

# COUNTY OF MAUI

## *General Aspects of the Fiscal Budget, County Finance, & WWRD*

***KALBERT K. YOUNG***

***Director of Finance***

***February 4, 2010***

***Wastewater Reclamation Community  
Working Group***

# Purpose

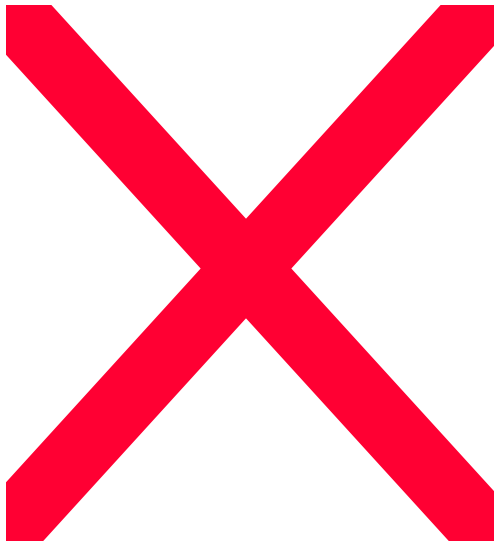
- High-level overview of the budgetary process
- General budgetary and fiscal statistics
- General concepts of financial management as they relate to the County of Maui
- Provide framework to discuss financing of capital projects, operational programs, and other public initiatives
- Provide estimates & examples in financial aspects of Wastewater Reclamation Division operations and CIP

# Annual Budgeted Revenues

(Amounts in \$ Millions)

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
<b>Real Property Taxes</b>	\$ 192.8	\$ 214.7	\$ 220.5	\$ 232.0
<b>Charges for Current Svcs</b>	79.4	98.1	102.7	107.3
<b>TAT</b>	20.2	22.0	22.0	17.0
<b>Public Service Co. Tax</b>	5.2	6.7	6.7	6.7
<b>Licenses/Permits/Oth</b>	21.1	23.9	26.7	23.6
<b>Fuel and Franchise Taxes</b>	17.8	19.5	20.0	19.0
<b>Special Assessments</b>	11.9	7.6	14.7	11.3
<b>Other Intergovernmental</b>	29.1	24.4	2.7	13.3
<b>Interfund Transfers</b>	31.4	41.9	50.0	45.0
<b>Bonds</b>	31.7	39.0	51.1	51.4
<b>Carryover Savings</b>	<u>36.3</u>	<u>51.7</u>	<u>43.8</u>	<u>37.1</u>
<b>TOTAL</b>	<b>476.9</b>	<b>549.6</b>	<b>560.9</b>	<b>563.7</b>

# Annual Budgets



## Revenues

- Taxes
- Fees & Assessments
- Debt
- Special Funds

## Expenses

- Dept. Operations
- Equipment
- Countywide Expenses
- Capital Improvement Projects (CIP)

# Annual Budgets

## FY06 thru FY10

(Amounts in Thousands)

	<u>Operating</u>	<u>CIP</u>	<u>Total</u>	<u>Inc. / (Dec.)</u>
<b>FY06</b>	316,865	73,352	390,217	12.1%
<b>FY07</b>	364,859	112,010	476,869	22.2%
<b>FY08</b>	436,165	113,470	549,635	15.3%
<b>FY09</b>	461,274	99,614	560,888	2.1%
<b>FY10</b>	461,969	101,722	563,691	0.1%

# General Expense Types

## Operational Expenses

- Salaries
- Administration & Program Costs
- Equipment
- County-issued grants

## Countywide Expenses

- Fringe Benefits
- Inter-fund Transfers
- Appropriations to Special Funds
- Debt Service & Allocated Debt Service

# Fund Types

## General Fund

- General operations of the County
- Revenue from general sources (i.e. real property taxes, fees, assessments, licenses, etc.)
- Accommodates departments with little or no revenue structure
- Majority of operations
- Represents the broadest spectrum of departments and agencies
  - Public safety (police, fire, civil defense, etc.)
  - General government (planning, housing, prosecutor, etc.)
  - Government administration (finance, HR, mayor, etc.)
  - Recreation
  - Legislative

# Fund Types

(Cont.)

