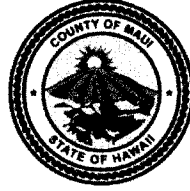


ALAN M. ARAKAWA  
Mayor



DANILO F. AGSALOG  
Director

MARK R. WALKER  
DEPUTY DIRECTOR

COUNTY OF MAUI  
DEPARTMENT OF FINANCE  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793

March 24, 2017

Ms. Lynn A.S. Araki-Regan  
Budget Director, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

3/29/17

Honorable Alan M. Arakawa   
Mayor, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

For Transmittal to:

Honorable G. Riki Hokama  
Chair, Budget and Finance Committee  
Maui County Council  
200 South High Street  
Wailuku, Hawaii 96793

RECEIVED  
2017 MAR 23 PM 12:08  
OFFICE OF THE  
COUNTY CLERK

Dear Chair Hokama:

**SUBJECT: FISCAL YEAR ("FY") 2018 BUDGET (FN-1) (BF-1)**

Pursuant to your letter dated March 6, 2017, regarding the fringe benefits, below are the responses to the following questions:

1. *A copy of the Fringe Benefit rates used in preparing the FY 2018 Budget.*

Attached is a copy of the Fringe Benefit Rate Memo for calendar year 2017 (see Exhibit 1) which was used in preparation of the FY 2018 Budget. In addition to these rates, approximately \$5 million was also included in the FY 2018 Budget for State of Hawaii Excess Pension Costs for fiscal years 2015, 2016, 2017 and 2018 (PER ACT 153/SLH 2012 REFER HRS Section 88-100).

2. A breakdown of actual costs of employee fringe benefits for FY 2013 to FY 2017, to date, by category and by fund. The categories include: Employees' Retirement System, Federal Insurance Contributions Act, Hawaii Employer-Union Health Benefits Trust Fund, and Other Post-Employment Benefits.

Below is a breakdown of actual costs of employee fringe benefits for FY 2013 to FY 2017, to date, by category:

General Fund	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 as of 3/20/17
Social Security - FICA	\$ 6,269,743	\$ 6,554,130	\$ 6,979,126	\$ 7,173,369	\$ 5,399,351
Retirement System - ERS	\$ 24,646,700	\$ 26,758,386	\$ 30,110,022	\$ 32,405,180	\$ 16,784,254
Hawaii Employer-Union Trust Fund - EUTF	\$ 24,297,972	\$ 25,630,406	\$ 27,383,697	\$ 29,270,289	\$ 18,272,155
Other Post-Employment Benefit - OPEB <sup>1</sup>	\$ 22,492,802	\$ 18,000,000	\$ 15,305,000	\$ 14,930,000	\$ 16,172,000

**NOTE:**

1) Reflects amount transferred to the County's OPEB Revolving Fund and not actual payments remitted to the State of Hawaii for fiscal years 2013 through 2015

Please note that actual costs of employee fringe benefits are posted in the Countywide Costs, Fringe Benefits, under the General Fund, which include costs relating to all employees in the County's payroll regardless of the employees' salaries funding source.

3. Explain the cost increase to each fringe benefit category and identify whether the increase is based on collective bargaining agreements, including the request for FY 2018.

The cost increase for each fringe benefit category is provided on Attachment A. The annual increase in ERS is mandated by HRS Chapter 88. The FICA tax rates did not increase and remains at 7.65%. The increases in EUTF and OPEB are mandated by Chapter 87A, by the EUTF actuary, and those pertaining to active employees also by collective bargaining agreements.

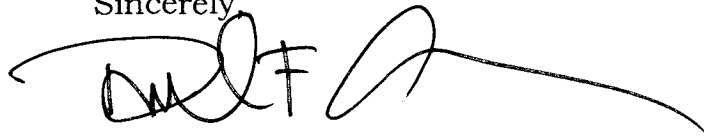
Also, attached is a summary of all bargaining units' salary increases and adjustments based on recent bargaining units' agreements (see Attachment B). Based on the information provided on this response and related attachments, the fringe benefits actual expenditures year-over-year's increase corresponds with the actual salaries and wages' year-over-year increase. Therefore, the increases in actual salaries and wages can be attributed to the bargaining unit agreements' salary increases/adjustments.

Based on the information provided by the Budget Office in regards to the FY 2018 Proposed Fringe Benefits Costs, below are the budgetary assumptions for the following fringe benefits category:

1. FICA – Includes the cost salary increases associated with the bargaining agreement as well as a correction in prior year estimates.
2. ERS – Based on 17% rate for the non-Police/Fire employees and 25% rate for the Police/Fire employees; it also includes the cost salary increases associated with the bargaining agreement as well as approximately \$5 million for State of Hawaii Excess Pension Costs for fiscal years 2015, 2016, 2017 and 2018.
3. EUTF – Based on an estimated 7% employer contribution rate increase as reflected in FY 2017, as the actual increase is not currently published on the State website. The State of Hawaii's EUTF updated its website and the EUTF rate now reflects a 7% rate increase for 2017.
4. OPEB – Based on actuary report as of July 1, 2015.

