

# **BUDGET MESSAGE (FY 2017)**

## **Councilmember KipuKai Kualii**

*(delivered at the June 1, 2016 Council Meeting)*

**MAHALO NUI LOA** to everyone here at Council Services, and throughout the Administration who helps this Council do its most important work each year; deliberating and deciding on our County Budget.

The Mayor used the phrases “moving in the right direction” and “continuing to move in the right direction” in his last two March submittals. I’d add “further and faster” as we need to do more and to do more now. I’d also add the phrase many of us keep repeating; “doing more with less.”

The people of our County have been doing more with less for many years now. At the same time, our County has not. While we’ve turned the corner leveling out our budget and not needing to dip into our unassigned fund balance, we’re only really maintaining the status quo.

The first slide, “Countywide – General Fund (Budget)” (See Attached), I’m sharing in my budget message presentation demonstrates this leveling out of our budget. Our General Fund budget has grown drastically since 2002; more than doubling from \$52M in 2002 to \$126.5M in 2015. 2016 levels off at \$126.3M and 2017 comes down slightly at \$125.5M.

The second slide, “Countywide – Fund Balance” (See Attached), tracks our Fund Balance and Unassigned Fund Balance over that same period. Our Unassigned Fund Balance has gone from \$370k in 2013 to \$13.7M in 2014 to \$26.1M in 2015. We are more than meeting the GFOA’s reserve recommendation of 2 months operating budget which is \$18M to \$20M.

The third slide, “Countywide – Expenses” (See Attached), tracks Expenses throughout the County with data from our 2015 CAFR (Comprehensive Annual Financial Report) from 2006 through 2015. Again, this shows the same leveling off of expenses across all County funds as was shown earlier for the General Fund.

The fourth and final slide, “Countywide – Employees (Full Time Equivalent)” (See Attached), tracks Full Time Equivalent (FTE) Employees throughout the County, also with data from our 2015 CAFR from 2006 through 2015. What seems to jump out from this bar graph is the drastic increase from 2013 to 2014 and then back down again in 2015.

I wanted to share these slides to show where we’re at and where we’ve been as a County financially. Yes, seeing them brings up questions for me as I’m sure they do for you. And, while I don’t necessarily have answers at this time, I’m hopeful that we’ll be able to use this data going forward to do better with our budgeting.

### **Transient Accommodation Taxes (TAT) – Capped Again**

By now everyone knows the tough situation we’re in because the Legislature has been unwilling to lift the cap on our share of TAT. All I would add to what’s been said is I agree we should seriously consider increasing Real Property Tax (RPT) rates in both the Hotel & Resort and Vacation Rental categories. At a minimum, I also agree we should seriously consider raising the Vacation Rental rate of \$8.85 closer to or perhaps even to the same level as the Hotel & Resort rate of \$10.85.

Going forward, in order to avoid raising any of these taxes to offset TAT losses by our County, we need to engage the Visitor Industry including our constituents who work in the industry to do a full scale mobilization pushing the State Legislature to remove the TAT cap that costs us millions in revenue we need for road repairs and reconstruction.

**GET & \$100m Road Repair Backlog**

While I understand the Administration’s need to propose creating a new County General Excise Tax (GET) in an effort to address our \$100M Road Repair Backlog, I could not support such a regressive tax that would harm our struggling families.

Instead, we need to begin chipping away at the road repairs backlog by finding budget savings and cutting costs. Although this Council only ended up with \$355,160 after appropriating \$433,930 of our savings to Water Safety raises, we did appropriate all of those funds to the Highway Fund for road repairs and reconstruction.

I’m proposing a charter amendment that would allow voters to direct County leaders to budget \$1M each from RPT and TAT revenues to be dedicated each year to the Highway Fund solely for road repairs and reconstruction. The Finance Director has already objected to an initial rough draft which included \$4M each from RPT and TAT revenues stating “it does not address the consequences of such sizeable revenue allocations, and therefore is extremely irresponsible”. He also stated it would take significant reductions in public programs and/or services, including department eliminations. I expected such a response considering the \$4M level. Hopefully, he and others in the Administration will at least not oppose a proposal at the \$1M level. To move forward, I’ve submitted a request to the County Attorney for review as to form and legality.

Finally, I’m also considering looking for a way to mandate a minimum percentage or dollar-amount from the Highway Fund to be expended exclusively on road repairs and reconstruction.