## Special Funds

- Source of revenue is various services, rates, fees or appropriations
- Expenditures are for a specific defined purpose and/or function
- Examples of Special Funds

<u>FUND</u>	<u>REVENUE SOURCE</u>	<u>PURPOSE</u>
Highway Fund	County gasoline tax Vehicle registrations	Road improvements Public transportation
Plan Review, Permit Processing, & Inspection Revolving Fund	Building permit fees	Expenses for administering permit application review
Open Space Fund	%age of RPT Appropriations	Preservation of Open Space



# Fund Types

(Cont.)

## Enterprise Funds

- Source of revenue is operational revenue of the enterprise
- Expenditures from Fund are solely for the benefit of the enterprise
- Revenue is expected to satisfy expenditures
- Revenue collected to fund operations and capital projects
- Typical of utility services:
  - Water Supply
  - Wastewater
  - Refuse/Solid Waste
- Specific revenue programs:
  - Golf Course
  - Liquor Control

# Debt Management Policy

- Incur debt only when necessary
- Confine long-term borrowing to capital assets or equipment that can not be financed from current resources
- Do not use debt to fund operations
- Utilize Pay-As-You-Go financing to extent possible

# Debt Financing Types

- General Obligation Bonds
- Revenue Bonds
- Lease/Purchase Agreements
- Special Obligation Bonds
- Any other financing instruments allowed by HRS (e.g. SRFL)

**County to seek the least costly/most appropriate financing for capital projects**

# 10-Year CIP

## As Percentage of Annual Budget

<b>Fiscal Year</b>	<b>Total Budget (000's)</b>	<b>CIP Amount (000's)</b>	<b>%age of Budget</b>
<b>2001</b>	215,639	27,164	12.60%
<b>2002</b>	274,476	60,550	22.06%
<b>2003</b>	268,885	44,665	16.61%
<b>2004</b>	318,804	47,713	14.97%
<b>2005</b>	348,089	64,198	18.44%
<b>2006</b>	390,217	73,352	18.80%
<b>2007</b>	476,869	112,010	23.49%
<b>2008</b>	549,635	113,470	20.64%
<b>2009</b>	560,888	99,614	17.76%
<b>2010</b>	563,691	101,722	18.05%

# CIP Financing

Currently, the County only employs five methods of CIP financing

- Cash Strategy
  - General Fund
  - Special or Enterprise Funds
  - Assessment Funds
  - Grant Funds
- Debt Strategy
  - General Obligation Bonds
  - State Revolving Fund Loans

# Specific Debt Strategies

## General Obligation Bonds

- General Fund Advances (GFA)
- Annual GFA limit established by Council ordinance
- Interest rates determined by market & credit rating
- Semi-annual coupon payments for interest
- Face-value return at maturity

### County Bond Characteristics

- 3 to 25 year maturities
- Level debt service
- Varying interest rates by maturities
- Estimated True Interest Cost (TIC):
  - 4.15% to 5.0%
  - For every \$1,000,000 financed there is an approximate \$70,000 to \$80,000 of annual debt service

# Specific Debt Strategies

(Cont.)

## State Revolving Fund Loans

- Subject to availability of funds
- Specific types of projects
- Project approval process by State DOH
- Up to 20-year durations
- Interest rates vary upon issuance:
  - Historically 2% to 4%
    - For every \$1,000,000 financed there is an approximate \$60,000 to \$75,000 of annual debt service
  - Recently 0% to 1.5%
    - For every \$1,000,000 financed there is an approximate \$50,000 to \$60,000 of annual debt service

# Debt Criterion

- G.O. Bonds: Credit ratings based on key criterion
  - Total debt service to annual revenue
  - Total debt to taxable asset valuation
  - Debt per capita
  - Etc.
- Debt service limited to operational revenue
- Duration of debt should at least be equal to useful life of asset
- Anticipate more assumed debt to equal higher interest rates



