

County of Hawai`i

*Presentation to the Senate
Committee on Ways and Means
and the House of Representatives
Committee on Finance*

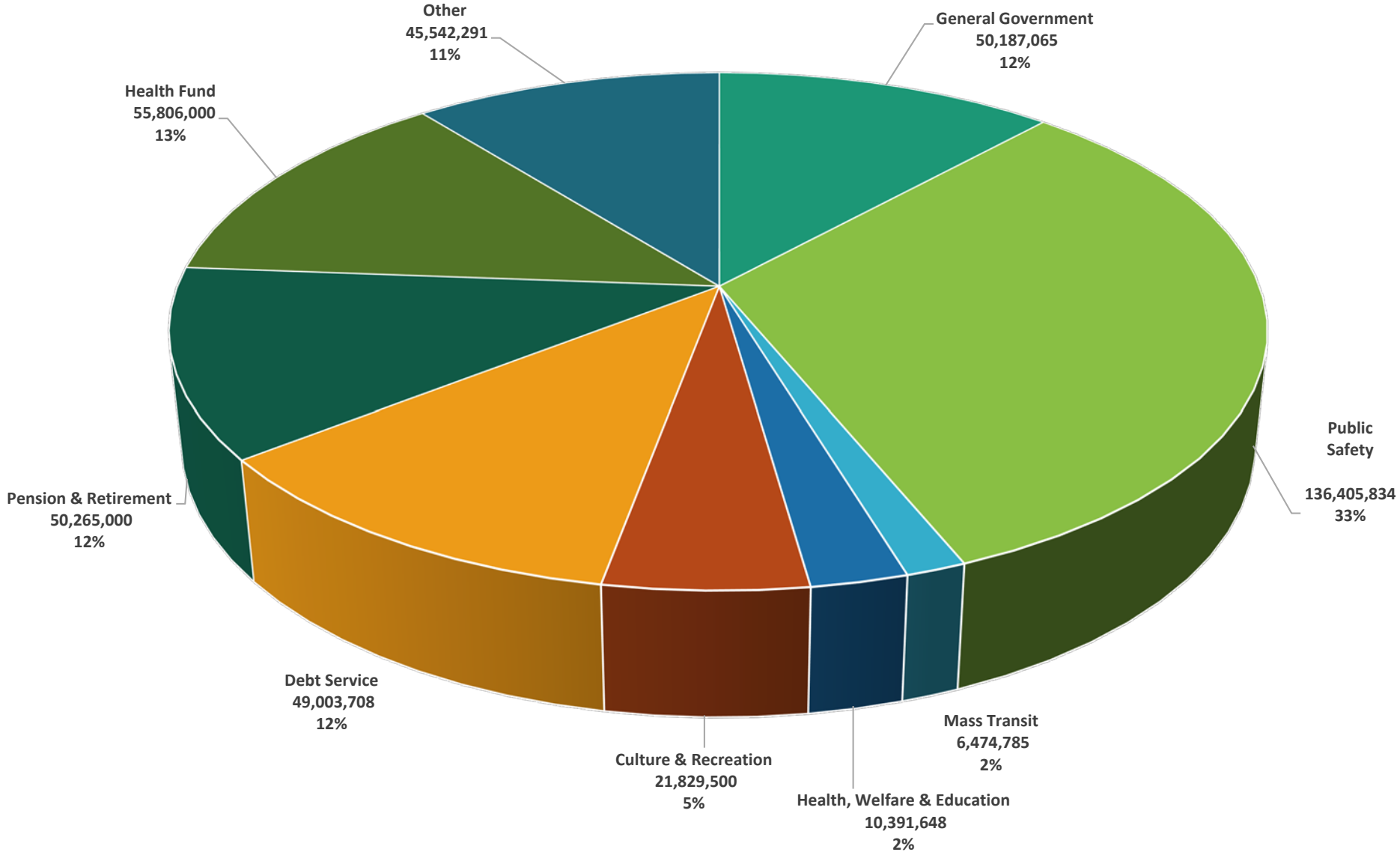
January 31, 2019

Hawai'i County Financial Position - Expenditures

- Current year (2018-19) General Fund budget is \$419,431,046
 - Salaries and wages, and benefits are 63.3% of budget
 - Debt service is 11.7% of budget
 - Leaving only 25.0% of the budget allocated to all other cost of operations in the General Fund
 - In the last five years these costs have gone from 29.9% to the current 25%
- General Fund includes:
 - Police Department
 - Fire Department
 - Office of the Prosecuting Attorney
 - Civil Defense, Planning, Public Works, Finance, Human Resources, etc.