**The Salary Resolution Raises**

Imagine how our constituents felt seeing us consider creating a new County General Excise Tax to address our backlog of road repairs while at the same time supporting raises of over half a million dollars to \$100k positions. Raises that increases our \$100k dollar-or-more positions from 14 to 34. Raises that range from \$4,119 up to \$29,560.

Three examples of approved raises...

Mayor	\$120,490	\$132,000
Fire Chief	\$114,910	\$127,313
Deputy PAs *	\$84,000	\$109,560

\* 8 different positions at this salary level

Three examples of raises that were not approved...

Dir of Parks & Rec	\$107,335	\$119,357
Dir of Housing	\$103,041	\$109,560
Councilmembers **	\$56,781	\$63,140

\*\* 6 different positions at this salary level

On March 23, 2016 all the raises were stopped when 5 Councilmembers voted to reject them. However, on April 20, 2016 when the raises were put forward again in two separate groupings, the majority of raises of \$566,535k for 40 positions could not be rejected falling 1 vote short of the 5 needed. A second smaller grouping of raises costing \$222k for 16 positions was rejected.

The last attempt to stop those \$100k raises from passing through the budget process was my proposal to cut the salary funding in the budget. While the raises were always referred to as salary caps and not automatic increases, they were all budgeted for in their entirety. My proposal was to cut these position salaries & wages back to the prior amounts excluding the new raises. A cut proposal that would pass with just 4 votes. And, 4 votes against these \$100k raises had already been demonstrated 3 times. Still, when a Councilmember questioned the proposal's legality and stated it was likely in violation of the County Charter, the Finance Director and a somewhat conflicted County Attorney both objected to the proposal. While there was no definite answer as to what was legal and possible, there was enough commotion caused to kill this final attempt at not funding the \$100k raises. Abandoned by the 3 other votes that were there all along, I voted alone. For me, the other Councilmembers just gave in too easily at merely an inference and without actual legal advice. I've since submitted a written request for an opinion from our County Attorney and I'm awaiting a response. Unfortunately, too late to make a difference on these raises!

### **Doing Better with Future Budgets**

These are a few things I think could help us do better with our work on future budgets...

1. A semi-annual confidential report (written & presented) from the Vacancy Review Committee to the Council with recommendations for budget savings and cost cutting.

I do want to say **MAHALO NUI LOA** to all the dedicated folks that serve on our County's Vacancy Review Committee. Your job is quite possibly one of the most important jobs in serving our people; especially our struggling working families. Your job is critical to improving the efficient delivery of services throughout our County. When it comes to our County doing more with less, you play an important role. Your deliberative considerations are crucial to helping the Mayor and the Council get better control over our largest "Salaries & Benefits" expenditures; and, thereby helping keep our taxes down. And so, I hope you will redouble your efforts in the coming year and each year after that;

2. An annual report (written & presented) from the Cost Control Commission to the Council with recommendations for budget savings and cost cutting.

The County Charter calls for an annual report and the last one was done for 2013. It appears when the Commission has no recommendations to make there is no report. The County Charter also tasks the Commission with reviewing personnel costs, real property taxes, travel budgets, contract procedures, programs, services and operations. Perhaps the Commission could begin working on recommendations for budget savings by tackling our County's largest "Salaries & Benefits" expenditures. Recommendations that address number of positions, salary levels, overtime and benefits. Recommendations that address all types of positions utilized by the County including elected, appointed, excluded managerial, bargaining unit, contract hire and any other positions. Recommendations that address downsizing, consolidation, layoffs and furloughs; utilizing worst case scenarios of possible future budgetary shortfalls;

3. An accurate, audited version of our workforce numbers & related expenditures (salaries, benefits & other) for Countywide operations broken down by divisions and departments instead of broad functions as showing in the unaudited section of the CAFR; and

