

# DEPARTMENT OF BUDGET AND FISCAL SERVICES

Rix Maurer III, Director

## POWERS, DUTIES AND FUNCTIONS

The Department of Budget and Fiscal Services is the central budgeting and accounting agency for the City and County of Honolulu. Among its responsibilities are: long-range financial planning; managing the City's operating and capital improvement budgets; managing the City's revenue and disbursement activities and financial records; overseeing equipment inventories; and administering the City's centralized purchasing activity. Additionally, it administratively supports the Liquor Commission, three Boards of Review and two pension funds. It also administers the City's Risk Management Program.



## Highlights

The City and County was able to manage its budget and furloughs were not required for Fiscal Year 2010. The City was also able to maintain the health care benefit costs for FY 10 at the 60/40 ratio. The Employer paid 60% of health care costs and the employee paid 40%. Significant efforts were spent on financial analysis and providing background data to the City Council and general public for the FY 10 Operating Budget.

## Risk Management

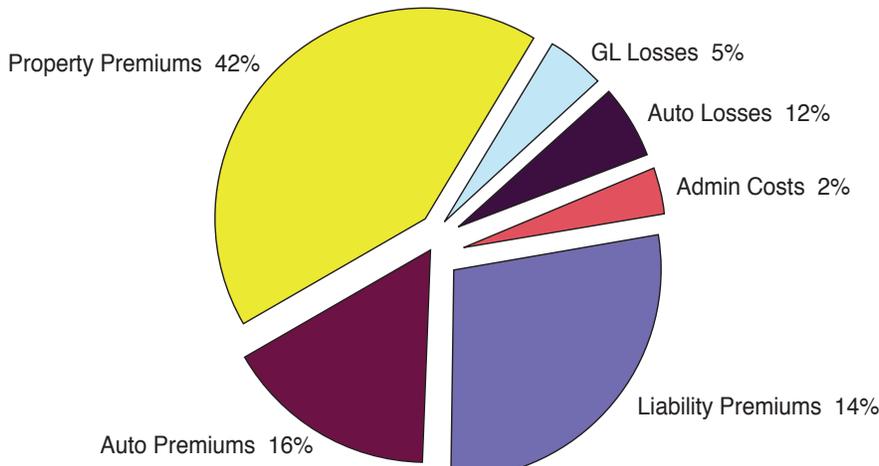
The City's Risk Management program, established under Section 2-5 of the Revised Ordinance, covers all City departments and agencies except the Board of Water Supply and Oahu Transit Services, and excludes workers' compensation and employee benefits. The program focuses on insurance and self-insurance to minimize the adverse financial impact of losses, as well as claims management, loss prevention and other activities.

The City is primarily self-insured for all risks of loss or damage, and purchases excess insurance above the self-insurance program to provide additional financial resources to cover the City's liabilities. In addition, commercial insurance is purchased to address unique risks or to satisfy statutory or contractual obligations. Self-insurance costs are generally stable, but commercial insurance costs are subject to conditions of the insurance market place.

In FY 10 the insurance marketplace was fairly stable with little change in premium rates from the prior year. Total premium costs increased approximately 6% over FY09, resulting primarily from increased insured property values, and expansion of coverage terms. There were no significant property losses or extraordinary liability losses reported as of close of the fiscal period.

Following is chart showing the allocation of Risk Dollars:

### HOW RISK DOLLARS ARE SPENT - FY 2010



## **ACCOUNTING AND FISCAL SERVICES DIVISION**

**Nelson H. Koyanagi, Jr., Chief Accountant**

### **POWERS, DUTIES, AND FUNCTIONS**

The Accounting Division plans, develops, directs and coordinates central accounting for the City and County of Honolulu; provides financial services to departments and agencies; reviews the manner in which public funds are received and expended; insures that monies withdrawn from operating budgets are in accordance with operating budget ordinance and allotments; administers central preparation of payroll; liquidates claims under a centralized voucher system; and prepares financial statements and reports on City operations.

### **Accomplishments**

The Division worked with the Budgetary Administration Division and the Departments and agencies with the preparation of the FY 2010-2011 operating budget. The Division also prepared expenditure schedules in accordance with the approved FY 2009-2010 budget ordinance, per the Revised Charter of the City and County of Honolulu.

The Division provided financial planning, guidance and analytical support to the Departments and agencies to meet their goals and objectives.

### **Financial statements and reports issued**

- City and County of Honolulu's Comprehensive Annual Financial Report (CAFR) ending June 30, 2009 for which the City was awarded the Certificate of Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). The City has received this prestigious award for 23 of the last 24 years.
- Budget and Fiscal Services Director's Quarterly Financial Reports for the last quarter of FY 2008-2009 and the first three quarters of FY 2009-2010.
- The Local Highway Finance Report for the fiscal year ended June 30, 2009 was submitted to the Hawaii Department of Transportation (DOT) in December 2009.] DOT consolidates the information provided by the Counties and submits a consolidated report to the Federal Highway Administration (FHWA) which is used to determine Hawaii's allocation of federal funding.

The Accounting Division assisted in the implementation of the payroll and human resource management portion of the C2HERPS project, which the City began using in February 2010. The Accounting Division staff continues to assist in refining the system to ensure that it is operating efficiently and can provide the City with all of the expected benefits.

## **BUDGETARY ADMINISTRATION DIVISION**

**Darryl Chai, Budget Program Administrator**

### **POWERS, DUTIES AND FUNCTIONS**

The Budgetary Administration Division administers the budgetary management and analysis program of the Executive Branch of the City and County of Honolulu. This includes the preparation and submittal of the annual Executive Program and Budget to the City Council, as well as analysis and administration of the budgetary management programs of the 23 executive agencies in the City and County of Honolulu.

### **Preparation and Submittal of the Mayor's Executive Operating Program and Budget**

As required by the Revised Charter of the City and County of Honolulu 1973 (2000 Edition), the Director of Budget and Fiscal Services shall prepare the operating and capital program and budget, and necessary budget ordinances and amendments or supplements thereto under the direction of the Mayor.

To accomplish the above, the division received, reviewed, evaluated and finalized the Mayor's Fiscal Year 2010-2011 Executive Operating Program and Budget proposal, which totaled \$1,826.7 million. This was \$21.5 million more than the previous fiscal year, or an increase of 1.2 percent. This increase was primarily due to increases in non-controllable costs and arbitrated pay raises. The budget also includes \$14.0 million for public safety requirements associated with hosting the Asia-Pacific Economic Cooperation (APEC) conference in 2011. The city hopes to receive federal reimbursement for all or a portion of such costs. Excluding these factors, the Mayor's proposed budget represented a 1.8 percent decrease of \$28.6 million from the previous fiscal year.

Non-controllable costs continued to increase in FY 11. The primary areas of change included the City's debt service, which increased by \$1.8 million; police officers, fire fighters and bus drivers negotiated pay raises, which increased by \$20.0 million; employer health contributions (EUTF), which increased by \$7.3 million; contribution to the Employees' Retirement System, which increased by \$1.6 million; and social security contributions, which increased by \$0.4 million.

Proactive budget decisions taken during FY 10 included:

- Budget restrictions in FY 10 of 3% and 4.5%
- Hiring freeze
- Travel restrictions
- Restriction on reorganizations and reallocations resulting in cost increases
- Restriction on unbudgeted equipment purchases and leases.

In order to lower the overall increase in the operating budgets of the executive agencies, a total of \$38.6 million in salary funds, which is the equivalent of approximately 858 positions, was cut from the budgets of the executive agencies.

**Highlights of the Mayor’s Proposed Operating Budget**

- Continued 5% salary cuts for Mayor and appointed Cabinet members and 5% salary cuts for City managers.
- Employee furloughs of 21 – 24 days.
- Creation of a non-homeowners tax class and increase in minimum real property tax.
- \$7.5 million cut to overtime pay and personal services contracts.
- Second year of a user fee increase for TheBus and Golf to cover a more equitable share of the subsidized cost of these services.
- Second year increase of motor vehicle weight tax.
- Funding of \$7.0 million in the Provision for Energy Costs to meet the increasing fuel and electricity costs.
- Funding to ship solid waste off-island.
- Continued funding for the new Rapid Transit Division in the Department of Transportation Services to implement Honolulu’s high-capacity transit system and for the new Transit-Oriented Development Office in the Department of Planning and Permitting for the planning of land use surrounding transit stations.

**Adoption of the Operating Budget**

The City Council adopted an Operating Budget for FY 11 totaling \$1,831.4 million. This included \$1,817.7 million for the Executive Operating Budget for the Executive Branch and \$13.7 million for the Legislative Budget for the Legislative Branch, which includes the City Council, Office of Council Services, the City Clerk and the City Auditor.