# Outstanding Debt Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Obligation Bonds (000's)</b>	<b>Notes Payable (000's)</b>	<b>Total Outstanding Debt (000's)</b>
<b>1999</b>	189,913	31,796	221,709
<b>2000</b>	194,111	30,305	224,416
<b>2001</b>	194,807	23,779	218,586
<b>2002</b>	208,832	23,764	232,596
<b>2003</b>	242,996	39,612	282,578
<b>2004</b>	227,007	39,194	266,201
<b>2005</b>	233,648	36,762	270,446
<b>2006</b>	215,336	34,295	249,631
<b>2007</b>	226,720	40,078	266,798
<b>2008</b>	247,258	47,262	294,520

# Key Points on Debt

- Defer expense of asset over a period of years
- Interest rate will affect overall cost of asset
- Annual debt service must be paid from operational revenue
- Future years revenues must account for past years' debt obligations
- Attention that overall debt does not exceed overall ability to borrow
- Attention that annual debt service does not exceed limits of revenue generation

# Wastewater Division (WWRD)

## Annual Budget

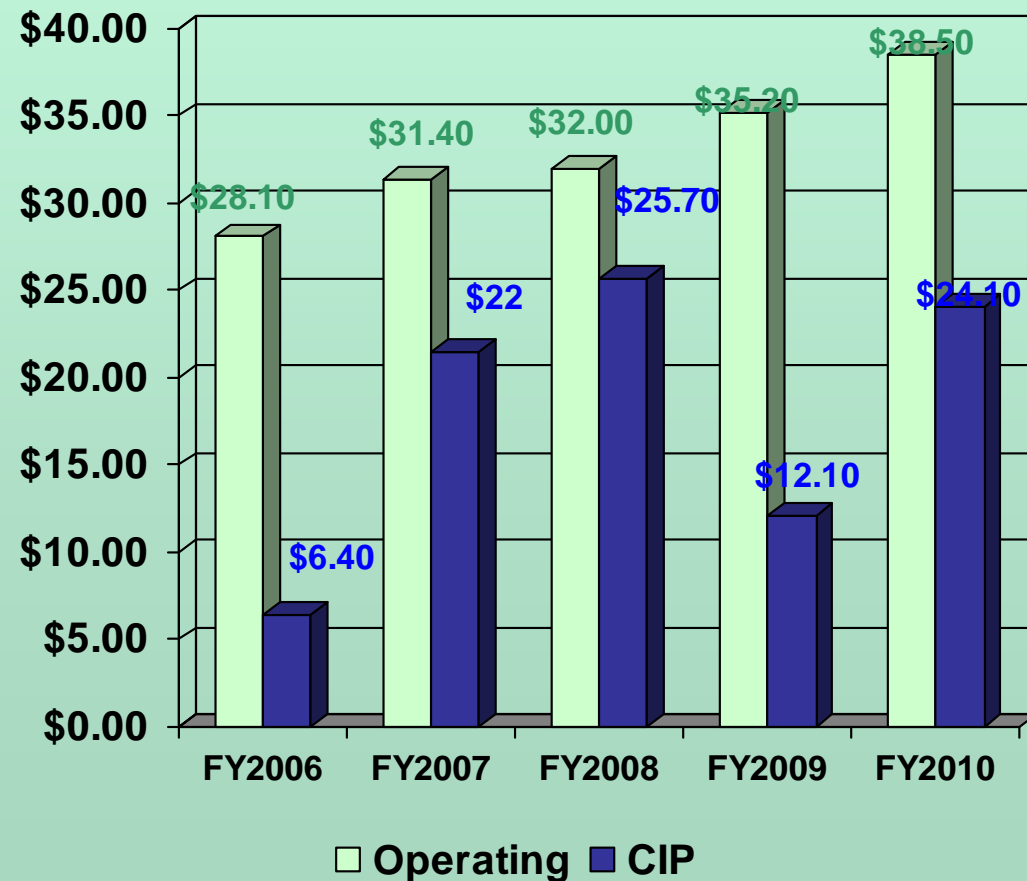
### FY06 to FY10

(Amounts in million \$)

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
<b>Operations</b>	\$ 28.1	\$ 31.4	\$ 32.0	\$ 35.2	\$ 38.5
<i>Admin</i>	15.3	16.3	16.2	18.3	18.4
<i>Operations</i>	12.8	15.1	15.8	16.9	20.1
<b>Capital Projects</b>	<u>6.4</u>	<u>21.5</u>	<u>25.7</u>	<u>12.1</u>	<u>24.1</u>
<b>TOTAL</b>	<b>34.5</b>	<b>52.9</b>	<b>57.7</b>	<b>47.3</b>	<b>62.6</b>