Fiscal Year 2019 – General Fund Budget

\$419,431,046



Uncontrollable Increases

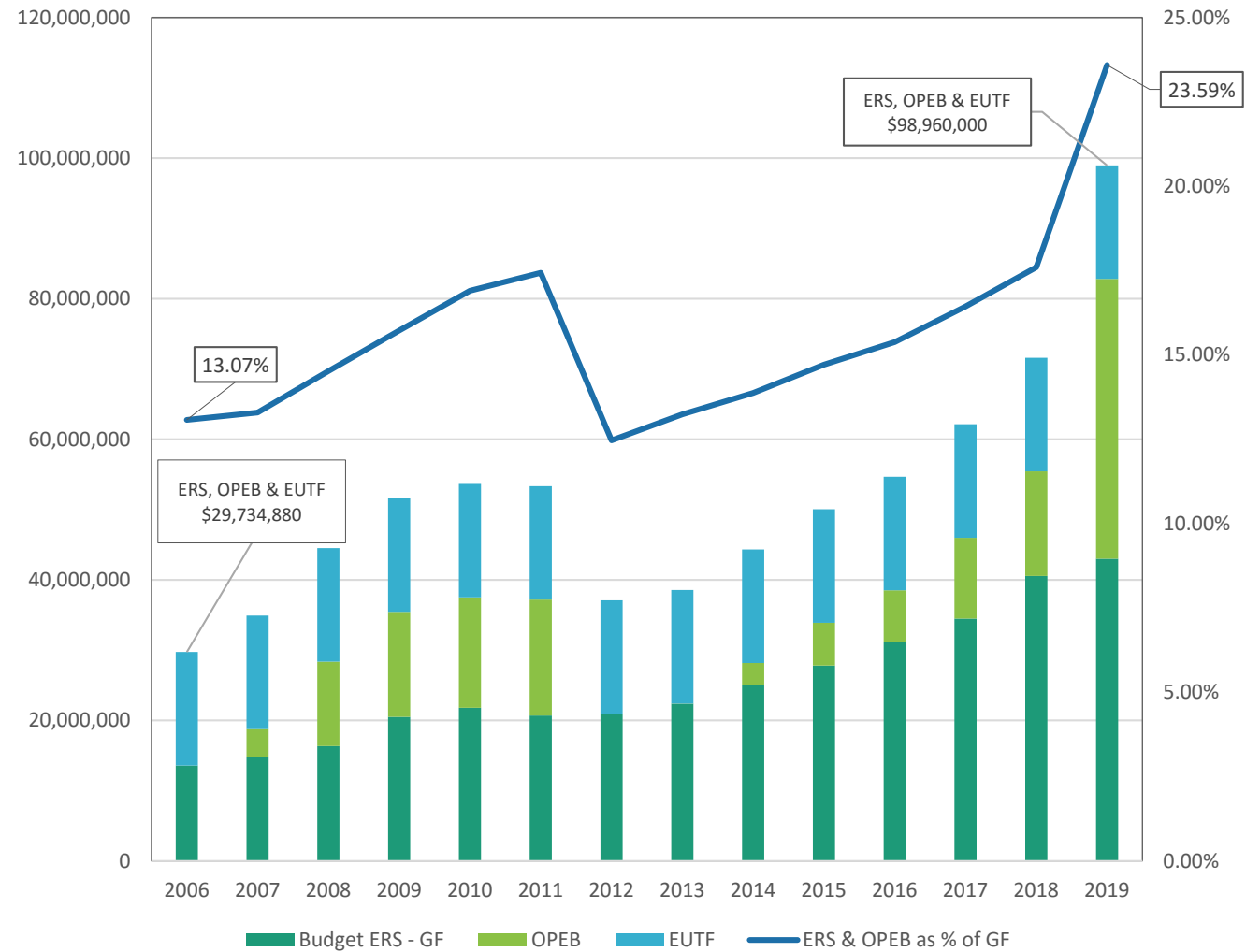
- Total increase of ERS, OPEB, debt service & EUTF over 5 years - **\$68 million**
- Amount does not include collective bargaining unit salary & wage increases