The FY 11 Executive Operating Budget appropriations for the executive branch are shown by function below.

<u>Function</u>	<u>Executive Operating Budget (in millions)</u>	<u>% of Total</u>
General Government .....	\$168.8 .....	9.3
Public Safety .....	384.4 .....	21.2
Highways and Streets .....	23.8 .....	1.3
Sanitation .....	248.9 .....	13.7
Health and Human Resources .....	78.4 .....	4.3
Culture-Recreation.....	80.6 .....	4.4
Utilities or Other Enterprises.....	217.9 .....	12.0
Debt Service .....	335.1 .....	18.4
Miscellaneous .....	279.8 .....	15.4
TOTAL .....	\$1,817.7 .....	100.0

**Execution of the Executive Operating Program and Budget**

The Revised Charter of the City and County of Honolulu 1973 (2000 Edition) specifies that the Director of Budget and Fiscal Services shall review the operating and capital budget program schedules of each executive agency and make budgetary allotments for their accomplishments with the approval of the Mayor, and review all executive agency requests for the creation of new positions.

The Budgetary Administration Division provided the above services for the Executive Operating Program and Budget and worked to ensure that the executive operating expenditures for the fiscal year were made as appropriated and authorized.

**FISCAL/CAPITAL IMPROVEMENT PROGRAM (CIP) ADMINISTRATION DIVISION**

**Alan B. Kilbey, Chief Fiscal/CIP Analyst**

**POWERS, DUTIES, AND FUNCTIONS**

The Fiscal/CIP Administration Division administers the City’s six-year capital program, citywide revenue, central accounts, long-range financial planning programs; and the U.S. Department of Housing and Urban Development’s Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grant and Housing Opportunities for Persons With Aids programs.

**FISCAL/CIP ANALYSIS BRANCH**

This branch prepares the capital program and budget and necessary budget ordinances and amendments or supplements thereto. It also reviews the capital budget program schedules of each executive agency, makes budgetary allotments, and analyzes and develops debt service programs for the City.

**Accomplishments in FY 10-2011 Capital Budget**

The Mayor submitted a FY 11 Capital Budget of \$2.209 billion. The City Council adopted a Capital Budget of \$2.122 billion.

The Capital Budget appropriations, shown by function, are summarized on the following page:

<u>Function</u>	<u>Amount (in millions)</u>	<u>% of Total</u>
General Government .....	\$30 .....	1%
Public Safety .....	56 .....	3%
Highways and Streets .....	126 .....	6%
Sanitation .....	494 .....	23%
Human Services .....	20 .....	1%
Culture-Recreation.....	40 .....	2%
Utilities or Other Enterprises.....	1,356 .....	64%
TOTAL .....	\$2,122 .....	100.0%

Detailed below is a breakdown by funding source of the Capital Budget:

<u>Source</u>	<u>Amount (in millions)</u>	<u>% of Total</u>
Borrowed Funds.....	\$1,780.0 .....	83.0%
Federal Funds .....	227.7 .....	10.0%
Special Projects Fund.....	.1 .....	1.0%
Transit Fund .....	77.2 .....	4.0%
City Funds .....	37.0 .....	2.0%
TOTAL .....	\$2,122.0 .....	100.0%

### **Execution of the Capital Budget**

The Fiscal/CIP Branch monitored the implementation of capital projects through review and recommendations of CIP appropriation allotment requests, requests for independent consultants and amendments, requests to increase construction contract contingencies and the CIP quarterly status report. In regard to capital budget spending, this branch is extensively involved in the analysis and monitoring of the encumbrances and expenditures of funds for capital projects due to the increasing debt service of the City.

### **Community Development Block Grant/Federal Grants Branch**

The Federal Grants Branch serves as the City's lead entity in the administration, financial management, reporting and monitoring of the U.S. Department of Housing and Urban Development's (HUD) entitlement programs including the Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grants and Housing Opportunities for Persons With AIDS programs and economic stimulus programs funded under the American Recovery and Reinvestment Act of 2009 such as the Homeless Prevention and Rapid Re-Housing Program and the Community Development Block Grant Recovery Program. Projects funded by the HUD programs are implemented in close partnership with the Department of Community Services, the Department of Design and Construction, other City implementing agencies and nonprofit sub recipients throughout Honolulu, providing services and facilities primarily for the benefit of low- and moderate-income persons. The City's HUD programs are described below.

#### **Community Development Block Grant (CDBG)**

The CDBG program provided Honolulu with \$9.86 million of entitlement funds and generated more than \$6.33 million in program income in FY 10. Since the inception of the CDBG program 1974, the City has utilized approximately \$463 million to undertake various housing, public facility, public services, economic development and public works activities, designed to develop viable urban communities through the provision of decent housing and a suitable living environment, principally for persons of low- and moderate income.

#### **HOME Investment Partnerships (HOME)**

The HOME program provides entitlement funds, authorized under Title II of the National Affordable Housing Act of 1990, to the City to provide affordable housing opportunities for lower income individuals and households. In FY 10, more than \$7.5 million was expended for projects that addressed the housing needs of Honolulu's lower income households. The City has received approximately \$79 million in HOME funds through the end of FY 10.

#### **Emergency Shelter Grants (ESG)**

The ESG program, authorized under Subtitle B of Title IV of the Stewart B. McKinney Homeless Assistance Act, provides funds to assist the homeless population. During FY 10, the ESG program expended \$451,749. As of the end of FY 10, the City has used more than \$8.0 million in ESG for various rehabilitation activities and programs that serve Honolulu's homeless population.

#### **Housing Opportunities for Persons With AIDS (HOPWA)**

Authorized by Public Law 101-624, the AIDS Housing Opportunity Act, as amended, HOPWA funds are used to meet the housing needs for persons with AIDS or related diseases and their families. During FY 10, the HOPWA program expended \$448,049. In the eleven-year period since Honolulu first received HOPWA funds, over \$4.6 million has helped provide rental housing and supportive service assistance to Honolulu's at-risk HIV-positive population.

## Homeless Prevention and Rapid Re-housing Program (HPRP)

In response to the economic crisis, in February 2009 Congress passed the American Recovery and Reinvestment Act (the Recovery Act) of 2009 which included HPRP funding for assistance to low-income households and households vulnerable to homelessness. During the FY 10, the HPRP program expended more than \$1.1 million to provide financial assistance and services to prevent individuals and families who would be homeless but for this assistance and help those who are experiencing homelessness to be quickly re-housed and stabilized.

## Community Development Block Grant/Recovery (CDBG-R)

The Recovery Act of 2009 also provided funds for the CDBG-R program, which is not limited to, but focuses on “shovel-ready” infrastructure projects that create or sustain jobs in the near-term and generate maximum economic benefits in the long-term. During FY 10, the CDBG-R program expended nearly \$100,000 to undertake various assistance and help those are experiencing homelessness to be quickly re-housed and stabilized.

## Accomplishments

During the past year, the Federal Grants Branch accomplished the following planning, development and administrative tasks in its oversight of the CDBG, HOME, ESG, HOPWA and CDBG-R programs:

- Implemented and administered a Request for Proposals (RFP) process for selection and awarding of FY 11 CDBG/HOME projects.
- Completed the Consolidated Annual Performance and Evaluation Report (CAPER) for the CDBG, HOME, ESG and HOPWA programs for the period ending June 30, 2009 (FY 09).
- Completed the 16th Year Action Plan, detailing FY 11 projects to be undertaken by the City for the CDBG, HOME, ESG and HOPWA programs; while doing so, reviewed about 70 applications and pre-qualification documents.
- On an ongoing basis, completed tasks as required for compliance with the City’s Citizen Participation Plan including: coordinating consultation meetings with service providers, beneficiaries and the general public; issuing public notices of hearing/meetings on program-related matters, substantive changes to the Action Plans, availability of public reports for review; issuing notices of fund availability; and responding to program comments and complaints.
- Provided interpretive and technical program assistance to various city agencies and private nonprofit organizations, including the annual CDBG/HOME workshop for subrecipients.
- Monitored internal and sub recipient compliance with federal, state and local law.
- Assisted in the City’s single audit.

## Fiscal/Long-Range Planning Branch

This branch analyzes and develops the City’s revenue estimates, central accounts and long-range financial planning programs. It also analyzes, administers, and monitors the City’s general and special revenue funds.