# WWRD Annual Budgets FY06 to FY10

## WWRD Budgets (\$ Millions)



## Revenues

- Fees & Assessments
- Debt

## Expenses

- Administration
- Operations
- Equipment
- Capital Improvement Projects (CIP)

# Wastewater Division (WWRD)

## Annual Budget

### FY06 to FY10

(Amounts in million \$)

#### Debt Service as % of Budget

		<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
<b>Operations</b>	\$	28.1	\$ 31.4	\$ 32.0	\$ 35.2	\$ 38.5
<i>Admin</i>		15.3	16.3	16.2	18.3	18.4
<i>Offices</i>		1.5	1.8	2.0	2.0	2.1
<i>Fringe</i>		1.7	1.9	2.1	3.0	3.0
<i>Overhead</i>		1.4	1.6	1.7	1.9	1.9
<i>Debt Service</i>		10.7	11.0	10.3	11.3	11.3
<i>% of Budget</i>		31%	20.8%	17.9%	23.9%	18.0%
<i>Operations</i>		12.8	15.1	15.8	16.9	20.1
<b>Capital Projects</b>		<u>6.4</u>	<u>21.5</u>	<u>25.7</u>	<u>12.1</u>	<u>24.1</u>
<b>TOTAL</b>		<b>34.5</b>	<b>52.9</b>	<b>57.7</b>	<b>47.3</b>	<b>62.6</b>



# Wastewater Division (WWRD)

## Annual Budget

### FY06 to FY10

(Amounts in million \$)

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
<b>Operations</b>	\$ 28.1	\$ 31.4	\$ 32.0	\$ 35.2	\$ 38.5
<i>Admin</i>	15.3	16.3	16.2	18.3	18.4
<i>Operations</i>	12.8	15.1	15.8	16.9	20.1
<b>Capital Projects</b>	6.4	21.5	25.7	12.1	24.1
<i>Sewer Fund</i>	0.9	1.0	8.4	5.7	4.8
<i>General Fund</i>	-	-	-	-	-
<i>Bond Fund</i>	3.7	5.9	1.0	6.4	11.3
<i>SRFL</i>	1.7	14.6	16.3	0.0	8.0
<b>TOTAL</b>	<b>34.5</b>	<b>52.9</b>	<b>57.7</b>	<b>47.3</b>	<b>62.6</b>

# Wastewater Division (WWRD)

## Annual Budget

### FY06 to FY10

(Amounts in million \$)

	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
<b>Operations</b>	\$ 28.1	\$ 31.4	\$ 32.0	\$ 35.2	\$ 38.5
<i>Admin</i>	15.3	16.3	16.2	18.3	18.4
<i>Operations</i>	12.8	15.1	15.8	16.9	20.1
<b>Capital Projects</b>	6.4	21.5	25.7	12.1	24.1
<i>Sewer Fund</i>	1.0	1.0	8.4	5.7	4.8
<i>General Fund</i>	-	-	-	-	-
<i>Bond Fund</i>	3.7	5.9	1.0	6.4	11.3
<i>SRFL</i>	1.7	14.6	16.3	0.0	8.0
<b>TOTAL</b>	<b>34.5</b>	<b>52.9</b>	<b>57.7</b>	<b>47.3</b>	<b>62.6</b>

Cash-Funded	\$ 29.1 M	\$ 32.4 M	\$ 40.4 M	\$ 40.9 M	\$ 43.3 M
% Inc (Dec)		11.3%	24.7%	1.2%	5.9%
Debt-Funded	\$ 5.4 M	\$ 20.5 M	\$ 17.3 M	\$ 6.4 M	\$ 19.3 M
% Inc (Dec)		280%	(15.6%)	(63.0%)	202%