4. Altering the Council's budget process slightly to...

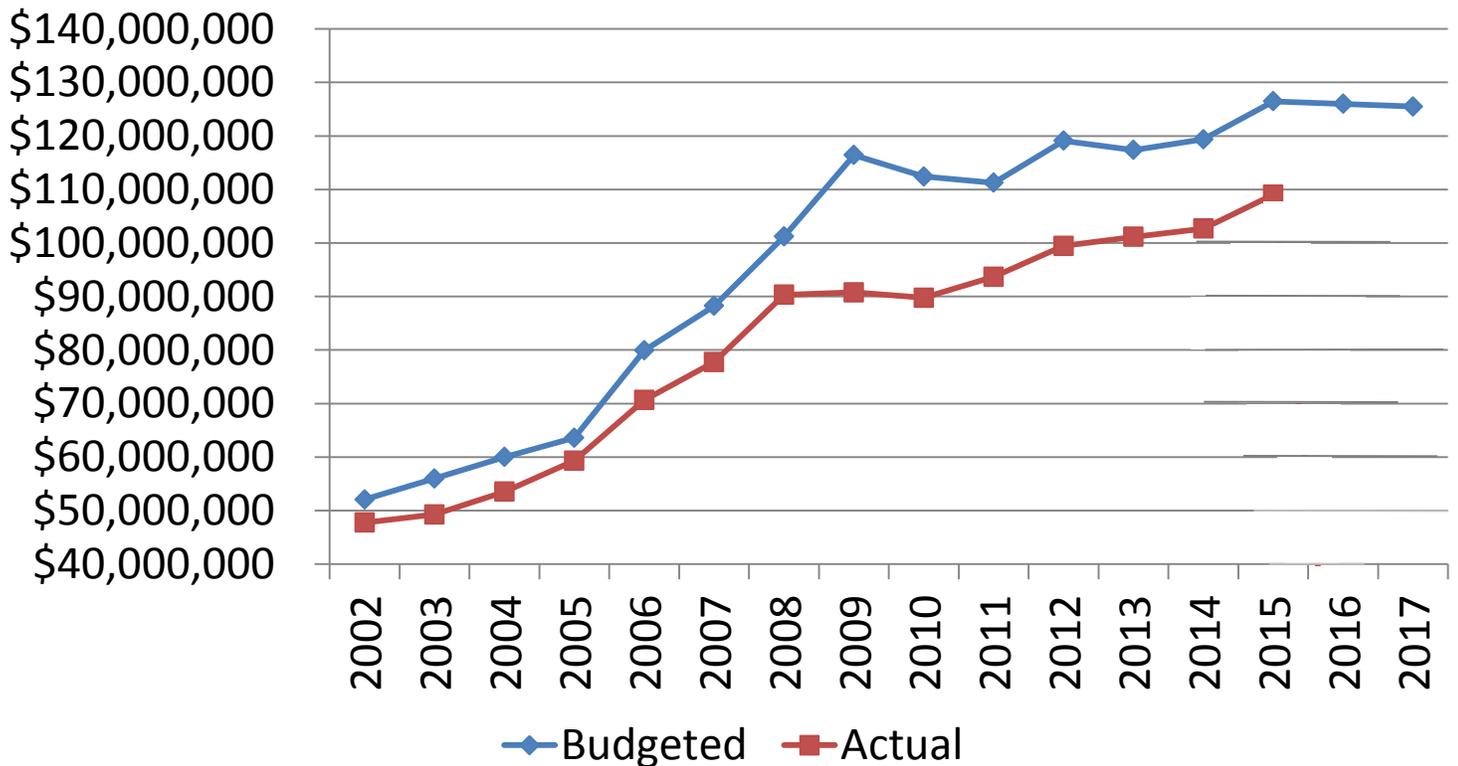
- a. Allow time at the end of budget decision-making to make any changes to tax rates
- b. Allow two 2-day rounds of budget decision-making with at least a 3-day weekend break in between.
- c. Allow the first round of budget decision-making to start on a Wednesday or Thursday with a Friday or Monday break before beginning the second round.

In closing, I want to again say **MAHALO NUI LOA** to everyone here at Council Services and throughout the Administration for your help with this year's Budget.

I also want to ask the people to engage with us County leaders however you can and hold us accountable to do a better job with the Budget. Demand better from us. You deserve a County that is more efficient; a County that does more with less; a County that understands how much every bit of your hard-earned income means to you and your families. **MAHALO!!!**