Thank you for your attention to this matter. Should you have any questions, please feel free to contact me at Ext. 7475.

Sincerely,

A handwritten signature in black ink, appearing to read 'Danilo F. Agsalog', with a long horizontal flourish extending to the right.

DANILO F. AGSALOG  
Finance Director

DFA:sat

Attachments

ALAN M. ARAKAWA  
Mayor



DANILO F. AGSALOG  
Director

MARK R. WALKER  
Deputy Director

COUNTY OF MAUI  
**DEPARTMENT OF FINANCE**  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793

October 4, 2016

**MEMORANDUM**

**TO:** ALL DEPARTMENTS AND AGENCIES  
**SUBJECT:** EMPLOYEE FRINGE BENEFIT RATES-  
CALENDAR YEAR 2017

The County of Maui has reviewed and revised the employee fringe benefit rates utilizing the actual cost data and salary base for the prior fiscal year which ended on June 30, 2016 (Fiscal 2016). These rates are to be used from January 1, 2017 through December 31, 2017 (Calendar 2017). Please note that there are no anticipated changes for July 1, 2017 as in previous years.

<b><u>EMPLOYEE FRINGE BENEFIT RATES BASED UPON EMPLOYER'S CONTRIBUTION</u></b>	<b><u>Personnel (except Police &amp; Fire) 1/1/17</u></b>	<b><u>Police &amp; Fire 1/1/17</u></b>
Employee's Retirement System (ERS)	17.00%	25.00%
Social Security/Medicare	<u>7.65</u>	<u>1.45</u>
Subtotal	24.65%	26.45%
Unemployment	10.31%	10.31%
Workers' Compensation (a)	<u>3.80</u>	<u>6.07</u>
Rate	14.11%	16.38%
Medical, Drug, Dental, Vision, Life	17.86%	17.86%
Other Post Employment Benefits (OPEB)	<u>9.11%</u>	<u>9.11%</u>
Total Employer's Contribution	65.73%	69.80%
<b><u>LEAVE BENEFITS</u></b>		
Vacation	8.08%	8.08%
Sick	5.00	5.00
Holiday	5.00	5.00
Others (Admin Leave, Union)	<u>.77</u>	<u>.77</u>
Total Leave Benefits	18.85%	18.85%
Total Fringe Benefit Rate (OT & Straight Time)	<u>84.58%</u>	<u>88.65%</u>

(a) Please use the following Workers' Compensation rates for the following classifications: Refuse workers: 12.85%; Firefighters: 6.07%; Police Officers: 4.49%; Not Otherwise Classified: 3.80%

If you have any questions on the above employee fringe benefit rates, please call the Accounts Division.

A handwritten signature in black ink, appearing to read "Danilo F. Agsalog".

DANILO F. AGSALOG  
Director of Finance

**County of Maui  
Employee Fringe Benefits  
FY13 to FY17, to-date**

Actual Costs	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17 thru 3/20/17</u>
FICA	6,269,743	6,554,130	6,979,126	7,173,369	5,399,351
ERS	24,646,700	26,758,386	30,110,022	32,405,180	16,784,254
EUTF	24,297,972	25,630,406	27,383,697	29,270,289	18,272,155
OPEB	22,492,802	18,000,000	15,305,000	14,930,000	16,172,000

**The cost increase to each fringe category is as follows:**

Actual Payroll salaries & wages

Police	33,239,853	35,149,368	38,377,430	41,790,160	30,573,510
Fire	22,719,113	23,245,583	27,232,299	27,220,793	23,219,702
Non-Police/Fire	<u>82,116,616</u>	<u>88,621,831</u>	<u>92,979,751</u>	<u>99,862,666</u>	<u>68,768,953</u>
Total payroll salaries & wages (ERS Gross Earnings)	<u>138,075,582</u>	<u>147,016,782</u>	<u>158,589,480</u>	<u>168,873,619</u>	<u>122,562,165</u>

ERS contribution rate

Police / Fire	22.0%	23.0%	24.0%	25.0%	25.0%
Non-Police/Fire	15.5%	16.0%	16.5%	17.0%	17.0%

<u>Actual ERS Cost ÷ Total payroll salaries &amp; wages</u>	<u>17.9%</u>	<u>18.2%</u>	<u>19.0%</u>	<u>19.2%</u>	<u>13.7%</u>
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**Increases due to higher Police/Fire ERS and non-Police/Fire employee rates.  
Police/Fire is approximately 41% of the County's salaries and wages.**

<u>Actual FICA ÷ Total payroll salaries &amp; wages</u>	<u>4.5%</u>	<u>4.5%</u>	<u>4.4%</u>	<u>4.2%</u>	<u>4.4%</u>
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**Police and Fire are exempt from the 7.65% FICA but subject to 1.45% medicare.**