## Accomplishments

In collaboration with the Budgetary Administration Division, the branch evaluated and finalized the Mayor’s FY 11 Executive Operating Budget proposal, which totaled \$1,826.7 million. After review and revisions the City Council adopted an operating budget of \$1,807.7 million. The Fiscal/Long-Range Branch ensured that individual special funds and the general fund were in balance upon submission to the City Council. It also estimated and proposed the means to finance the City’s budgets, enabling it to carry out its functions and responsibilities. All revenue sources were analyzed and the estimates finalized.

Detailed below is a breakdown by revenue sources of the operating budget:

<u>Source</u>	<u>Amount (in millions)</u>	<u>% of Total</u>
Real Property Tax .....	\$798.2 .....	26.3 %
Fuel Tax.....	51.1 .....	2.3 %
Motor Vehicle Weight Tax .....	105.8 .....	4.8 %
Public Utility Franchise Tax .....	38.8 .....	1.8 %
Transient Accommodations Tax .....	40.9 .....	1.9 %
Public Service Company Tax.....	30.9 .....	1.4 %
Excise Surcharge Tax-Transit .....	109.2 .....	5.0 %
Federal Grants .....	94.8 .....	4.3 %
State Grants .....	5.6 .....	.2 %
Licenses and Permits .....	46.5 .....	2.1 %
Charges for Services .....	30.3 .....	1.4 %
Sewer Revenues .....	312.0 .....	14.2 %
Bus Transportation Revenues .....	50.0 .....	2.3 %
Solid Waste Disposal Revenues .....	90.5 .....	4.1 %
Other Revenues .....	71.9 .....	3.3 %
Carry Over (including carry over of H-POWER Equity Funds).....	321.3 .....	14.6 %
<b>TOTAL .....</b>	<b>\$2,197.8 .....</b>	<b>100 %</b>

Taxes (real property, fuel, motor vehicle, public utility franchise, transient accommodations and public service company) provided \$ 1,065.7 million to finance the \$ 1,817.7 million operating budget. Sewer and solid waste fees, which fund operations and projects that maintain the City's pristine environment, provided \$ 402.5 million. Other revenues included reimbursements from the State of Hawaii for the performance of their functions.

**FY 10-2011 Real Property Tax Rates**

Real property assessments declined slightly as a result of a continuing weak real estate market affected by an unstable mortgage loan market. The tax rates for all classes, except residential, were maintained at the FY 11 levels. The Homeowners class rate remains at \$3.42 and the non-Homeowner class increased to \$3.58 per thousand of assessed value. The non-residential tax rate for commercial, industrial and hotel/resort land uses remained at \$12.40, the rate for agriculture and preservation remained at \$5.70 per thousand of assessed value.

**FY 10-2011 Debt Service and Central Accounts**

Debt service and central accounts are obligations of the City that must be paid, over which it has limited control. For debt service payments, the Fiscal/CIP Branch worked in conjunction with the Budgetary Administration, Treasury and Accounting Divisions to develop the amounts required. The remaining costs were developed in collaboration with other divisions, departments and State personnel.

The table below illustrates debt service payments and central accounts for the City:

Debt Service .....	\$ 335.1
Retirement Contributions .....	97.5
FICA Tax .....	26.5
Workers' Compensation .....	13.3
Unemployment Compensation .....	8
Health Fund.....	109.6
Provision for Salary Adjustment .....	5.9
Provision for Judgments and Losses .....	12.5
Provision for Risk Management.....	8.5
Provision Energy Costs .....	4.2
Provision for Grants and Partnerships .....	1.0
Provision for Other Post-Employment Benefits	
TOTAL .....	\$ 614.9

**Long-Range Financial Plan from FY 2011-2016**

The financial plan covers six years and was developed by first compiling data and projections developed by various sources. The primary portion of the base year expenditures and revenues was based on the FY 11 operating and capital budgets. For out years, compilations utilized were (1) long-range plans for most enterprise fund operations, (2) debt service projections, (3) the six-year capital program and (4) estimates based on projections developed and/or provided by the State of Hawaii's Budget and Finance Department. Anticipated new cost projections were developed by city agencies. Other costs and revenues were adjusted in accordance with projections developed by the State of Hawaii Council on Revenues. The projected amounts were analyzed and a statement of how to meet future expenditure requirements was developed.

**INTERNAL CONTROL DIVISION**

**Michael R. Hansen, Chief Accountant**

**POWERS, DUTIES, AND FUNCTIONS**

The Internal Control Division performs professional and objective examinations and evaluations of the City's financial activities. Seven staff members audit, review, and monitor the controls and processes for safeguarding City assets and recording financial transactions; and recommend practical changes and cost effective improvements. The division personnel include certified public accountants and certified government financial managers.

**SIGNIFICANT ACCOMPLISHMENTS FOR FY 2010**

**ANNUAL RECURRING AUDITS, REVIEWS AND EVALUATIONS**

- Completed follow-up review of the independent auditor's financial and single-audit comments, and coordinated the City's response to the independent auditors.
- Coordinated the response to the independent auditor's Federal Grants Risk Assessment Questionnaire.
- Completed quarterly cash audits and prepared statement of the amount and kind of funds in the City Treasury as required by the City Charter.
- Investigated and responded to various Integrity Hotline reports.
- Provided ongoing review to ensure accountability and proper use of City funds expended through the purchasing card program.

- Monitored City agency compliance with petty cash and change funds policies and procedures.
- Audited the annual H-Power true-up billing and the ferrous revenue/expenditure contracts submitted by the plant operator.
- Conducted review of Environmental Services Coal Conveyor Easement Contract revenues for accuracy and completeness.
- Prepared the City's consolidated local central service cost allocation plan and indirect cost rates.
- Performed audit of relocation transactions.
- Monitored the low income housing compliance requirements for projects in the Multi Family Housing Program.
- Reviewed and provided updates to the Budget and Fiscal Services policies and procedures manual.
- Updated and developed new policies for the Administrative Directives Manual.

## **SPECIAL STUDIES AND INVESTIGATIONS**

- Maintained the fraud awareness and internal control intranet information website.
- Performed financial analysis and support for various ongoing investigations alleging fraud.
- Completed transaction reviews and provided guidance regarding apparent irregularities reported by various City agencies.
- Provided internal control review and analysis services to various departments on a project- by-project basis.
- Participated as a member of the Mayor's Project Management team and provided consulting and analysis services to the office.
- Performed a review of the satellite city hall cash handling operations.
- Reviewed Department of Facility Maintenance overtime.
- Evaluated requests by various departments to amend petty cash, imprest and change fund amounts.
- Compiled statistics for the credit card program.
- Implemented credit card cost savings and prepared a twelve-month extension of the contract.
- Assisted with responses to City Auditor audit recommendations.
- Addressed take-home vehicle issues identified by the City Auditor.
- Assisted in the implementation of accepting on-line credit card payments for real property taxes.
- Performed limited scope review of the refuse division's billing program.
- Filed claims with the State of Hawaii for the City unclaimed property.
- Assisted in the review of City logo and departmental logotype use issues.
- Assist Payroll division in testing the Advantage payroll system.
- Assisted Corporation Counsel in efforts to collect public service company tax from the State.
- Compiled city-wide vehicle underutilization information for analysis by the Department of Facility Maintenance.
- Coordinated the Department of Budget and Fiscal Services input to the Federal Transit Administration Financial Management Oversight Review.
- Performed ongoing analysis and review of departmental and employee overtime and compensatory time to assist in the development of overtime monitoring reports.
- Analyzed cancelled checks for unusual disbursements.
- Assisted the Department of Information Technology in completing the Payment Card Industry Self Assessment Questionnaire for the City's credit card program to protect cardholders from theft and fraud.
- Developed an Identity Theft Prevention Policy in accordance with the Federal Trade Commission's Red Flags Rules, enacted under the Fair and Accurate Credit Transaction Act of 2003.
- Assisted in the implementation of accepting on-line credit card payments for liquor license fees.
- Researched and coordinated an increase to the City's dishonored check fee from \$20 to \$25, per HRS Sec 40-35.5.
- Assisted the Department of Transportation Services in compiling information for the Honolulu Parking Management Study.

## **LIQUOR COMMISSION**

**Anna C. Hirai, Acting Administrator**

### **POWERS, DUTIES AND FUNCTIONS**

Pursuant to Chapter 281 of the Hawaii Revised Statutes, the Liquor Commission has the sole jurisdiction, power, authority and discretion to grant, refuse, suspend and revoke any license for the manufacture, importation or sale of liquor within the City and County of Honolulu. The Commission also hears and adjudicates violations of liquor laws and rules committed by liquor licensees and non-licensees. The City Charter administratively attaches the Liquor Commission to the Department of Budget and Fiscal Services.