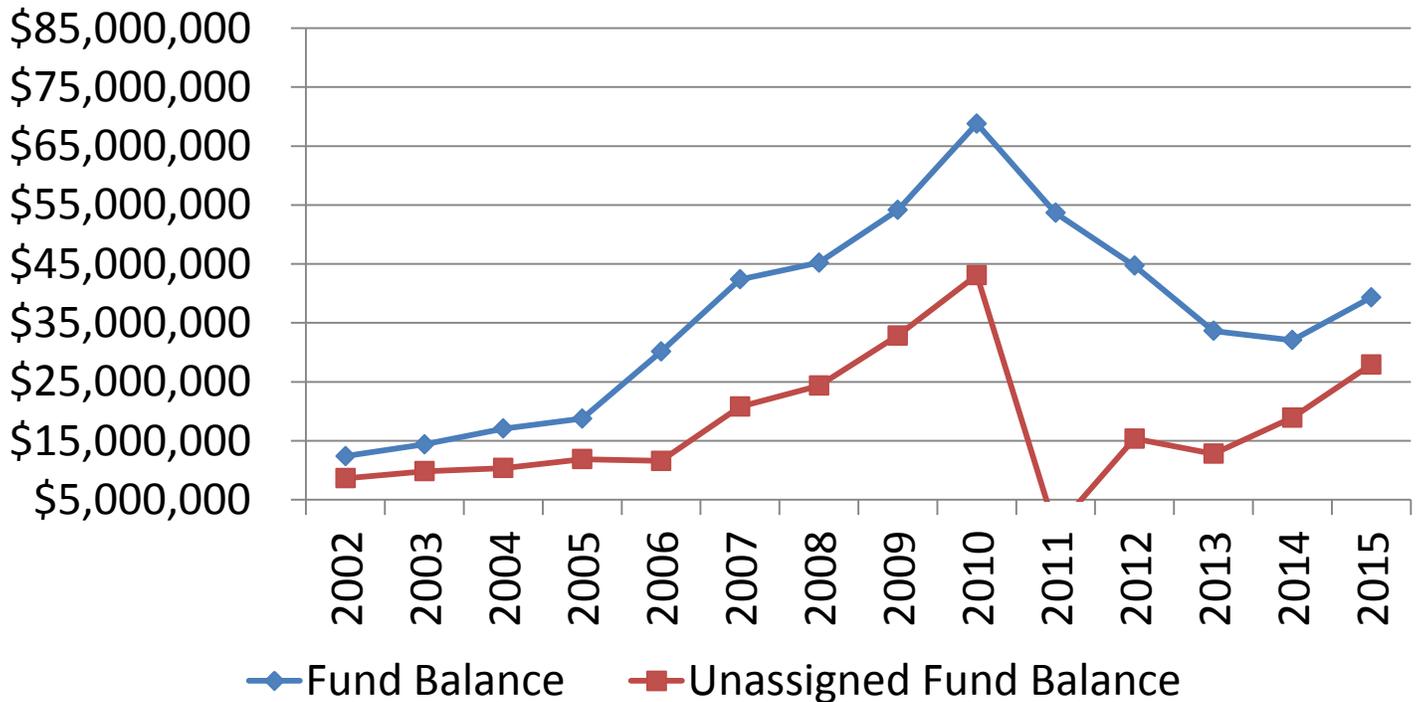
Councilmember Kualii  
Budget Presentation  
June 1, 2016

# Countywide – General Fund (Budget)



Year	Budgeted	%	Actual	%	Variance	Percentage
2015	\$ 126,482,905	6%	\$ 109,017,999	6%	\$ 17,464,906	13.81%
2014	\$ 119,357,346	2%	\$ 102,700,370	2%	\$ 16,656,976	13.96%
2013	\$ 117,386,304	-1%	\$ 101,140,375	2%	\$ 16,245,929	13.84%
2012	\$ 119,090,798	7%	\$ 99,435,712	6%	\$ 19,655,086	16.50%
2011	\$ 111,265,511	-1%	\$ 93,690,485	4%	\$ 17,575,026	15.80%
2010	\$ 112,404,928	-3%	\$ 89,757,654	-1%	\$ 22,647,274	20.15%
2009	\$ 116,433,442	15%	\$ 90,763,561	0%	\$ 25,669,881	22.05%
2008	\$ 101,196,947	15%	\$ 90,320,504	16%	\$ 10,876,443	10.75%
2007	\$ 88,229,287	10%	\$ 77,758,234	10%	\$ 10,471,053	11.87%
2006	\$ 79,909,489	26%	\$ 70,641,828	19%	\$ 9,267,661	11.60%
2005	\$ 63,589,460	6%	\$ 59,326,231	11%	\$ 4,263,229	6.70%
2004	\$ 59,992,073	7%	\$ 53,506,959	9%	\$ 6,485,114	10.81%
2003	\$ 55,990,057	8%	\$ 49,263,320	3%	\$ 6,726,737	12.01%
2002	\$ 52,065,771	-	\$ 47,767,731	-	\$ 4,298,040	8.26%