**RATES**  
**FY2005 through FY2010**

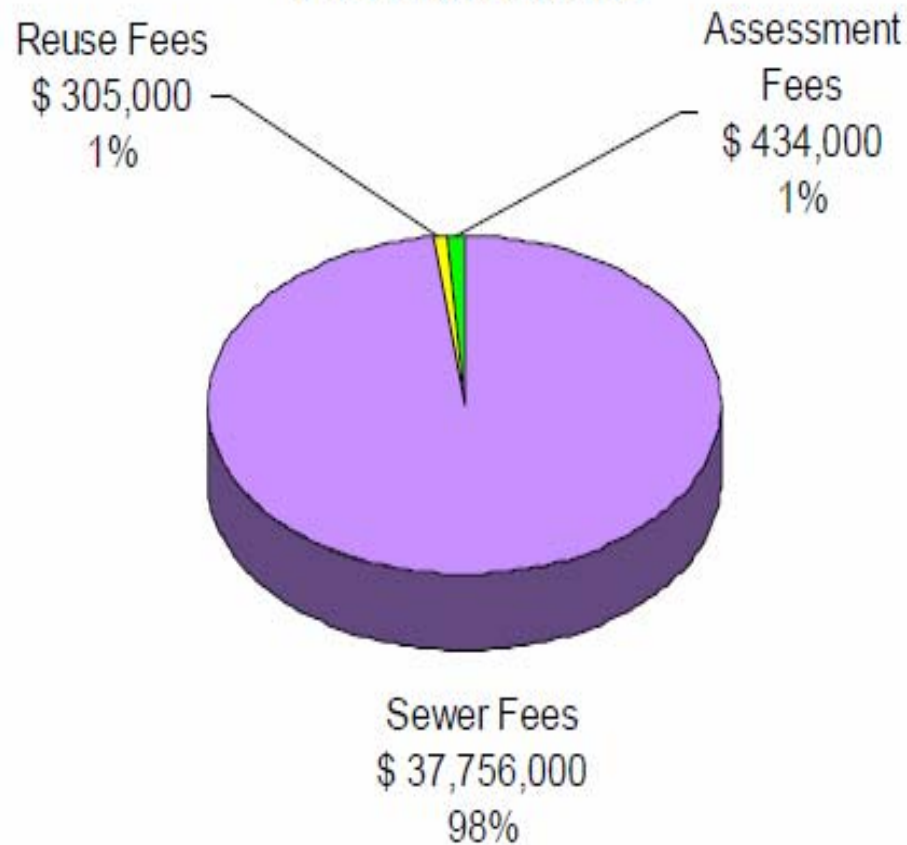
	<u>FY2010</u>	Increase / (Decrease) from previous year	<u>FY2009</u>	Increase / (Decrease) from previous year	<u>FY2008</u>	Increase / (Decrease) from previous year	<u>FY2007</u>	Increase / (Decrease) from previous year	<u>FY2006</u>	Increase / (Decrease) from previous year
<b>Pretreatment Permit Fees</b>										
Class I, II, III, and IV (2 Years)	\$ 100.00	0.00%	\$ 100.00	0.00%	\$ 100.00	0.00%	\$ 100.00	0.00%	\$ 100.00	0.00%
Special Purpose discharge permit (2 Years)	\$ 100.00		\$ 100.00		\$ 100.00		N/A		N/A	
Class V (every year)	\$ 50.00	0.00%	\$ 50.00	0.00%	\$ 50.00	0.00%	\$ 50.00	0.00%	\$ 50.00	0.00%
Wastewater Discharge	\$ 10.00	0.00%	\$ 10.00	0.00%	\$ 10.00	0.00%	\$ 10.00	0.00%	\$ 10.00	0.00%
<b>Liquid Waste Hauler:</b>										
Permit Decal Initial Issue (per vehicle)	\$ 5.00	0.00%	\$ 5.00	0.00%	\$ 5.00	0.00%	\$ 5.00	0.00%	\$ 5.00	0.00%
Permit Decal Replacement (per vehicle)	\$ 15.00	0.00%	\$ 15.00	0.00%	\$ 15.00	0.00%	\$ 15.00	0.00%	\$ 15.00	0.00%
Entry Card Initial Issue (per vehicle)	\$ 25.00	0.00%	\$ 25.00	0.00%	\$ 25.00	0.00%	\$ 25.00	0.00%	\$ 25.00	0.00%
Entry Card Replacement (per vehicle)	\$ 50.00	0.00%	\$ 50.00	0.00%	\$ 50.00	0.00%	\$ 50.00	0.00%	\$ 50.00	0.00%
<b>Fees - Sewer Collections</b>										
<b>SF &amp; Duplex served by County Water</b>										
Monthly Base	\$ 25.50	10.87%	\$ 23.00	9.52%	\$ 21.00	16.67%	\$ 18.00	5.88%	\$ 17.00	5.88%
Monthly Metered Water Charge	\$ 3.38	10.82%	\$ 3.05	7.02%	\$ 2.85	26.67%	\$ 2.25	15.38%	\$ 1.95	11.43%
<b>SF &amp; Duplex NOT served by County Water</b>										
Flat Rate	\$ 48.75	9.55%	\$ 44.50	5.55%	\$ 42.00	21.74%	\$ 34.50	9.52%	\$ 31.50	8.62%
<b>Condos &amp; Multi-Family served by County Water</b>										
Monthly Base	\$ 25.50	10.87%	\$ 23.00	9.52%	\$ 21.00	16.67%	\$ 18.00	5.88%	\$ 17.00	5.88%
Monthly Metered Water Charge	\$ 3.38	10.82%	\$ 3.05	7.02%	\$ 2.85	26.67%	\$ 2.25	15.38%	\$ 1.95	11.43%
<b>Condos &amp; Multi-Family NOT served by County Water</b>										
Flat Rate	\$ 40.05	9.73%	\$ 36.50	3.55%	\$ 35.25	21.55%	\$ 29.00	8.41%	\$ 26.75	7.43%