GENERAL FUND UNCONTROLLABLE INCREASES						
(ERS, OPEB, Debt Service, EUTF)						
	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
ERS	34,500,000	39,005,281	43,000,000	53,000,000	61,000,000	62,500,000
OPEB	11,495,000	14,867,200	39,806,000	41,500,000	42,995,000	44,245,000
Debt Service	43,858,131	49,129,513	49,003,708	52,260,287	61,777,750	58,858,891
TOTAL	89,853,131	103,001,994	131,809,708	146,760,287	165,772,750	165,603,891
EUTF	31,000,000	33,700,859	16,000,000	18,500,000	20,165,000	23,000,000
TOTAL with EUTF	120,853,131	136,702,853	147,809,708	165,260,287	185,937,750	188,603,891

ERS, OPEB & EUTF

- Employer contribution for Other Post Employee Benefits (OPEB) Statutory mandate - Act 268 (2013)
- Hawai'i County contribution increased to 80% in FY18 and to 100% of ARC in FY19
- Total ERS, OPEB & EUTF increasing to 23.59% of general fund in FY19 from 13.07% in FY06
- Retiree health benefits included in OPEB in FY19

General Fund ERS, OPEB & EUTF
% of General Fund



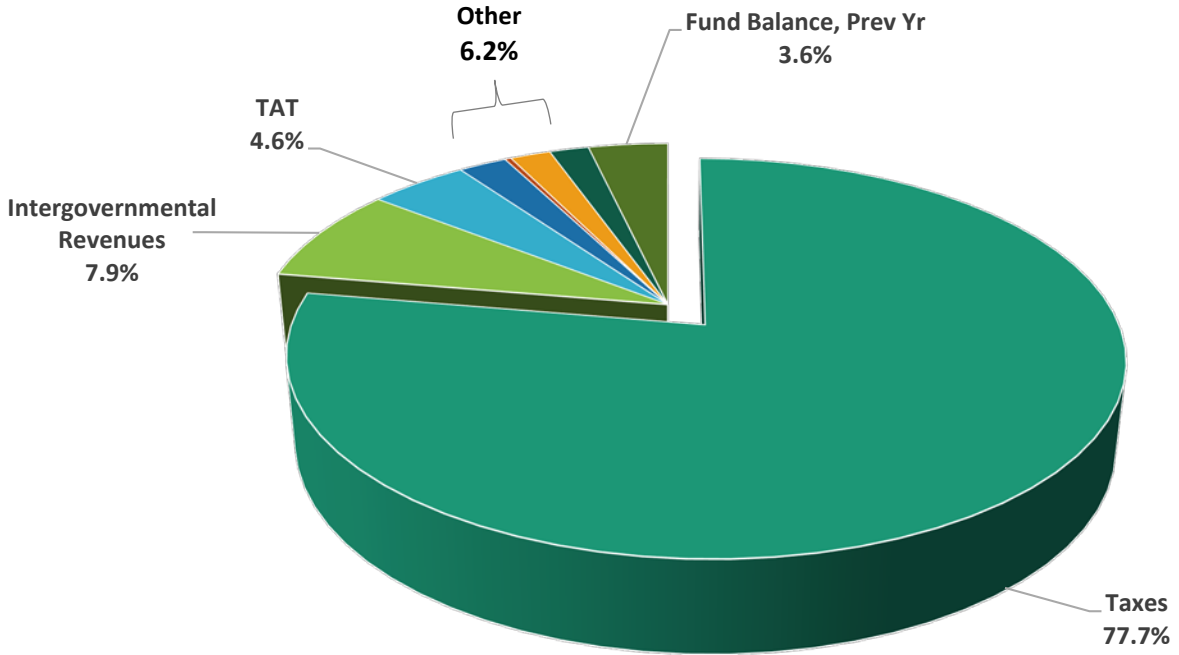
Hawai'i County Financial Position - Revenues

- Revenue to fund current year (2018-19) General Fund expenditures is derived from:
 - Real Property Tax (75.6%) and Public Service Company Tax (2.1%) – 77.7%
 - County portion of Transient Accommodations Tax – 4.6%
 - Previous year Fund Balance – 3.6%
 - Licenses and permits, charges for services, and miscellaneous – 6.2%
- Grant revenues account for 8.0% of the General Fund revenue, but are generally restricted to specific grant purposes

FY19 General Fund Revenue

FY 19 General Fund Revenues:

