

STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
Kalaeloa Community Development District
Honolulu, Hawaii 96813

October 2, 2019

Chairperson and Members
Hawaii Community Development Authority
State of Hawaii
Honolulu, Hawaii

HCDA Board Members:

SUBJECT: Shall the Authority Approve the Kalaeloa Community Development District Operating Budget for Fiscal Year 2019-2020 in an Amount not to Exceed \$653,376.00 and Authorize the Issuance of Land User Assessments, in an Amount not to Exceed \$300,000.00, Pursuant to Hawaii Revised Statutes § 206E-196?

SUMMARY:

Submitted for board consideration and approval, is the operating budget for the Kalaeloa Community Development District (KCDD), in an amount not to exceed \$653,376.00 and corresponding annual assessment, in an amount not to exceed \$300,000.00 pursuant to Hawaii Revised Statutes (HRS) § 206E-196.

AUTHORITY:

The power to assess all land users, except the federal government, for their share of costs required to administer and operate the KCDD provided for under HRS § 206E-196 Assessment for operating costs, which reads:

- (A) The authority shall have the power to assess all land users, except the federal government, for their fair share of the costs required to administer and operate the Kalaeloa Community Development District, which may include costs associated with staffing. Assessments shall be based on each landowner's proportionate share of the total acreage in the Kalaeloa community development district.
- (B) The assessment shall be set by the authority annually, based upon the operating budget for the district, and adjusted for any actual expenditures made in the prior year in excess of the prior approved budget. The assessments shall be paid to the authority in semiannual payments commencing thirty days after the beginning of the fiscal year.

(D) For the purposes of this section, “land user” includes the owner of land; provided that the landowner may assign the responsibility for payment of assessments to the lessee or licensee of the land.

BACKGROUND:

In 2003, the HCDA established a Memorandum of Understanding with the non-federal land users in the district with an annual operating budget of \$200,000 that was passed through to land users and did not include staffing costs. Based on feedback from the Authority at its June 1, 2016 meeting the Authority requested that staff consider increasing the assessment to \$300,000, which was implemented last year to begin to cover the deficit created by staffing costs as provided for in statute.

The operating budget is a subset of the overall projected budget for the KCDD that also includes budgeted project expenditures for the year. The overall budget is attached as Exhibit A that details operating and project expenditures by funding source. It further details what costs are expected to be covered by the annual assessment.

ANALYSIS:

For the fiscal year 2019-2020 budget, the HCDA has adjusted its methodology with regard to the personnel cost allocation. Historically personnel costs charged to the operating budget has been limited to 2 full-time equivalent positions (FTE). The 2019-2020 operating budget includes a provision for 5.6 FTE, which is comprised of the 2 positions previously considered as well as an allocation of other HCDA staff that support the district. For example, the project work identified in Exhibit A are managed by 2 staff engineers.

Another change from prior years is the infusion of General Funds to cover staffing costs, as demonstrated in Exhibit A. As noted in the background, the assessment has been used to defray operating expenses, *excluding* staffing costs. With General Funds covering a significant portion of staffing costs this year, the annual *operating* deficit to be funded by the HCDA Revolving Fund (i.e. Kakaako) is at an all-time low. A summary of the deficit for the past 5 years as compared to fiscal year 2020 budget is summarized below:

Fiscal Year	2020	2019	2018	2017	2016	2015
Deficit	\$5,434	\$117,810	\$240,200	\$225,797	\$234,760	\$208,097

Beyond operating costs, staff does note that the overall budget for the KCDD for the fiscal year ending June 30, 2020 includes a project cost of \$800,000 to remediate the stockpile.

Authorization of this project would require concurrent approvals from both the Kakaako and Kalaeloa boards. There are otherwise no new project costs that have not already been approved – the Enterprise Energy Corridor, Right-of-Way, and Reliable Energy projects have all been approved in prior years and do not represent additional or “new” funds.

A summary of the Kalaeloa Community Development District Operating and Assessments Budget is attached as Exhibit A.

As HCDA continues its electrical infrastructure work, establishing roadway rights-of-ways, and updating the master plan and rules in 2019-2020 land users will see the progress in Kalaeloa.

RECOMMENDATION:

HCDA staff recommends that the Authority:

1. Approve the operating budget for the Kalaeloa Community Development District in an amount not to exceed \$653,376.00.
2. Approve the issuance of land user assessments in an amount not to exceed \$300,000.00

Respectfully submitted,



Tesha H. Malama
Kalaeloa Director of Planning and Development

APPROVED FOR SUBMITTAL:



Aedward Los Banos, Executive Director
Hawaii Community Development Authority

Exhibit A: FY 2019-2020 Kalaeloa Budget Projections

Exhibit A

Kalaeloa Fiscal Year 2019-2020 Budget

	Projected Expenditures Fiscal Year 19-20	Source of Funds			Assessments Fiscal Year 19-20
		CIP	General Fund	HCDA Revolving Fund	
Operating Expenditures					
Personnel (5.6 FTE)	\$ 487,225	-	\$ 347,942	\$ 5,434	\$ 133,849
Share of AG Services	106,875	-	-	-	106,875
Office and Equipment	59,276	-	-	-	59,276
Subtotal - Operating Expenditures	\$ 653,376	-	\$ 347,942	\$ 5,434	\$ 300,000
Project Expenditures					
Kalaeloa Master Plan Update	\$ 500,000	500,000	-	-	\$ -
Right of Way Survey	31,064	-	-	31,064	-
Reliable Energy Project	309,388	-	-	309,388	-
Stockpile	800,000	-	-	800,000	-
Enterprise Energy Corridor	4,615,495	4,615,495	-	-	-
Subtotal - Project Expenditures	\$ 6,255,947	\$ 5,115,495	\$ -	\$ 1,140,452	\$ -
Total	\$ 6,909,323	\$ 5,115,495	\$ 347,942	\$ 1,145,886	\$ 300,000