### **LIQUOR COMMISSION BOARD**

The Board's five members are appointed by the Mayor and confirmed by the City Council. Each commissioner serves a five-year term with the term of one member expiring each year.

<u>Member</u>	<u>Term Expires</u>
Dennis Enomoto, Chairman	December 31, 2010
Iris R. Okawa, Co-Vice Chair	December 31, 2014
Gregg Hammer, Co-Vice Chair	December 31, 2014
Michael S. Yamaguchi	December 31, 2013
Patrick K. Kobayashi	December 31, 2014

**LICENSES AND PERMITS**

There were 1,364 liquor licenses in effect within the City and County of Honolulu as of June 30, 2010. The Commission’s Licensing Section investigates applicants for liquor licenses, and responds to liquor license inquiries. Activities this fiscal year included the following:

**INVESTIGATIONS AND REPORTS COMPLETED:**

New premises.....	71
License transfers.....	46
Temporary licenses.....	46
Special/Caterer licenses.....	121
Special one-day licenses [see Administrative section]	
Transient Vessel licenses.....	21
Change of class.....	0
Reports on new officers and directors.....	91
Requests for extensions and alterations to premises.....	226
Reports on transfers of corporate stock.....	31
Field inspections.....	306
Miscellaneous investigations, reports and other activities.....	329
Field Audits [see Audit section]	

**PROGRAM PURPOSE**

The Enforcement Section of the Honolulu Liquor Commission has a well defined and focused mission, driven by following a strict Standards of Conduct and Code of Ethics.

**STRATEGIC PLAN**

There are limited numbers of specific long-term performance measures that focus on outcomes and meaningfully reflect some of the goals of the commission. The long term performances measures are focused on results and accountability. These performances and their outcome were approved as the “Strategic Plan” and adopted by the Honolulu Liquor Commission in September 2005.

**PROGRAM RESULTS/ACCOUNTABILITY**

During this fiscal year there were approximately 10,354 investigations conducted. As a result of the investigations, 468 violations were issued, of which 133 were Complaints and Summons issued to individuals in licensed establishments. The majority of the Complaint and Summons were issued to individuals who served to alcohol to minors, or were minors in possession of/consuming alcohol. The remaining 335 violations resulted in Notice of Violations being issued to the individual premises. There were 27 written warnings issued to individual licensed premises. There were an estimated 364 complaints from the public against premises ranging from loud noise to criminal activity such as gambling and prostitution. There continues to be an increase in noise and criminal complaints. There is also an increase in complaints against an increasing number of unlicensed premises.

**INVOLVEMENT WITH OTHER PROGRAMS**

The Enforcement Section conducted numerous investigations and continues to work concurrently with other law enforcement agencies to investigate liquor and other criminal law violations. These agencies included the Honolulu Police Department, Department of Homeland Security, U.S. Immigration & Customs Enforcement and the Federal Bureau of Investigation. The Honolulu Liquor Commission and Honolulu Police Department have worked closely together to help bring licensees into compliance with existing liquor laws.

During the fiscal year, there were two very successful programs with the University of Hawaii Cancer Research Center and the Honolulu Police Department: The “Team Plus” and “Re-Act” programs are specifically designed to take enforcement action against individuals as well as liquor establishments who serve/sell alcohol to minors. A third program, “Shoulder Taps”, is another program run entirely by the Honolulu Liquor Commission designed to monitor and take enforcement action against license premises and/ or individuals who provide alcohol to minors.

**STAFFING AND TRAINING**

The training program for new investigators is 12 weeks, which includes a four-week Field Training Officer program. This program affords a new-hire much needed classroom and practical field work experience to equip the investigator to handle the requirements of the job.

Staffing continues to suffer with the Enforcement Section lacking maximum manpower to effectively achieve its goals.

**TRAINING**

The Server-Training Program certified 3,335 bartenders and managers for licensed premises who were trained in the dangers of driving while intoxicated, preventions and interventions to over-service of alcohol and Hawaii liquor laws. In addition, the Liquor Commission presented on-site liquor service awareness training to more than 2,401 liquor service staff, at 25 licensed premises (hotels and/or restaurant). The training focused on preventing liquor over-service, recognition of ID security features, and consequences of underage sales and service.

**ON-SITE TRAINING:**

<u>Licensed Premises</u>	<u># Of Employees</u>	<u>Date Conducted</u>
1. Zanzabar.....	26.....	07/31/09
2. Magic of Polynesia.....	17.....	11/05/10
3. Trump Hotel .....	18.....	11/10/09
Trump Hotel .....	33.....	12/09/09
4. La Mariana Sailing Club .....	11.....	12/19/09
5. Stadium Foods.....	5.....	01/28/10
6. Top of Waikiki.....	17.....	02/04/10
7. Hawaiian Steakhouse & Bar.....	4.....	02/05/10
8. The Alley Restaurant .....	23.....	02/08/10
Trump Hotel .....	17.....	02/09/10
The Alley Restaurant & Bar .....	24.....	02/10/10
Trump Hotel .....	13.....	02/12/10
9. Los Garcias Mexican Rest. ....	5.....	02/18/10
10. Outback Steakhouse .....	24.....	02/19/10
11. Calif. Pizza Kitchen (Ala Moana).....	30.....	02/25/10
12. Hawaii Prince Hotel .....	34.....	03/04/10
Hawaii Prince Hotel .....	37.....	03/05/10
13. Hawaii Prince Golf Club.....	6.....	03/11/10
14. Calif. Pizza Kitchen (Kahala) .....	29.....	03/18/10
15. Manoa Grand Ballroom .....	15.....	03/23/10
16. Calif. Pizza Kitchen (Pearlridge).....	49.....	03/25/10
The Alley Restaurant .....	19.....	03/25/10
17. Calif. Pizza Kitchen (Waikiki).....	39.....	04/01/10
18. Café Anasia .....	11.....	04/08/10
19. Ohana Honolulu Airport Hotel .....	14.....	04/13/10
20. Calif. Pizza Kitchen (Kailua) .....	26.....	04/15/10
21. Best Western The Plaza Hotel .....	11.....	04/16/10
22. Hard Rock Café .....	13.....	04/29/10
23. Jose’s Mexican Cantina.....	13.....	05/11/10
24. Sheraton Hotels (Princess Kaiulani).....	06/09-10, 14-15/10	
25. Sheraton Hotels (Sheraton Waikiki) .....	1818*	06/23-25, 28-30/10

*\* combined total from both Sheraton hotels, during 10 days of training*

**EXTRA CURRICULAR ACTIVITIES SUPPORTED**

- HPPUD Meeting on Kauai .....04/21/10
- Castle High School Underage Drinking w/PACT.....05/10/10

**ADJUDICATIONS**

The Liquor Commission is responsible for adjudicating liquor law violations. The liquor investigators, the Honolulu Police Department, and other law enforcement agencies refer these violations. The Commission adjudicated a total of 387 violations, which included 109 violations pertaining to minors.

These adjudications resulted in the following actions:

Licenses revoked .....	0
Revocations by violation .....	0
Licenses suspended .....	3
Suspensions by violation .....	6
Fines assessed by violation.....	337

Violations adjudicated guilty (fined, revoked,  
suspended, reprimanded & other) .....387  
Violations dismissed (dismissals, acquittals) ..... 0  
Amount of fines assessed.....\$199,855

**INDEX TO SCHEDULES:**

Schedule A.....Licenses in Effect (FY 2010)  
Schedule B.....License Fees Realized by Classification (FY 2010)  
Schedule C .....Breakdown of Receipts (FY 2010 in dollars)

**SCHEDULE A -- LICENSES IN EFFECT (FY 2010)**

<u>CLASSIFICATION</u>	<u>JUNE 30, 2010</u>
Brew Pub:..... General .....	3
Cabaret:..... General (Nudity).....	3
General (Standard) .....	31
Club:..... General.....	13
Dispenser:..... Beer & Wine (Dancing) .....	3
Beer & Wine (Standard).....	9
General (Dancing).....	76
General (Dancing, Hostess).....	39
General (Hostess).....	65
General (Nudity, Dancing, Host).....	5
General (Nudity, Hostess).....	14
General (Standard) .....	77
Hotel:..... General.....	35
Manufacturer:..... Other Liquor .....	1
Beer & Wine (Sake).....	0
Restaurant:..... General (Dancing).....	289
General (Standard) .....	94
Beer & Wine (Dancing) .....	29
Beer & Wine (Standard).....	26
Retail:..... General.....	476
Beer & Wine .....	41
Tour and Cruise Vessel:... General.....	16
Tour and Cruise Vessel:... General (Dancing).....	2
Wholesale:..... General.....	23
Beer & Wine .....	4
Grand Total:.....	1,374