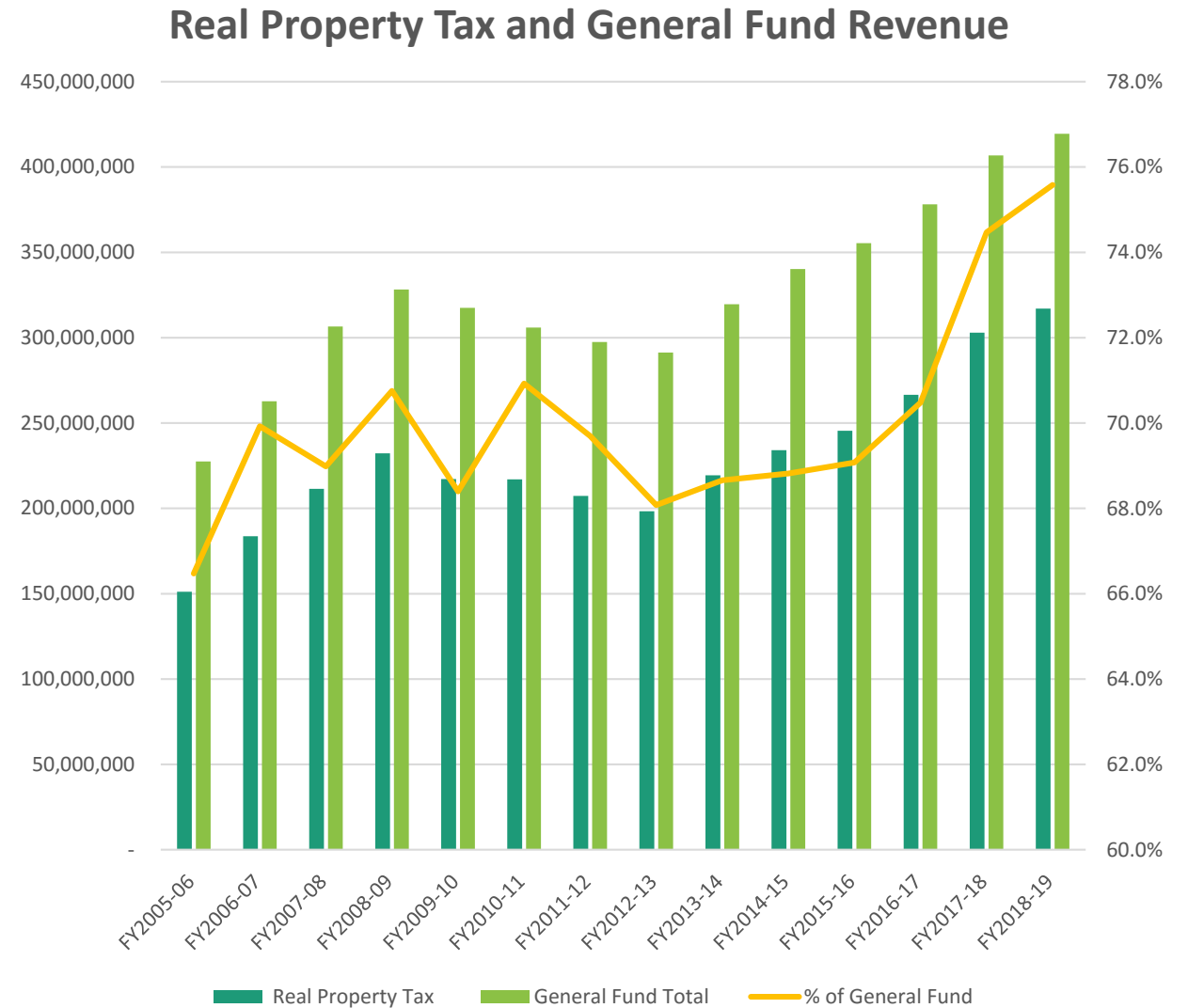
77.7%	Taxes (Real Property Tax = 75.6%)
7.9%	Intergovernmental Revenue (grants)
3.6%	Previous year fund balance
4.6%	Transient accommodation tax (capped by Legislature)
Other:	
2.2%	Licenses & Permits
1.9%	Charges for Services
<u>2.1%</u>	Miscellaneous revenues
100%	Total Revenues, \$419,431,046



Note: The GET Surcharge is appropriated to the General Excise Tax Fund and is not included in the General Fund