<b>Other Charges</b>										
Haltimale	\$ 11.95	10.14%	\$ 10.85	8.50%	\$ 10.00	17.62%	\$ 8.50	16.44%	\$ 7.30	0.00%
Residential Care Homes	\$ 82.50	10.00%	\$ 75.00	13.64%	\$ 66.00	17.86%	\$ 56.00	13.13%	\$ 49.50	8.79%
<b>Monthly Use Charge - Non-Residential (per 1,000 gallons)</b>										
Monthly Base	\$ 14.60	10.19%	\$ 13.25	15.22%	\$ 11.50	21.05%	\$ 9.50	0.00%	\$ 9.50	11.76%
<b>W/O Irrigation Meter</b>										
Commercial	\$ 5.14	10.54%	\$ 4.65	14.87%	\$ 4.05	11.88%	\$ 3.62	11.36%	\$ 3.25	14.04%
Hotels	\$ 7.11	10.23%	\$ 6.45	10.20%	\$ 5.85	14.71%	\$ 5.10	9.69%	\$ 4.65	12.05%
Industrial, restaurants, food service, commercial	\$ 8.76	10.19%	\$ 7.95	12.77%	\$ 7.05	15.20%	\$ 6.12	10.37%	\$ 5.55	12.12%
U.S. Government	\$ 5.14	10.54%	\$ 4.65	14.87%	\$ 4.05	11.88%	\$ 3.62	11.36%	\$ 3.25	14.04%
State	\$ 5.14	10.54%	\$ 4.65	14.87%	\$ 4.05	11.88%	\$ 3.62	11.36%	\$ 3.25	14.04%
County	\$ 5.14	10.54%	\$ 4.65	14.87%	\$ 4.05	11.88%	\$ 3.62	11.36%	\$ 3.25	14.04%
Religious	\$ 5.14	10.54%	\$ 4.65	14.87%	\$ 4.05	11.88%	\$ 3.62	11.36%	\$ 3.25	14.04%
<b>W/ Irrigation Meter</b>										
Commercial	\$ 6.45	10.26%	\$ 5.85	8.73%	\$ 5.40	20.00%	\$ 4.50	11.11%	\$ 4.05	12.50%
Hotels	\$ 9.43	10.29%	\$ 8.55	11.04%	\$ 7.70	20.37%	\$ 6.40	10.34%	\$ 5.80	12.62%
Industrial, restaurants, food service, commercial	\$ 11.24	10.20%	\$ 10.20	30.87%	\$ 9.20	20.26%	\$ 7.65	10.07%	\$ 6.95	12.10%
U.S. Government	\$ 6.45	10.26%	\$ 5.85	8.73%	\$ 5.40	20.00%	\$ 4.50	11.11%	\$ 4.05	12.50%
State	\$ 6.45	10.26%	\$ 5.85	8.73%	\$ 5.40	20.00%	\$ 4.50	11.11%	\$ 4.05	12.50%
County	\$ 6.45	10.26%	\$ 5.85	8.73%	\$ 5.40	20.00%	\$ 4.50	11.11%	\$ 4.05	12.50%
Religious	\$ 6.45	10.26%	\$ 5.85	8.73%	\$ 5.40	20.00%	\$ 4.50	11.11%	\$ 4.05	12.50%
Kualapuu - Flat rate per month	\$ 48.75	9.55%	\$ 44.50	5.98%	\$ 42.00	21.74%	\$ 34.50	9.52%	\$ 31.50	8.62%
<b>Surcharges</b>										
Suspended solids (per 1,000 gallons)	\$ 775.00	15.16%	\$ 673.00	13.30%	\$ 594.00	22.98%	\$ 483.00	6.59%	\$ 454.00	15.11%
BOD (per 1,000 gallons)	\$ 1,273.00	15.62%	\$ 1,101.00	11.32%	\$ 989.00	24.46%	\$ 795.00	6.71%	\$ 745.00	13.91%