**SCHEDULE B -- LICENSE FEES REALIZED (FY 2010)**

<u>CLASS OF LICENSE</u>	<u>RENEWALS</u>	<u>BASIC LIC. FEES</u>	<u>GLS (additional fee)</u>	<u>TOTAL</u>
CATERER.....			2,280.00.....	4,560.00
			0.00.....	0.00
BREW PUB .....			0.00.....	0.00
General.....	3,360.00.....	1,260.00.....		5,880.00
Additional Fees .....	0.00.....	4,158.75.....		14,158.75
			0.00.....	0.00
MANUFACTURER .....			0.00.....	0.00
Wine .....			0.00.....	0.00
Other Liquors .....		550.00.....		1,100.00
Additional Fees .....		0.00.....		0.00
			0.00.....	0.00
WHOLESALE .....			0.00.....	0.00
General.....	63,360.00.....	1,980.00.....		67,320.00
Beer & Wine .....	2,520.00.....	490.00.....		3,500.00
Additional Fees .....	0.00.....	64,687.82.....		64,687.82
			0.00.....	0.00
RETAIL .....			0.00.....	0.00
General.....		9,000.00.....		18,000.00
Beer & Wine .....	36,900.00.....	0.00.....		36,900.00
Additional Fees .....	562,800.00.....	0.00.....	428,548.72.....	991,348.72
			0.00.....	0.00

<u>CLASS OF LICENSE</u>	<u>RENEWALS</u>	<u>BASIC LIC. FEES</u>	<u>GLS (additional fee)</u>	<u>TOTAL</u>
DISPENSER.....			0.00.....	0.00
General - Category 1.....		90,240.00.....	900.00.....	92,040.00
General - Category 2.....			0.00.....	0.00
General - Category 3.....		91,080.00.....	7,280.00.....	105,640.00
General - Category 4.....		92,160.00.....	600.00.....	93,360.00
General - Category 3 & 4.....		58,500.00.....	0.00.....	58,500.00
General - Category 2 & 3.....			0.00.....	0.00
General - Category 2 & 4.....		24,300.00.....	0.00.....	24,300.00
General - Category 2,3,& 4.....		,440.00.....	0.00.....	10,440.00
Beer & Wine - Category 1.....		8,100.00.....	0.00.....	8,100.00
Beer & Wine - Category 3.....		1,920.00.....	0.00.....	1,920.00
Additional Fees.....		0.00.....	193,833.24.....	193,833.24
			0.00.....	0.00
CABARET.....			0.00.....	0.00
General - Category 1.....		63,360.00.....	0.00.....	63,360.00
General - Category 2.....		7,200.00.....	0.00.....	7,200.00
Additional Fees.....		0.00.....	249,703.76.....	249,703.76
CLUB.....			0.00.....	0.00
General.....		8,580.00.....	0.00.....	8,580.00
Additional Fees.....		0.00.....	17,961.83.....	17,961.83
			0.00.....	0.00
HOTEL.....			0.00.....	0.00
General.....		142,560.00.....	0.00.....	142,560.00
Additional Fees.....		0.00.....	376,897.76.....	376,897.76
			0.00.....	0.00
RESTAURANT.....			0.00.....	0.00
General - Category 1.....		103,200.00.....	7,000.00.....	117,200.00
General - Category 2.....		373,560.00.....	8,800.00.....	391,160.00
Beer & Wine - Category 1.....		20,700.00.....	1,425.00.....	23,550.00
Beer & Wine - Category 2.....		26,880.00.....	240.00.....	27,360.00
Additional Fees.....		0.00.....	433,227.25.....	433,227.25
			0.00.....	0.00
CONDOMINIUM				
HOTEL.....			0.00.....	0.00
General.....			1,250.00.....	2,500.00
Additional Fees.....			0.00.....	0.00
			0.00.....	0.00
TRANSIENT VESSEL.....			0.00.....	0.00
Per Day.....			2,820.00.....	5,640.00
Per Year.....			0.00.....	0.00
Additional Fees.....			0.00.....	0.00
			0.00.....	0.00
TOUR OR CRUISE VESSEL			0.00.....	0.00
General.....		15,300.00.....	1,075.00.....	17,450.00
Additional Fees.....		0.00.....	4,603.12.....	4,603.12
			0.00.....	0.00
SPECIAL.....			0.00.....	0.00
General.....			10,470.00.....	20,940.00
Beer & Wine.....			1,480.00.....	2,960.00
Beer.....	0.00	0.00	0.00.....	0.00
TEMPORARY.....			0.00.....	0.00
Brew Pub.....			275.00.....	550.00
Cabaret General.....			550.00.....	1,100.00
Dispenser General.....			3,300.00.....	6,600.00
Dispenser Beer & Wine.....			0.00.....	0.00
Retail General.....			5,775.00.....	11,550.00
Retail Beer & Wine.....			0.00.....	0.00
Restaurant General.....			2,200.00.....	4,400.00
Restaurant Beer & Wine.....			275.00.....	275.00
Hotel General.....			550.00.....	1,100.00

<u>CLASS OF LICENSE</u>	<u>RENEWALS</u>	<u>BASIC LIC. FEES</u>	<u>GLS (additional fee)</u>	<u>TOTAL</u>
Wholesale General .....			0.00.....	0.00
Additional Fees .....			0.00.....	0.00
Less charge card fees.....			-3,859.06.....	-3,859.06
TOTALS .....	1,807,020.00	67,690.94..	1,783,622.25.....	3,729.883.19

**SCHEDULE C -- BREAKDOWN OF RECEIPTS FOR FY 2010 (in dollars)**

<u>LICENSE FEES</u>	<u>FILING FEES</u>	<u>FINES</u>	<u>REGISTRATION I.D.CARDS</u>	<u>MISC.</u>	<u>TOTAL</u>
\$3,649,90 .....	\$2,450 .....	\$192,706 .....	\$117,630 .....	\$10,066.....	\$4,017,761

**PURCHASING DIVISION**

Wendy K. Imamura, Central Purchasing and Contracts Administrator

**POWERS, DUTIES AND FUNCTIONS**

The Purchasing Division's 33 employees are responsible for procuring all materials, supplies, equipment and services for city departments and agencies; processing construction, consultant and personal services contracts required by the City; maintaining inventory of all city personal property and effects exchange, disposal sale or transfer of surplus equipment; managing city-owned real property, including rentals, leases, and concessions; administering the housing relocation functions.

The Purchasing Branch is divided into three sections which support assigned departments for centrally purchasing goods and services for city agencies. It also establishes standards and specifications, develops proposal documents and provides technical assistance to agencies to assure quality purchases at reasonable prices.

**Goods and Services**

A comparison of the workload for the past two years is as follows:

	<u>FY 08-09</u>	<u>FY 09-10</u>
Advertised bid solicitations .....	206 .....	225
Request for proposal solicitations.....	9 .....	11
Contracts awarded .....	159 .....	142
Small purchases awarded .....	946 .....	698
Total dollars awarded .....	\$87,618,582 .....	\$140,374,736

In an effort to capitalize on the economies of scale, the City has consolidated the purchase of all standard vehicle into one solicitation. Janitorial and groundskeeping services are also being consolidated to leverage the City's buying power and are currently being solicited on a performance based procurement method. Under the performance based procurement method, the contractor is responsible for the means and methods to meet the City standards. This method would achieve an more consistent level of quality from the contractor.

During this period, the City consolidated the solicitation for automatic teller machine services and awarded three contracts. The City anticipates increasing revenue from \$33,600 to an estimated \$275,468 per year.

The branch continued to make price-list contract awards to obtain better prices on commonly purchased items. For these contracts, vendors agree to provide goods and services to the City at a fixed price for a set period, typically one year. If an item is less than \$5,000 in cost and is not on the price list, an agency must make the effort to get price quotes before making award directly to a vendor by issuing a purchase order. The Purchasing Division will solicit price-lists if the total anticipated procurement is in excess of \$50,000 for a twelve month period. The following is a comparison of the decentralized purchasing activities:

	<u>FY 08-09</u>	<u>FY 09-10</u>
Number of price lists .....	154 .....	122
Number of price list purchase orders .....	2,114 .....	2,028
Price list purchases .....	\$44,060,485 .....	\$71,220,324
Number of direct purchase orders .....	4,339 .....	3017
Direct purchase orders .....	\$5,214,549 .....	\$ 3,032,792

**Concessions**

Concessions awarded during FY 09-10 included:

<u>Concessions</u>	<u>Monthly Rental</u>
Hanauma Bay Snorkel Concession .....	\$104,000
Revocable permit for Neil Blaisdell Center Concession .....	\$22,500
Revocable permit for Ala Moana Park Concession ....	\$2,500

**Construction Contracts**

The Purchasing Branch processes the City’s public works construction and improvement district project contracts as well as the consultant and personal services contracts. Duties include reviewing the contracts, making appropriate recommendations, and providing technical assistance, counseling, and guidance. The City awarded 122 contracts, excluding the Board of Water Supply, for a total of \$848,723,648. The section awarded the following significant construction projects during FY 09-10.

