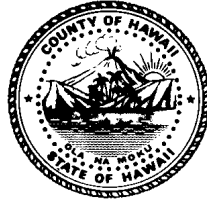


Mayor



Dixie Kaetsu
Managing Director

Peter L. Hendricks
Deputy Managing Director

County of Hawai'i

25 Aupuni Street, Room 215 • Hilo, Hawai'i 96720
(808) 961-8211 • Fax (808) 961-6553

May 5, 2005

The Honorable Chairman Stacy K. Higa
and Members of the County Council
County of Hawai'i
Hilo, HI 96720

Dear Chairman Higa and Council Members:

As required by the Hawaii County Charter, I am submitting to you with this message the amended operating budget proposal for the County of Hawaii for the fiscal year ending June 30, 2006. This balanced budget includes estimated revenues and appropriations of \$281,455,372 and includes the operations of eleven of the County's special funds as well as the general fund. Because of revised revenue projections, it is \$4,006,515 higher than the budget proposal submitted to you on March 1, 2005.

BUDGET OVERVIEW

Real property tax revenues account for 53% of the County's operating budget. With gross valuation of real property on the Big Island increasing by 18.4%, we expect to see a 15.4% increase in property tax revenues over the current fiscal year. This increase, together with increases in other revenue sources, enables the County to address its many areas of need that resulted from years of funding restrictions.

The allocation of resources for this budget was based on how well funding requests address this administration's goals and priorities:

- Carrying out our legal mandates
- Distributing services and resources equitably
- Being good stewards of public assets
- Meeting our administrative project priorities.

Initiatives for next fiscal year that were included in the preliminary budget submission, and continue to be included in this final proposal, are:

- The establishment of a *Risk Management Division* under the Department of Finance to provide overall guidance in areas such as insurance coverage and minimizing risk;
- The transfer of \$1 million to the *Self-Insurance Fund* to cover judgments against the County;
- The transfer of \$1 million to the *Disaster and Emergency Fund* to ensure that the County is prepared in case of a declared disaster;
- A new *fire brush truck, ladder/aerial platform vehicle* for West Hawaii, and a replacement *fire pumper* for South Kona, totaling \$1.5 million.
- The addition of *positions* that will enable the County to comply with legal mandates, improve services to growing and under-served communities, and address administrative priorities. These priorities include speeding up the review of building and other permits, carrying out solid waste and wastewater solutions, increasing hours of operation at some parks facilities, and supporting community development planning.

EXPENDITURE CHANGES

In addition to the above, funding has been added for the following:

Improvements to County Facilities. A transfer of \$1 million to the Capital Projects Fund is proposed. This will enable the Building Division to assess, design, and construct improvements to County facilities island-wide that are long overdue. This is necessary for good *stewardship of public assets*.

Provision for Public Land Acquisition. This budget also provides \$500,000 to be used for the acquisition of public lands to enhance public access to recreational areas, such as the coastal land at Honu‘apo. This is also good *stewardship of public assets*.

Community Development Planning. \$333,000 has been added to the Research and Development Department budget to fund an island-wide community development planning program that will enable communities to develop and implement community development plans. The money will be used to hire facilitators, purchase supplies, pay travel expenses, and provide training, technical assistance, and outreach to communities. Community development plans are required by the County General Plan. This will complement the work of the Planning Department that has been funded by the \$750,000 provided earlier this fiscal year. Community development planning is a Council and *administrative priority*.

Employee Fringe Benefits. We have increased employee fringe benefit projections by \$540,000 to update our earlier estimate. Fringe benefits like social security, health insurance and retirement contributions are *legal mandates*.

Coqui Frog Eradication. \$350,000 has been added to the Research and Development budget to fund a coqui frog eradication program. This amount includes \$100,000 of anticipated state funds. This money will be used to continue the work of the Coqui Frog Working Group made up of representatives from the County, University of Hawai'i at Hilo, U.S. Department of Agriculture National Wildlife Research Center, State Department of Agriculture, and the Big Island Invasive Species Council. These agencies have been working together without any resources to try and control coqui frog infestations on Hawai'i Island. The areas of focus will be:

- Education and community awareness
- Biological and chemical research of control methods
- Community based identification and eradication of infestations island wide.

This is an *administrative priority*.

Special Project Manager Program. \$50,000 is included to initiate a Special Project Manager Program. This program will utilize the skills, knowledge, and abilities of retired citizens who will serve as special project managers for various County projects. This will help the County meet its obligations in all areas.

New Positions. Two positions are included in this budget proposal.

- GIS Analyst I. The Geographic Information System (GIS) has become a necessary function of County operations. Requests for printed maps and new specialized GIS layers are increasing daily from departments. There is currently no backup to the existing GIS Analyst position. The addition of a GIS Analyst I will enable the Data Systems Department to create new layers, acquire satellite & air imagery, carry out new applications, and provide timely assistance to County departments and emergency service agencies.
- Sexual Assault Forensic Examiner (SAFE) Coordinator. Due to piecemeal grant funding for the County's Sex Assault Nurse Examiner program, the program is constantly at risk. A fulltime SAFE Coordinator position is being requested to perform recruitment, training, and coordination. The position will also add the stability the program requires to be successful.

Since 6 positions requested in our original budget are being approved for hiring in the current fiscal year, our new position count is less than originally submitted.

REVENUE CHANGES

Real Property Taxes. Real property tax revenues have been reduced by \$447,000 to reflect the certified net taxable real property values. We recommend that no changes be made to property tax rates.

Public Service Company Tax. The estimated public service company tax has increased by \$500,000 to reflect our current rate of collection.

Intergovernmental Revenues. Adjustments have been made to the Federal Transit Administration grant (\$583,000), the Rural Transit Administration program (\$24,255), the Coordinated Services grants (-\$80,000), and the Transient Accommodation Tax (TAT)

Honorable Stacy K. Higa

Page 4

May 5, 2005

(-\$193,000), while funding for the Wildlife Habitat Incentive program (\$47,400) and Coqui frog eradication (\$100,000) have been added.

Charges for Services. The estimated charges for services has been increased by \$223,586 for Department of Environmental Management administrative charges.

Sale of Real Property. \$1,000,000 has been added for anticipated revenues from the sale of County lands.

Fund Balance Carryover. The fund balance carryover has been increased by \$2,686,000, reflecting our updated carryover projection.

SUMMARY

I believe that this budget will enable us to work toward achieving our goals and priorities in an orderly and responsible manner. Major funding is included to:

- Reduce the County's exposure to risk by establishing a risk management program;
- Put money aside to pay for judgments against the County;
- Put money aside in case of a disaster;
- Purchase land to enhance public access to recreational areas;
- Repair and maintain County facilities;
- Develop an island-wide community development planning program;
- Speed up the review of building and other permits;
- Carry out wastewater and solid waste mandates;
- Address concerns in public safety;
- Reduce coqui frog infestation; and
- Improve services to growing communities.

My staff and I welcome the opportunity to discuss this budget in further detail with you and to respond to any concerns that you may have. Thank you very much.

Aloha,

Harry Kim
Mayor

Attachments