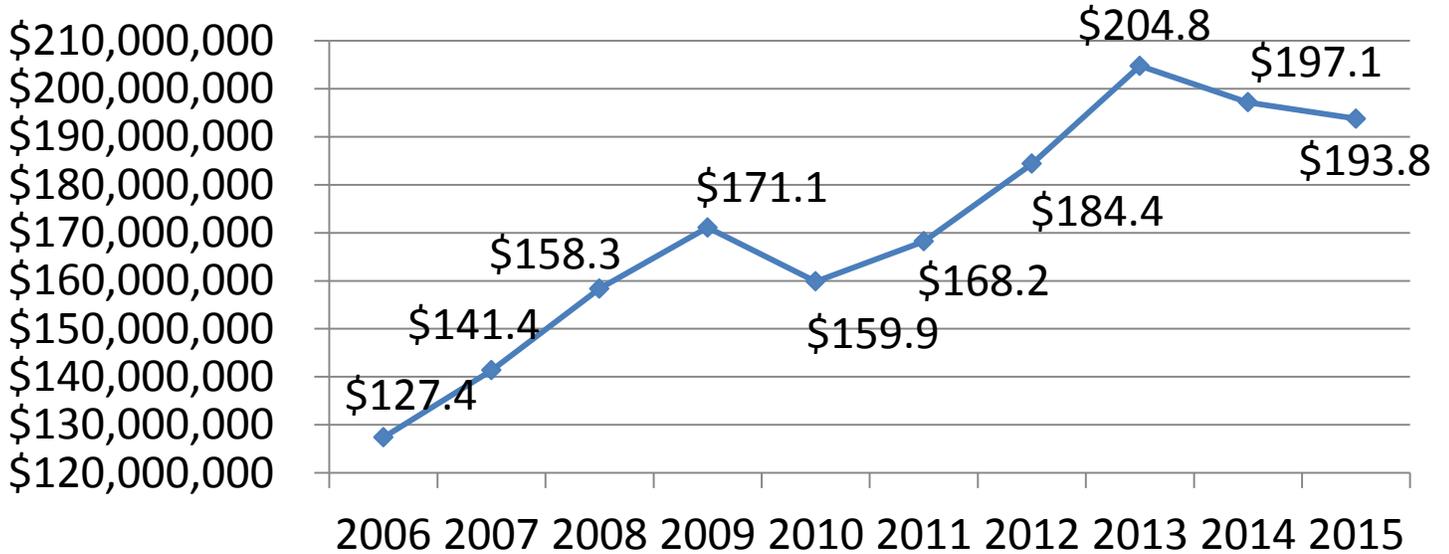
# Countywide – Fund Balance



Year	Fund Balance	%	Unassigned Fund Balance	%
2015	\$ 39,327,553	23%	\$ 27,950,825	48%
2014	\$ 32,054,565	-5%	\$ 18,928,505	48%
2013	\$ 33,622,721	-25%	\$ 12,782,584	-17%
2012	\$ 44,695,309	-17%	\$ 15,368,459	100%
2011	\$ 53,651,410	-22%	\$ -	-
2010	\$ 68,800,103	27%	\$ 43,098,792	31%
2009	\$ 54,140,980	20%	\$ 32,844,060	35%
2008	\$ 45,224,764	7%	\$ 24,335,040	17%
2007	\$ 42,383,972	41%	\$ 20,790,848	80%
2006	\$ 30,119,271	61%	\$ 11,579,162	-2%
2005	\$ 18,758,721	10%	\$ 11,871,178	15%
2004	\$ 17,058,395	18%	\$ 10,353,580	5%
2003	\$ 14,397,901	16%	\$ 9,816,102	14%
2002	\$ 12,382,205	-	\$ 8,640,407	-

# Countywide - Expenses

## Total Primary Government Expenses



◆ Total Primary Government Expenses (in millions)

Year	Total Primary Government Expenses (from 2015 CAFR)	%
2015	\$ 193,755,747.0000	-2%
2014	\$ 197,149,132.0000	-4%
2013	\$ 204,752,234.0000	11%
2012	\$ 184,353,898.0000	10%
2011	\$ 168,195,352.0000	5%
2010	\$ 159,857,983.0000	-7%
2009	\$ 171,092,934.0000	8%
2008	\$ 158,346,705.0000	12%
2007	\$ 141,363,895.0000	11%
2006	\$ 127,394,660.0000	-

# Countywide – Employees (Full Time Equivalent)

## Total Employees



Year	Total County FTE Positions (from 2015 CAFR)	%
2015	1292	-8%
2014	1412	10%
2013	1279	0%
2012	1279	3%
2011	1241	4%
2010	1196	6%
2009	1131	7%
2008	1055	-1%
2007	1061	2%
2006	1040	-