1. Design and construct first section of guideway..... \$ 424,463,500.00
2. Construction of MSF Base Yard for the HHCTCP ..... \$ 168,873,519.00
3. Rehabilitation of Streets, Localized and Secondary ..... \$ 37,586,041.00
4. Wahiawa WTP to meet the 2002 State DOH guideline ..... \$ 26,717,088.00
5. Honolulu Zoo/Asian Tropical Forest Elephant Exhibit..... \$ 6,160,330.00
6. Kalaeloa Boulevard Improvements ..... \$ 5,442,495.50
7. Rehabilitation of Secondary Streets at Kaimuki..... \$ 5,307,161.25
8. Kapolei Consolidated Corporation Yard, Phase 2 ..... \$ 4,726,208.00
9. Ewa Beach Fire Station Relocation..... \$ 4,587,016.00
10. Renovate the Alapai Transit Center..... \$ 4,413,994.00

The following is a comparison of construction contract statistics during FY 08-09 and FY 09-10:

	<u>FY 08-09</u>	<u>FY 09-10</u>
Projects advertised .....	149	116
Contracts awarded.....	146	122
Total dollar value awarded.....	\$313,651,594	\$848,723,648

**Consultant and Personal Services Contracts**

The branch awarded contracts for studies, planning and engineering services, human services and youth projects, and services to the elderly and disadvantaged youth. These services and projects included various improvements to buildings, parks, street lighting, roads, drainage systems, sewers and treatment plants; training, prevention and intervention services; education and awareness of domestic violence and family crime; crisis counseling; and information and referral services. The following is a comparison of the consultant and personal services contracts for FY 08-09 and FY 09-10:

	<u>FY 08-09</u>	<u>FY 09-10</u>
Number of contracts awarded .....	133	169
Total dollar value .....	\$125,923,030	\$73,125,657.49

**Property Management and Disposal Section**

This section maintains the City’s real and personal property inventories, disposes of the City’s real and personal property, manages the City’s real properties and administers the City’s housing relocation program.

**Personal Property Management**

The City’s personal property inventory, which includes equipment, machinery, and supplies and materials, is maintained on the City and County of Honolulu Enterprise Resource Planning System (C<sup>2</sup>HERPS). At the end of the fiscal year, C<sup>2</sup>HERPS contained 8,952 assets. The dollar value of the assets were: \$839,990,747.00

**Property Disposal**

The section conducted eleven online public auctions and auction proceeds totaling \$269,690. License plates were recycled for revenues of \$2,068. Scrap metal were recycled for revenues of \$62,206. Notices of these public auctions were available to the public in the local newspaper, public service television Olelo, and at [www.honolulu.gov/pur/auctions.htm](http://www.honolulu.gov/pur/auctions.htm).

**Honolulu Police Mounted Unit to Retire at Keawewai Ranch, Hawaii**

In partnership with the Honolulu Police Department, the City found a home for seven horses that had been a part of the HPD’s Mounted Patrol Unit. The retired horses were Chief Lee, Cruiser, Scout, Kuhio, Trooper, Justice, and Cinbad. A generous gift to the City by ranch owner Chandí Duke Heffner was accepted by the Honolulu City Council. Ms. Heffner agreed to be the custodian and caretaker for the horses, and to keep the horses together on Keawewai Ranch on the Big Island. Representatives from HPD will be allowed to visit the horses to ensure their safety and well-being for the rest of the horses’ lives.



## **Real Property Inventory**

Land. The City's Land Assets decreased in FY 10 from FY 09 by \$24,144,022.61. The total Land Value in FY 10 was \$670,717,868.92 compared to \$694,861,891.53 in FY 09.

Other Assets. The City's Other Assets increased in FY 10 from FY 09 by \$32,590,380.79. The total Other Assets Value in FY 10 was \$501,122,408.23 compared to \$468,532,027.44 in FY 09.

Structures. The City's Structures and Improvements to Land decreased in FY 10 from FY 09 by \$101,455,832.15. The total Structures and Improvements to Land value in FY 10 was \$1,873,543,061.41 compared to \$1,974,998,893.56 in FY 09.

Total Land, Other, Structures, and Improvements to Land Assets. The total value of the City's Land, Other, Structures and Improvements to Land was \$3,045,383,338.56 in FY 10 compared to \$3,138,392,812.53 in FY 09, a decrease of \$93,009,473.97. The City agencies were proactive in submitting their Land and Structure inventory updates to Real Property Management, which resulted in a decrease in the assets.

## **Real Property Management**

The following are the activities that occurred during the past year:

- Jurisdictional Transfer and control of the "Old" Kahaluu Wastewater Pump Station Site from the Department of Environmental Services to the Department of Facility Maintenance was completed.
- Jurisdictional Transfer and control of the Wailupe Valley Elementary School from the Department of Budget and Fiscal Services to the Department of Parks and Recreation was completed.
- Extension of a Temporary Jurisdictional Transfer and control of surplus portions of the Royal Kunia Park-and Ride Property from the Department of Transportation Services to the Department of Parks and Recreation was completed.
- A total of 360 temporary concessions were awarded. The Application for Temporary Concession form for use by the City agencies and Non-Profit Organizations was revised.
- There were a total of 69 existing agreements generating revenues for the rental of the City's surplus properties. The annual rental revenues generated were \$239,577.76.
- Completion of the procedures, forms and the balancing of the Property Management Trust Fund account.

## **Maximo Project**

- The City has implemented its centralized electronic Property Asset Management System (PAMS), which will allow the City to better manage its real property assets. The System will provide the City with an enterprise asset management system that centralizes all City real property and lease information, and leverages GIS information and its tools to maintain accurate and updated information on City-owned and managed properties. The System is also programmed with automatic triggers to manage lease contracts and renewals for revenue projections.
- Continuing the population of detailed information on the real property assets.
- Continuing meetings with Total Resource Management, Department of Information Technology, and the Department of Planning and Permitting, Geographic Information System Division, to update, enhance and automate additional information for the real property assets.

## **Real Property Transactions**

The following are the transactions that occurred during the past year:

- Entered into a new Rental Agreement not to exceed 5 years with Longs Drugs Stores, California, and LLC for a portion of TMK: 2-9-05:05 and a portion of TMK: 2-8-05:06 for vehicular parking and storage purposes.
- Entered into a new Rental Agreement not to exceed 5 years with the Honolulu Police Department Federal Credit Union for the rental of office space at the Honolulu Police Department Main Station.
- Entered into a new Rental Agreement not to exceed 5 years with Wong's Taro Leaf Farm for the rental of a portion of the Waipahu Cultural Garden Park, TMK: 9-4-0101:004 for educational/instructional taro growing purposes.
- Renegotiated the final term of Hawaiian Telecom's rent for its easement over a portion of the Piikoi Mini Park, TMK: 2-4-30:56.
- The City partnered with the North Shore Community Land Trust, Maui Coastal Land Trust, the United States Department of Agriculture, Natural Resources Conservation Service, and the State of Hawaii, Department of Land and Natural Resources, in the acquisition of an agricultural conservation easement from Pietsch Properties LLC, over Sunset Ranch (TMK: 5-9-5:67), located in the mauka reaches of Pupukea near the Pupukea-Paumalu Park Reserve. The agricultural conservation easement will protect the natural, agricultural, and open spaces of the land in perpetuity.
- Approval for the Grant of Easement E-2 to the State Department of Transportation within the Kahaluu Regional Park for guy wire anchor purposes, TMK: 4-7-26:23 via Resolution 08-24.
- Approval for the Grant of Four Perpetual Overhead Easements to the Hawaiian Electric Company, Inc. within the West Loch Golf Course and the West Loch Shoreline Park via Resolution 09-280.
- Approval for the sale of surplus remnant parcels of the Ewa Villages Golf Course via Resolution 09-216.
- Approval for the sale of a sewer line easement over the City's Waialii Stream Drainage Channel via Resolution 09-200.

