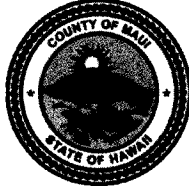


ALAN M. ARAKAWA  
Mayor



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, 2016

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Mr. Sananda K. Baz  
Budget Director, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

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

APPROVED FOR TRANSMITTAL

Alan Arakawa 3/24/16  
Mayor Date

For Transmittal to:

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

Dear Chair Hokama:

**SUBJECT: FISCAL YEAR ("FY") 2017 BUDGET (FN-1) (BF-1)**

Pursuant to your letter dated March 16, 2016, below is a breakdown of actual costs of employee fringe benefits for FY 2012 to FY 2016, to date, by category:

General Fund	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 as of 2/29/16
Social Security - FICA	\$ 6,275,360	\$ 6,269,743	\$ 6,554,130	\$ 6,979,126	\$ 4,730,282
Retirement System - ERS	\$ 23,398,487	\$ 24,646,700	\$ 26,758,386	\$ 30,110,022	\$ 18,815,125
Hawaii Employer-Union Trust Fund - EUTF	\$ 25,995,687	\$ 24,297,972	\$ 25,630,406	\$ 27,383,697	\$ 16,836,779
Other Post-Employment Benefit - OPEB <sup>1</sup>	\$ 22,865,690	\$ 22,492,802	\$ 18,000,000	\$ 15,305,000	\$ 14,930,000

**NOTE:**

1) Reflects amount transferred to the County's OPEB Revolving Fund and not actual payments remitted to the State of Hawaii.

Please note that actual costs of employee fringe benefits are posted in the Countywide Costs, Fringe Benefits, under the General Fund, which include

*Honorable G. Riki Hokoma, Chair  
and Members of Budget and Finance Committee  
March 24, 2016  
Page 2*

costs relating to all employees in the County's payroll regardless of the employees' salaries funding source.

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 2017 Proposed Fringe Benefits Costs, below are the budgetary assumptions for the following fringe benefits category:

1. FICA – Includes an \$800,000 decrease based on an estimate to account for those whose salary exceed the cap; it also includes the cost salary increases associated with the bargaining agreement.
2. ERS – Increase is 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.
3. EUTF – Based on 4% employer contribution rate increase. However, subsequent to the formulation of the FY 2017 proposed budget, the State of Hawaii's EUTF updated its website and the EUTF rate now reflects a 7% rate increase.
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,



DANILO F. AGSALOG  
Finance Director

DFA:maa

Attachments

County of Maui					
Employee Fringe Benefits					
FY12 to FY16, to-date					
Actual Costs	FY12	FY13	FY14	FY15	FY16 thru 2/29/16
FICA	6,275,360	6,269,743	6,554,130	6,979,126	4,730,282
ERS	23,398,487	24,646,700	26,758,386	30,110,022	18,815,125
EUTF	25,995,687	24,297,972	25,630,406	27,383,697	16,836,779
OPEB	22,865,690	22,492,802	18,000,000	15,305,000	14,930,000
<b>The cost increase to each fringe category is as follows:</b>					
<u>Actual Payroll salaries &amp; wages</u>					
Police	33,441,669	33,239,853	35,149,368	38,377,430	27,683,860
Fire	23,114,953	22,719,113	23,245,583	27,232,299	18,277,837
Non-Police/Fire	<u>82,118,534</u>	<u>82,116,616</u>	<u>88,621,831</u>	<u>92,979,751</u>	<u>61,565,614</u>
Total payroll salaries & wages	<u>138,675,156</u>	<u>138,075,582</u>	<u>147,016,782</u>	<u>158,589,480</u>	<u>107,527,311</u>
<u>ERS contribution rate</u>					
Police / Fire	19.7%	22.0%	23.0%	24.0%	25.0%
Non-Police/Fire	15.0%	15.5%	16.0%	16.5%	17.0%
Actual ERS Cost ÷ Total payroll salaries & wages	<u>16.9%</u>	<u>17.9%</u>	<u>18.2%</u>	<u>19.0%</u>	<u>17.5%</u>
<b>Increases due to higher Police/Fire ERS and non-Police/Fire employee rates.</b>					
<b>Police/Fire is approximately 41% of the County's salaries and wages.</b>					
<u>Actual FICA ÷ Total payroll salaries &amp; wages</u>					
	4.5%	4.5%	4.5%	4.4%	4.4%
<b>Police and Fire are exempt from the 7.65% FICA but subject to 1.45% medicare.</b>					
<u>Actual EUTF ÷ Payroll salaries &amp; wages</u>					
	<u>18.7%</u>	<u>17.6%</u>	<u>17.4%</u>	<u>17.3%</u>	<u>15.7%</u>
<b>Increases/decreases due to mix of family/single coverage and various Kaiser/HMSA plan premiums.</b>					
<u>Actual OPEB ÷ Total payroll salaries &amp; wages</u>					
	<u>16.5%</u>	<u>16.3%</u>	<u>12.2%</u>	<u>9.7%</u>	<u>13.9%</u>
<b>EUTF actuary computes Annual OPEB Cost (AOC).</b>					

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

Attachment B

Bargaining Unit Contracts' Salary Adjustments	FY 2014	FY 2015	FY 2016
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
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
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
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

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

Attachment B

Bargaining Unit Contracts' Salary Adjustments	FY 2014	FY 2015	FY 2016
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
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
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