Real Property Tax

- Largest source of revenue for the County
- Expected increases in real property tax revenues are not keeping pace with increasing labor, benefits, and operating expenses
- Real property tax rates increased in FY 2018 to cover revenue shortfalls
- Growth in values impacted by 2018 lava event



Real Property Tax Increase

- Department budgets have been cut and real property tax rates were increased to make up revenue shortfalls
- Rates for all classes except homeowner and affordable rental were increased
- 5% average tax rate increase
- 100% minimum tax increase (except for properties valued at \leq \$500)

FY 2018 TAX INCREASE

Tax Rate Per Thousand Net Taxable Building & Land	<u>FY 2017</u>	<u>FY 2018</u>	<u>% Increase</u>
Residential	10.05	11.10	10.4%
Affordable Rental Housing	6.15	6.15	0.0%
Apartment	10.85	11.70	7.8%
Hotel & Resort	10.85	11.55	6.5%
Commercial	10.05	10.70	6.5%
Industrial	10.05	10.70	6.5%
Agricultural or Native Forest	9.25	9.35	1.1%
Conservation	10.85	11.55	6.5%
Homeowner	6.15	6.15	0.0%

<u>Minimum Tax</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>% Increase</u>
Minimum Tax	\$100	\$200	100.0%
Assessed value \leq \$75,000	\$75	\$150	100.0%
Assessed value \leq \$50,000	\$50	\$100	100.0%
Assessed value \leq \$25,000	\$25	\$50	100.0%
Assessed value \leq \$500	\$25	\$0	-100.0%

Funding Concerns

- Hawai'i County has very limited taxing authority to provide funds for unrestricted general operations, including public safety
- Hawai'i County has only real property tax and public service company tax as unrestricted tax sources
- The portion of transient accommodations tax allotted to the County is the only other significant source of unrestricted revenue for the General Fund

Operational Priorities

Hawai'i County requests the following legislative considerations:

- Allow the County increased General Excise Tax flexibility in allowable use(s)
- Support of programs related to the homeless crisis and growing number of squatters
- The continued growth of the senior population emphasizes the need for support of programs addressing their needs
- Provide liability coverage for beach lifeguards
- Support State projects related to Rapid Ohia Death, Rat Lungworm disease, Little Fire Ants, Coqui Frog control
- Allow the Planning Department to require the vacation rental license number in vacation rental advertising
- Fairer share of TAT to the Counties

Capital Project Priorities

Hawai'i County requests the following legislative considerations:

- Assistance with infrastructure and FEMA match for the May 03, 2018 lava flow and hurricane Lane natural disasters
- Puna is the fastest growing district in the state and the most populated district on this island
- The County wishes to emphasize the extreme need in Puna for all services and infrastructure
- Funding support for continued widening and improvement of Highway 130 in Puna
- Funding support for Puna inner-connectivity projects
- Continued funding for the State portion of Kalaniana'ole Avenue Reconstruction

Recovery Accomplishments:



- ✓ Case management coalitions engaged: HI-DARRT, Kīlauea Hui



- ✓ Facilitated shelters, transitional housing & FEMA Direct Housing; Expedited building permits; Housing Fair



- ✓ Reopened Leilani Estates, emergency route Hwy 137, Isaac Hale Park, Lava Tree State Park & Pāhoa Pool



- ✓ Targeted technical & financial assistance to visitor industry, small businesses, ag producers, & employees



- ✓ Talk story sessions with over 500 people to identify priorities

On Deck 2019:

Connect data sets to support case management & housing planning;
Family supports: mental health & summer childcare

Package homes;
Affordable housing project(s)

Restore access to isolated areas and homes;
Complete Pāhoa park restoration

Tourism & marketing refresh; Creative placemaking; Financial Empowerment Center; Economic recovery plan via EDA grant

Risk Assessment results via Pacific Disaster Center; Mitigation strategies; Long-term recovery plan

State Appropriation Request

Total: \$116M

FY 19-20: \$20M

Match for Federal
Infrastructure
Grants

FY 20-21: \$96M

Housing Infill &
Match for Federal
Infrastructure
Grants

The Honorable Senators Donovan M. Dela Cruz, Chair and Gilbert S.C. Keith-Agaran, Vice Chair, and members of the Senate Committee on Ways and Means

The Honorable Representatives Sylvia Luke, Chair and Ty J.K. Cullen, Vice Chair, and members of the House Committee on Finance

Thank you for your interest and your continuing support

The Honorable Harry Kim, Mayor
County of Hawai'i