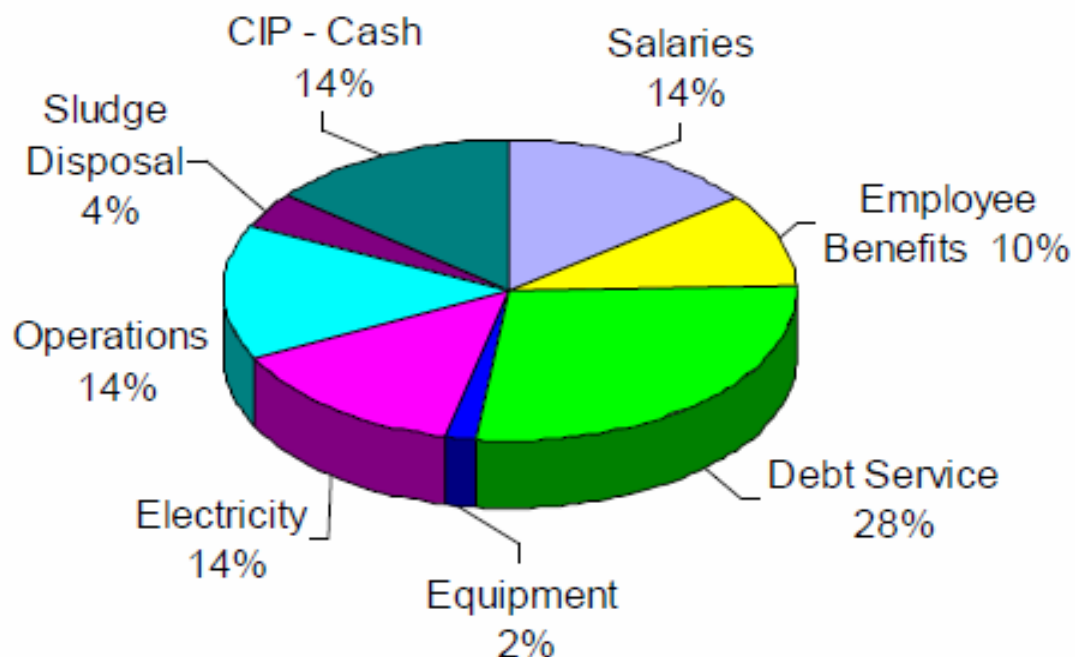
1. What are the current sources and amounts of wastewater management revenues?

