects that are 'shovel-ready' projects?

**Response:** There are 19 projects, including the Salt Lake Boulevard widening project, that will be shovel ready by December 2020 with an aggregate estimated cost of \$40,616,000. The bid solicitation of the Salt Boulevard widening project is slated to be advertised for bid in November 2020.

- i. What are the next steps required for the City and Applicant in getting the Halewaiolu Senior Residences project to 'shovel-ready' status?

**Response:** Halewaioulu Senior Residences project is located on City owned property acquired with CDBG funds. The development of this project does not require any CIP funding. The City issued a RFP for a private developer to plan, design, entitle, construct and operate/manage an affordable senior rental housing project. The City provides the land as equity under a \$1 per year lease for 75 years. The City Council approved a Development Agreement (DA) on May 17, 2016 to establish the terms and conditions under which the city will lease the land for the project. The selected developer is Halewaiolu Senior Residence Project LLC ("Developer"). The Developer needs to fulfill all conditions precedent in the DA in order to get to "shovel ready" and the ability to move forward is largely contingent on Developer's actions. To date, Developer has secured a financing award from the state Hawaii Housing Finance and Development Corporation (HHFDC) which will expire February 2021. Developer needs to complete an environmental assessment, 201H, HRS application for exemptions (which will be a Council action), and lastly update of the DA and City Council approval for execution of the lease. The Developer is targeting completing the remaining actions by February 2021.

2. What is the total dollar amount and number of collective-bargaining contracts that were included in the FY 21 operating budget?

- a. How many contracts were based on completed collective bargaining agreements?

**Response:** Completed collective bargaining agreements include: Bargaining Unit (BU)s: 1, 2, 10, 11, 12, and 13. BUs 3, 4, and 14 were still pending when the budget closed.

- b. Were raises budgeted within individual departments or as a separate line item in Department of Budget and Fiscal Services (or in another department)?

**Response:** The amounts are included in the departments' budget. Across the board percentage (%) and step increases are calculated by position. Premium pays, bonuses, fringes are in separate line items.

- c. What is the current status of completed collective bargaining agreements that would have taken effect in FY 21, particularly with respect to revenue shortfalls anticipated in FY 20 and FY 21 tax collections?

**Response:** In FY 20, all wage increases due to CBA agreements (UPW, SHOPO, HFFA) were included in the FY 20 budget since the contracts were settled. HGEA is the only union that has not received its increase in FY 20. There are placeholder amounts in the FY 20 Provisional for Salary Adjustment to address FY 20 HGEA salary increases. In FY 21, salaries have been adjusted for all BUs by position that have settled (UPW, SHOPO, HFFA) and for HGEA, only BUs 2 and 13 increases have been adjusted by position within the department. Amounts for BUs 3, 4, and 14 were in the Provisional for Salary Adjustment. However, these amounts are being removed due to projected decreases in revenue. Should the State Legislature fund the arbitration agreements, then the departments will need to pay for the increases with savings within their respective department budgets.

3. What cost-saving actions has the Administration implemented within individual city agencies to prepare for revenue shortfalls during the 3rd and 4th quarters of FY20?

**Response:** Currently in FY 20, we are closely monitoring the City's projected lapses. City Agencies were requested to re-evaluate their planned FY 20 expenditures and utilize forced savings to upfront CARES Act related expenditures. Any reimbursements from the CARES Act funding will be used to increase the City's reserves to help address possible shortfalls in FY2021. Although there is no hiring freeze, hirings have been slowed due to the Governor's and Mayor's Emergency Proclamation that requires stay home orders and distancing. Savings generated will help alleviate revenue shortfalls.

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4. What steps is the Administration taking to address FY20 revenue shortfalls, and to address FY 21 shortfalls resulting from the COVID-19 pandemic through the remainder of 2020?

**Response:** The Administration has submitted proposed budget amendments for Council's consideration. The budget amendments significantly reduce the Provisional for Salary Adjustment and Provision for Vacant Positions and utilizes federal grant funding for bus operations to maintain service despite lost revenue due to effect of the COVID-19 pandemic. The reduction in the Provisional(s) will significantly impact an agency's ability to hire in FY 21 as funding for vacant positions will be reduced.

5. What steps is the Administration taking to defer the timing of real property tax collections upon businesses that have been affected by government shutdowns, and upon residents who may now be unemployed?

**Response:** Due to the economic hardships that certain taxpayers have experienced as a result of the COVID-19 pandemic, the Administration will present a plan for assisting taxpayers with their real property tax payments at the May 12, 2020 Special Budget Committee meeting.

If you have any questions, please call me at 768-3901.

Sincerely,



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

APPROVED:

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Roy K. Amemiya, Jr.  
Managing Director