- Approval for the authorization an assignment of lease for commercial space at Pauahi Block A via Resolution 09-195.
- Approval for the Grant of a Subsurface Sewer Easement to the State Department of Hawaiian Homelands for the sewer line crossing the City's Mai'li Drainage Channel, TMK: 8-7-10:13 via Resolution 09-294.
- Approval for the grants of easements to the U. S. Department of Army over the City's Kaukonahua Road and the Wahiawa Convenience Center via Resolution 10-35, FD1.
- Approval for the fee conveyance of Parcel 9, an unused portion of the Ewa Cemetery to the State Department of Transportation for its Fort Weaver Road Widening Project via Resolution 10-106.
- Approval for the abandonment and sale of the dead-end portion of the Awahiwa Street via Resolution 10-119.

**Housing Relocation Section**

This section administers the Federal Uniform Relocation and Real Property Acquisition Policies Act of 1970, as amended and the Hawaii Revised Statutes, Chapter 111, Assistance to Displaced Persons. Its mission is to (1) help the City complete its projects by relocating persons on a timely basis; (2) help displaced persons accept and ease the trauma of relocation by providing advisory services; and (3) provide information about relocation to any interested party. The City's Relocation Policies and Procedures can be found at <http://Cityfyi/fin/policy/31.20.doc>.

For FY 2010, eighteen tenants were temporarily relocated for the rehabilitation of Building B of the Kulana Nani Apartment project. A total of \$168,138.82 was paid for the relocation assistance.

**REAL PROPERTY ASSESSMENT DIVISION**

**Gary T. Kurokawa, Real Property Assessment Administrator**

**POWER, DUTIES, AND FUNCTIONS**

The Real Property Assessment Division administers provisions of Chapter 8, Revised Ordinances of Honolulu, relating to the assessment of real property for tax purposes. It ensures real property assessment values are fair and equitable, based on market value and in accordance to applicable standards and laws.

The division's mission is to annually provide the City Council of Honolulu with a certified assessment roll. The Council uses this roll to set the tax rates for eight general land classes, and generate property tax revenues for the City. To accomplish its mission, the division identifies real property parcels and respective owners; appraises parcels; processes exemption and dedication claims filed; notifies owners of the assessments placed on their respective properties; settles real property assessment and tax appeals; and maintains and updates maps, ownership records, valuation records, and computer and other required files.

The division is located in the Walter Murray Gibson Building at 842 Bethel Street and in Kapolei Hale at 1000 Uluohia Street. It is staffed by 111 permanent employees and is organized into four branches-- Administrative/Technical, Mapping, Support Services and Assessment.



**Walter Murray Gibson Bldg**



**Public Information Room**



**Basement Counter**

**Administrative/Technical Branch**

The Administrative/Technical Branch has 13 employees. This branch is responsible for the development of rules and regulations, administrative policies and procedures, building classifications, cost factors, training of appraisers and technical support for all counties in the state of Hawaii.

This branch conducts internal audits to ensure that assessment values are in compliance with standards established by professional appraisal and assessment organizations.

**Mapping Branch**

The Mapping Branch has 24 employees, six of whom are located in Kapolei. The Mapping Branch is responsible for maintaining ownership records and providing up-to-date tax maps influenced by subdivisions and parcel consolidations. In addition to our division, other government agencies and the general public use these maps and ownership records.

The Mapping Branch has made technological changes in processing ownership and mapping changes. They include the use of scanned images of recorded documents, and the updating of parcel data to the GIS base map.

The following are workload statistics for Assessment Year 2010:

Mapping Parcels .....	3,213
Documents Processed.....	75,149
Parcels Affected.....	37,694

**Support Services Branch**

The Support Services Branch has 16 employees, 4 of whom are located in Kapolei. This branch is responsible for customer service at the counter, on the phone, via email, and in the division’s research room.

This branch processes all homeowners’ and various other exemption claims, Board of Review appeals, and Tax Appeal Court cases. The Support Services Branch prepares adjustments to taxes resulting from amended property values, appeal decisions, and sale of government parcels.

The following are workload statistics for Assessment Year 2010:

Exemptions/Dedications Updated/Processed .....	63,045
Counter service.....	9,188
Telephone service .....	21,457

**Assessment Branch**

The Assessment Branch has 55 employees, 16 of whom are located in Kapolei. They are responsible for the annual valuation and authorized adjustments of real property parcels within the City and County of Honolulu.

The following are workload statistics for Assessment Year 2009:

Property appraisals.....	292,008
Building inspections.....	7,047
New Condo appraisals.....	596

**Assessments and Exemptions**

As of October 1, 2009, the branch assessed 286,333 tax parcels for Assessment Year 2010, including 122,031 condominium units and 338,586 buildings. A total of 162,783 exemptions were allowed. The following are totals for the last three years:

	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>FY 08-09</u>
Tax parcels (includes condos) .....	286,333	284,934	283,177
(condos).....	122,031	121,435	120,161
Building records .....	338,586	336,836	333,500
Exemptions:			
Home .....	142,402	141,288	141,870
Others* .....	20,381	19,544	19,917
Appeals taken .....	1,642	3,042	2,873
Value on appeal .....	\$2,680,539	\$3,651,244	\$1,759,209
(in thousands of dollars)			

\*Other exemptions include churches, hospitals, schools, govt. parcels, etc.

**Boards of Review**

There are three Boards of Review that resolves real property assessment and/or disallowances of exemption disputes between taxpayers and the real property tax assessor. There are two employees providing support of this function. These boards are attached to the division for administrative support and consist of five members each. Members are appointed by the Mayor and confirmed by the City Council for five-year terms.

**First Board**

- Ruth M.F. Lin, Chair (Term expires 6/30/2010)
- Wanda L.M. Sanchez, Vice-Chair (Term expires 6/30/2009)
- Mike Ellis, Member (Term expires 6/30/2013)
- Rosalinda On, Member (Term expires 6/30/2011)
- Robyn Furuya, Member (Term expires 6/30/2012)

**Second Board**

- Wendell S.L. Ching, Chair (Term expires 6/30/2010)
- James W.Y. Wong, Vice Chair (Term expires 6/30/2009)
- Diane S. Yoshida, Member (Term expires 6/30/2011)
- Donald Lau, Member (Term expires 6/30/2013)
- Carlota Ader, Member (Term expires 6/30/2012)

**Third Board**

- H. Stanley Jones, Chair (Term expires 6/30/2010)
- Sonya Mendez, Vice-Chair (Term expires 6/30/2011)
- Lee D. Gordon, Member (Term expires 6/30/2014)
- Carolyn Golojuch, Member (Term expires 6/30/2012)
- John L. Anderson, Member (Term expires 6/30/2013)

**Tax Valuation and Taxes to be Raised**

Assessed values are based on 100 percent of market value. Revenues to be raised and assessed valuations for the last three years are as follows (in thousands of dollars):

	<u>FY 10-11</u>	<u>FY 09-10</u>	<u>FY 08-09</u>
Gross assessed values+ .....	178,034,158	191,211,298	190,699,156
Less: Exemptions.....	23,584,782	23,603,598	23,481,605
Less: 50% Value on Appeals.....	1,340,271	1,825,622	879,604
Net Valuation++ .....	\$154,449,376	\$167,607,700	\$167,217,551
Taxes to be raised.....	\$797,722	\$836,448	\$804,120

+Gross assessed values do not include nontaxable properties.  
 ++ Before appeals

**Real Property Tax Rates**

The City Council adopted the following tax rates for FY 2010-2011:

<u>Classification</u>	<u>Tax Rate Per \$1,000 Net Taxable</u>
Non-Homeowner.....	3.58
Hotel and Resort.....	12.40
Commercial.....	12.40
Industrial.....	12.40
Agricultural.....	5.70
Preservation.....	5.70
Public Service.....	0.00
Vacant Agricultural.....	8.50
Homeowner.....	3.42

**NUMBER AND AMOUNT OF EXEMPTIONS BY TYPE FOR THE FY 10-11  
 (Amounts in Thousands)**

<u>Type of Exemption</u>	<u>Number</u>	<u>Amount</u>
Federal Government.....	393	\$5,825,568
State Government.....	3,263	11,501,204
County Government.....	2,117	4,953,865
Hawaiian Homes Commission.....	845	504,607
Hawaiian Homes Land .....	2,884	1,343,615
Hawaiian Homes - 7-Year .....	364	189,869
Homes – Fee.....	142,402	13,902,053
(Basic).....	79,594	6,371,441
(Multiple).....	55,990	6,724,966
Homes – Leasehold		
(Basic).....	2,520	201,245
(Multiple).....	2,381	283,333
In Lieu of Home Ex		
(Fee).....	1,851	309,869
(Lease).....	66	11,199
Blind .....	309	7,666
Deaf.....	105	2,594
Leprosy.....	3	75
Totally Disabled.....	2,993	74,662
Totally Disabled Veterans .....	908	496,180
Cemeteries.....	43	40,383
Charitable Organizations .....	847	1,666,051
Non-Profit Child Care Center .....	1	337

