MICHAEL P. VICTORINO
Mayor

SCOTT K. TERUYA Director

MAY-ANNE A. ALIBIN
Deputy Director



DEPARTMENT OF FINANCECOUNTY OF MAUI

200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

April 1, 2019



OFFICE OF THE COUNTY COUNCIL

APPROVED FOR TRANSMITTAL

Ms. Michele Yoshimura

Budget Director, County of Maui
200 South High Street

Wailuku, Hawaii 96793

Honorable Michael P. Victorino Mayor, County of Maui 200 South High Street Wailuku, Hawaii 96793

For Transmittal to:

Honorable Keani Rawlins-Fernandez Chair, Budget and Finance Committee Maui County Council 200 South High Street Wailuku, Hawaii 96793

Dear Chair Rawlins-Fernandez:

SUBJECT: FISCAL YEAR ("FY") 2020 BUDGET (FN-1) (EDB-1)

Pursuant to your letter dated March 19, 2018, relating to Fringe Benefits please see my response to the following:

1. A copy of the Fringe Benefit rates used in preparing the FY 2020 Budget.

Response:

Attached is a copy of the Fringe Benefit Rate Memo for calendar year 2019.

2. A breakdown of actual costs of employee fringe benefits for FY 2015 to FY 2019, to date, by category and by fund. The categories include: Employees' Retirement System, Federal Insurance Contributions Act,

Honorable Keani Rawlins-Fernandez Chair, Budget and Finance Committee April 1, 2019 Page 2

> Hawaii Employer-Union Health Benefits Trust Fund, and Other Post-Employment Benefits.

Response:

Below is a breakdown of actual costs of fringe benefits for FY 2015 to FY 2019, to date, by category:

General Fund	FY 2015	FY 2016	FY 2017	FY 2018	Y 2019 as of 3/25/2019
Social Security - FICA	\$ 6,979,126	\$ 7,173,369	\$ 7,669,506	\$ 7,980,505	\$ 5,929,093
Retirement System - ERS ¹	\$ 30,110,022	\$ 32,406,680	\$ 33,566,620	\$ 40,879,952	\$ 23,921,450
Hawaii Employer-Union Trust Fund - EUTF	\$ 27,383,697	\$ 29,281,004	\$ 31,844,309	\$ 33,400,009	\$ 24,266,880
Other Post-Employment Beneift - OPEB ²	\$ 15,305,000	\$ 14,930,000	\$ 16,172,000	\$ 17,000,000	\$ 18,126,930

NOTE:

- 1) Does not include the FY15-FY17 spiking bill amounts of \$5,092,743 paid in FY18 but does include the FY18 spiking bill of \$1,874,870.
- 2) Reflects amount transferred to the County's OPEB Revolving Fund and not actual payments remitted to the State of Hawaii for fiscal year 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 2020.

Response:

Countywide Costs for Fringe Benefits	FY	2019 Adopted	F	Y 2020 Proposed	Change	Reason
						Based on historical data and Calendar Year Employee
						Fringe Benefit Rates issued by the Department of
Social Security - FICA	\$	9,858,361	\$	9,070,149	\$ (788,212)	Finance
						Adjustments based on 1) anticipated spiking bill; 2)
						increase in employer contribution rates for Police/Fire
						from 31% to 36% and all other employees from 19% to
Retire System - ERS	\$	45,732,777	\$	53,250,523	\$7,517,746	22%; and 3) anticipated collective bargaining increases
Hawaii Employer-Union Turst Fund -EUTF	\$	37,007,775	\$	39,060,966	\$2,053,191	Anticipated increase in EUTF premiums
						Reduction to terminal pay from FY 2019 relating to
						change of administraion (\$1,000,000); Anticipated
						collective bargaining pay increases for HGEA, HFFA,
						Department of the Corporation Counsel and Department
Terminal Pay, Salary Adjustments	\$	3,200,000	\$	6,213,459	\$3,013,459	of the Prosecuting Attorney (\$4,013,459)
Unemployment Compensation	\$	250,000	\$	250,000	\$ -	No change

Honorable Keani Rawlins-Fernandez Chair, Budget and Finance Committee April 1, 2019 Page 3

Thank you for your attention to this matter. Should you have any questions, please feel free to contact me at Ext. 7474.

Sincerely,

Finance Director

SKT:mms

Attachment

County of Maui Employee Fringe Benefits FY15 to FY19, to-date

Actual Costs	<u>FY15</u>	<u>FY16</u>	FY17	<u>FY18</u>	FY19 <u>thru 3/25/19</u>						
FICA	6,979,126	7,173,369	7,669,506	7,980,505	5,929,093						
ERS	30,110,022	32,405,180	33,566,620	40,879,952	23,921,450						
EUTF	27,383,697	29,270,289	33,844,309	33,400,009	24,266,880						
OPEB	15,305,000	14,930,000	16,172,000	17,000,000	18,126,930						
The cost increase to each fringe category is as follows:											
Actual Payroll salaries & wages											
Police	38,377,430	41,790,160	43,411,297	43,917,870	31,627,334						
Fire	27,232,299	27,220,793	28,606,349	29,138,148	21,389,483						
Non-Police/Fire	92,979,751	99,862,666	99,706,246	100,325,882	77,916,932						
Total payroll salaries & wages (ERS Gross Earnings)	158,589,480	168,873,619	171,723,891	173,381,900	130,933,748						
ERS contribution rate											
Police / Fire	24.0%	25.0%	25.0%	28.0%	31.0%						
Non-Police/Fire	16.5%	17.0%	17.0%	18.0%	19.0%						
Actual ERS Cost ÷ Total payroll salaries & wages	19.0%	<u>19.2</u> %	<u>19.5</u> %	23.6%	<u>18.3</u> %						
Increases due to higher Police/Fire ERS and non-Police/Fire employer rates and a \$1,874,870 spiking bill for FY18. Police/Fire is approximately 42% of the County's salaries and wages.											
Actual FICA ÷ Total payroll salaries & wages	4.4%	<u>4.2</u> %	4.5%	4.6%	<u>4.5</u> %						
Police and Fire are exempt from the 7.65% FICA but subject to 1.45% medicare.											
Actual EUTF ÷ Payroll salaries & wages 17.3% 17.3% 19.7% 19.3% 18.5% Decreases due to mix of family/single coverage and various Kaiser/HMSA plan premiums.											
Actual OPEB ÷ Total payroll salaries & wages EUTF actuary computes Annual OPEB Cost (AOC), how	9.7% vever, Council incre	<u>8.8</u> % ased appropriat	<u>9.4</u> % ion for FY19.	9.8%	13.8%						