### WASTEWATER RECLAMATION DIVISION FY09 REVENUES



## 2. How are current wastewater expenses allocated?

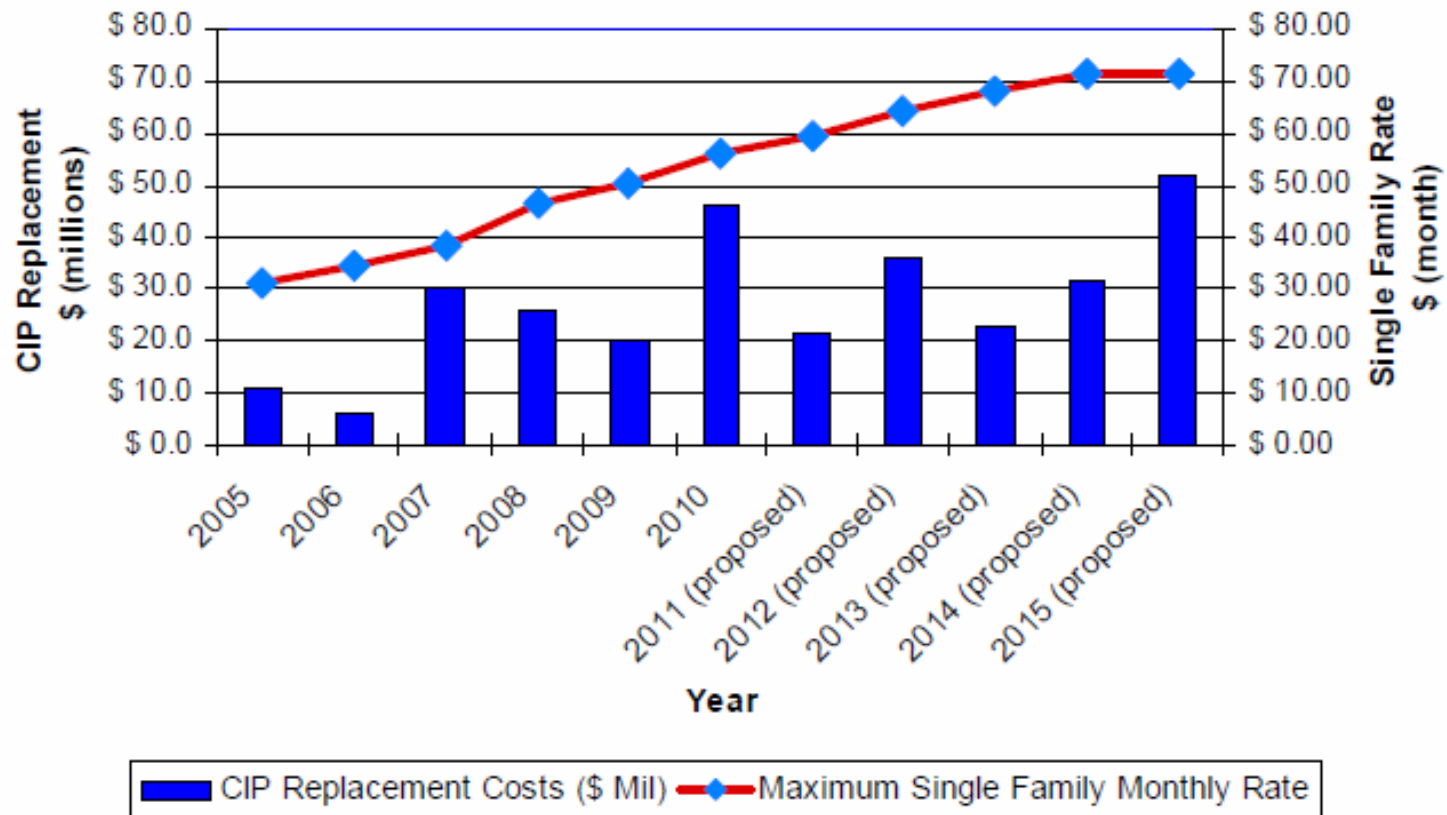
### WASTEWATER RECLAMATION DIVISION FY09 EXPENDITURES



Debt service represents annual cost of all ongoing CIP loans and bonds. Revenues and expenditures are within about 3% of one another in any given year

3. How do CIP expenditures effect sewer rates? Of the wastewater CIP budget, how much is allocated to replacement and how much to new projects or expansions?

WASTEWATER RECLAMATION DIVISION  
ANNUAL CIP COSTS vs.  
MONTHLY SINGLE FAMILY RATE



No expansion of service projects were completed or are proposed during these periods.

**NEXT:**  
**Overview of Capital Improvement  
Project Process**

**Wendy Taomoto, P.E.**  
**Capital Improvement Coordinator**