For-Profit Child Care Center .....	4 .....	6,175
Churches.....	849 .....	1,739,045
Civil – Condemnation.....	26 .....	31,748
Credit Unions .....	67 .....	234,280
Crop Shelters .....	24 .....	2,968
Foreign Consulates.....	29 .....	39,827
Historic Commercial.....	5 .....	25,627
Historic Residential .....	240 .....	262,529
Hospitals .....	71 .....	639,656
Kuleana .....	31 .....	22,095
Landscaping, Open-Space.....	16 .....	30,551
Low-Moderate Income Housing .....	262 .....	1,595,228
New Construction .....	24 .....	71,548
Public Utilities.....	488 .....	796,387
Roadways and Waterways .....	3,041 .....	13,055
Schools .....	117 .....	703,548
Setbacks .....	6 .....	370
Slaughterhouse.....	1 .....	2,900
Miscellaneous .....	5 .....	5,922
TOTAL .....	162,783 .....	\$46,732,188

*NOTE: Amount includes government parcels at actual value and exemptions on federal lease, if any.*

## **TREASURY DIVISION**

**Edlyn S. Taniguchi, Chief of Treasury**

### **POWERS, DUTIES, AND FUNCTIONS**

The Division of Treasury is responsible for the City’s cash management, debt administration and certain accounts receivable. It maintains the City’s treasury, deposits moneys and invests funds as authorized by law. The Division issues and sells City bonds, paying interest on and redeeming them as required. It also bills and collects a variety of revenues and assessments, including real property taxes, improvement and business improvement district assessments refuse disposal fees, refuse collection fees, real property rentals and concession contracts.

### **BILLING AND COLLECTION**

#### **Centralized Revenue Collections**

The Division administers the receivables for real property taxes, special assessments, special sewer fees, cesspool fees, automotive fuel and maintenance fees, engineering inspector overtime and permit fees, wastewater engineering inspection charges, sewer lateral charges, recovery of road and sidewalk repair, recovery of costs for damaged traffic property, concession agreements, and lease rents.

#### **Real Property Tax**

Real property taxes account for approximately two-thirds of the City’s general fund revenues. In FY 10, the Division billed 275,690 accounts for \$875.1 million. Total FY 10 taxes collected were \$849.7 million.

Prior year delinquencies at the beginning of the fiscal year amounted to \$16.0 million. During the year, the Division collected \$5.2 million, representing approximately 32.5% of its delinquencies. On June 30, 2010, total delinquent real property taxes (outstanding FY 10 taxes plus prior year uncollected delinquencies) totaled \$16.8 million or 1.9% of the FY 10 taxes billed.

#### **Improvement District Assessments**

The City assesses a charge to property owners in approved improvement districts for certain public improvements and services that benefit these owners. Improvement district accounts numbered 127, which paid \$24,460 in FY 10.

#### **Waikiki Business Improvement District Assessments**

The Business Improvement Districts (BID) assesses a charge to property owners for services that benefit these owners. The BID 5,362 accounts paid \$2.1 million in FY 10.

#### **Refuse Disposal Fees**

The City charges commercial haulers a refuse disposal fee for utilizing one of the city’s landfills or other solid waste disposal facilities. There were 205 active accounts that produced revenue of \$55.5 million in FY 10.

#### **Refuse Collection Fees**

Commercial customers incur a monthly refuse collection fee, based on their average refuse volume, for curbside pickup. In FY 10, commercial customers numbered 549 and remitted fees of \$578,000.

## **Sewer and Cesspool Fees**

The Treasury Division collects fees from sewer users whose charges require special handling and from residential properties with cesspools. Revenues collected during FY10 totaled \$30.3 million from approximately 1,793 accounts.

## **CASH MANAGEMENT**

### **Interest Earned**

During FY 10, deposits of \$2.6 billion and disbursements of \$1.8 billion flowed through the City treasury. The Treasury Division managed an average daily cash balance of \$1.6 billion. Of that balance, Treasury funds represented \$1.4 billion, while Board of Water Supply funds and Housing Development funds were \$163.4 million and \$11.8 million, respectively.

The City earned \$5.6 million in interest income in the fiscal year. Treasury funds generated approximately \$1 million (average yield of 0.18%), and Board of Water Supply funds received \$4.6 million.

## **DEBT ADMINISTRATION**

### **General Obligation Tax Exempt Commercial Paper Notes**

The City Council authorized the issuance and sale of up to \$250 million of general obligation commercial paper. During FY10, the City issued a total of \$20 million General Obligation Tax Exempt Commercial Paper Notes to fund projects in the capital budget. There were no General Obligation Tax Exempt Commercial Paper Notes outstanding as of June 30, 2010.

### **Wastewater System Revenue Bonds Senior Series 2009A, 2009B and 2009C**

On September 29, 2009, the City delivered \$148,285,000 principal amount of the City and County of Honolulu Wastewater System Revenue Bonds Senior Series 2009A, 2009B and 2009C, at a true interest cost of 3.74390%, 4.15480% and 3.55621% respectively. Proceeds of the Series 2009 Bonds were used to fund the cost of certain additions and improvements to the wastewater system, refund all of the outstanding Senior Series 1998 Bonds, and to provide for a reserve.

### **Wastewater System Revenue Bonds Junior Series 2009A**

On September 29, 2009, the City delivered \$127,045,000 principal amount of the City and County of Honolulu Wastewater System Revenue Bonds Junior Series 2009A at a true interest cost of 3.75093%. Proceeds of the Junior Series 2009 Bonds were used to refund a portion of the outstanding Junior Series 1998 Bonds.

### **Wastewater System Revenue Bond Series 2010**

On March 25, 2010, the City delivered \$2,750,000 principal amount of the City and County of Honolulu Wastewater System Revenue Bond Series 2010 at a true interest cost of 4.00%. Proceeds of the Series 2010 Bonds were used to fund the costs of various capital additions and improvements to the wastewater system.

### **General Obligation Bonds Series 2009D, 2009E and 2009F**

On November 19, 2009, the City issued \$241,865,000 principal amount of General Obligation Bonds, Series 2009D, 2009E and 2009F, at a true interest cost of 4.39363%, 3.89828% and 3.25649% respectively. Proceeds of the 2009D bonds were used to fund H-Power expenditures and reimburse temporary advances made for H-Power expenditures, the proceeds of the 2009E bonds were used to redeem outstanding Tax Exempt Commercial Paper and to fund certain capital improvement projects, and the proceeds of the 2009F bonds were used to refund various General Obligation Bonds

General obligation bonds totaling \$115.3 million matured during the year. The outstanding general obligation bonds as of June 30, 2010, totaled \$2.29 billion of which \$383.3 million were for housing, H-Power and solid waste disposal, and \$6.4 million were for sewer projects.

Under the Constitution of the State of Hawaii and applicable provisions of the HRS, general obligation bonds issued for self-supporting public undertakings, such as the water system and assessable public improvements, are excludable in determining the funded debt of the City to the extent that the reimbursements are made to the General Fund for the principal and interest due on such bonds out of net revenues for water system improvements and assessment collections for assessable public improvements. Of the total debt of \$4.05 billion on June 30, 2010, \$1.90 billion is therefore considered to be direct tax-supported debt for legal debt margin purposes.

The State Constitution limits the funded debt of any county to 15% of the net taxable assessed valuation.

Net assessed valuation of taxable real property, at 100% of fair market value .....	\$165.78 billion
15% of net assessed valuation of taxable real property.....	\$24.87 billion
Net funded debt.....	\$1.90 billion
Ratio of debt to assessed valuation.....	1.15%

The City's general obligation bonds are rated Aa1 by Moody's Investors Service, AA by Standard & Poor's and AA+ by Fitch Ratings. Its wastewater system revenue bonds senior series are rated Aa2 by Moody's Investors Service, AA- by Standard & Poor's and AA by Fitch Ratings. The wastewater system revenue bonds junior series are rated Aa3 by Moody's Investors Service, A+ by Standard & Poor's, and AA- by Fitch Ratings.