<u>Actual EUTF ÷ Payroll salaries &amp; wages</u>	<u>17.6%</u>	<u>17.4%</u>	<u>17.3%</u>	<u>17.3%</u>	<u>14.9%</u>
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**Decreases due to mix of family/single coverage and various Kaiser/HMSA plan premiums.**

<u>Actual OPEB ÷ Total payroll salaries &amp; wages</u>	<u>16.3%</u>	<u>12.2%</u>	<u>9.7%</u>	<u>8.8%</u>	<u>13.2%</u>
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**EUTF actuary computes Annual OPEB Cost (AOC).**

County of Maui  
Summary of Bargaining Unit Agreements' Salary Increases and Adjustments

Bargaining Unit Contracts' Salary Adjustments	FY 2014	FY 2015	FY 2016	FY 2017
Unit 1 UPW	2% per month across the board, effective 10/1/13 and 2% per month across the board, effective 4/1/14	2% per month across the board, effective 10/1/14 and 2% per month across the board, effective 4/1/15	2% per month across the board, effective 10/1/15 and 2% per month across the board, effective 4/1/16	2% per month across the board increase, effective 10/1/16 and 2% per month across the board increase, effective 4/1/17
Unit 2 HGEA	4% increase effective 7/1/13	Step Movement effective 7/1/14 for those who did not receive a step movement during 7/1/09-6/30/14 and 2% increase effective 7/1/14	Step Movements, 0.3% increase for employees not administratively assigned, and 2% lump sum payment for employees on max step and employees who do not move to a new step during 7/1/15-6/30/16 period effective 7/1/15; 2% across the board increase and 2% payment increase for former L5 and SR NA effective 10/1/15; 2% across the board increase and 2% payment increase for former L5 and SR NA effective 4/1/16	2% per month across the board increase, effective 10/1/16 and 2% per month across the board increase, effective 4/1/17
Unit 3 HGEA	Added Step M with 4% increase from Step L; (1) step movement during period 7/1/13 through 6/30/15; employed as of 6/30/13 and not administratively assigned to the salary schedule - one time lump sum payment of \$1,500	4% increase effective 7/1/14	Step Movements, \$1,500 lump sum payment for employees on max step, not administratively assigned and those hired prior to 7/1/15 who would not receive a step movement during 7/1/15-6/30/16 period, effective 7/1/15	Continuation of step movement plan and \$1,200 lump sum payment, effective 7/1/16 and 1.6% across the board salary increase, effective 1/1/17
Unit 4 HGEA	Added Step M with 4% increase from Step L; (1) step movement during period 7/1/13 through 6/30/15; employed as of 6/30/13 and not administratively assigned to the salary schedule - one time lump sum payment of \$1,500	4% increase effective 7/1/14	Step Movements, \$1,500 lump sum payment for employees on max step, not administratively assigned and those hired prior to 7/1/15 who would not receive a step movement during 7/1/15-6/30/16 period, effective 7/1/15	Continuation of step movement plan and \$1,200 lump sum payment, effective 7/1/16 and 1.6% across the board salary increase, effective 1/1/17

County of Maui  
Summary of Bargaining Unit Agreements' Salary Increases and Adjustments

Bargaining Unit Contracts' Salary Adjustments	FY 2014	FY 2015	FY 2016	FY 2017
Unit 13 HGEA	4% increase effective 7/1/13	Step movement during 7/1/09-6/30/14 to the appropriate step; one-time lump sum payment of \$1,500 to employees on the max step as of 6/30/14, not administratively assigned to a salary schedule and employed prior to 7/1/13 but are not scheduled to receive a step movement during the period of 7/1/14-6/30/15, effective 7/1/14 ; and step movements from 7/1/14-6/30/15 on step movement dates	Step movements from 7/1/15-6/30/16 on step movement dates and 3.5% increase effective 1/1/16	Continuation of step movement plan and 3.5% across the board salary increase effective 1/1/17
SHOPO	1.75% increase effective 7/1/13, catch up step movements, and service step movements and 1.75% increase effective 1/1/14	1.75% increase effective 7/1/14, catch up step movements, and service step movements and 1.75% increase effective 1/1/15	2.0% increase effective 7/1/15, catch up step movements, and service step movements and 2.0% increase effective 1/1/16	2.5% increase effective 7/1/16, catch up step movements and service step movements and 3.3% increase effective 1/1/17
Hawaii Firefighters	2% across-the-board increase effective 7/1/13 and 2.0% across-the-board increase and addition of Step L5, catch-up step movements, and service step movements, effective 1/1/14	2.0% across-the-board increase and addition of Step L5, catch-up step movements, and service step movements, effective 7/1/14 and 2.0% across-the-board increase and addition of Step L5, catch-up step movements, and service step movements, effective 1/1/15	2.0% across-the-board increase and addition of Step L5, catch-up step movements, and service step movements, effective 7/1/15 and 2.0% across-the-board increase and addition of Step L5, catch-up step movements, and service step movements, effective 1/1/16	5.0% across-the-board increase and addition of Step L5, catch-up step movements, and service step movements, effective 7/1/16