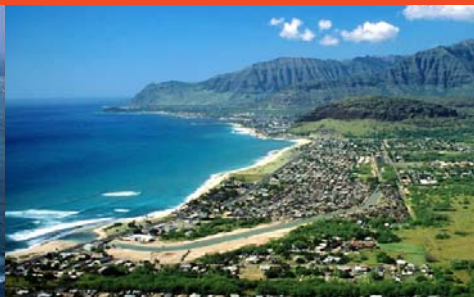


The City and County of Honolulu

Citizen-Centric Report for Fiscal Year 2012



Our Island

Hawai'i is located in the central Pacific Ocean about 2,400 miles from San Francisco. The City and County of Honolulu covers the entire island of O'ahu, an area of nearly 600 square miles. According to the latest U.S. Census Bureau statistics, there are an estimated 963,607 residents and Honolulu is the largest city in Hawai'i, with approximately 70% of the state's total population of 1.4 million people. Of Honolulu's total population, 142,830 (14.8%) were age 65 years and older. Population density is 1,604 persons per square mile. Tourism is the city's principal industry, followed by federal defense expenditures and agricultural exports.

Our Government

In 1959, the Honolulu City Charter established a mayor-council form of government for Honolulu. The legislative function consists of nine city council members elected by districts. Under the charter, the council has legislative and investigative power. The mayor is the chief executive officer assisted by a managing director who is the second ranking executive and is appointed by the mayor with council approval.

The City Charter adopted in 1959 was cited by the United States Conference of Mayors as a model for modern American metropolitan area government. All elective positions have four-year terms elected on a nonpartisan basis.

Our Economy

Hawai'i's economy continued to expand until 2007. When the U.S. economy experienced a downturn, Honolulu also was affected by the recession. To mitigate the economic downturn and maintain a balanced budget, the city raised certain rates and fees, restricted agency budgets, and implemented spending restrictions. The latter included a freeze on hiring; restrictions on reorganizations that created new and higher level positions; and restrictions on purchases and travel. The city focused on basic city services, maintaining existing facilities and advancing facilities that are mandated, required or essential, such as sewer and wastewater collection systems.

The city continues to prioritize fiscal responsibility by making every effort to contain costs, while maintaining the expected level of municipal services.

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Mission, Goals and Objectives

ACCORDING TO THE CITY CHARTER:
The purposes of the City and County government are to serve and advance the general welfare, health, happiness, safety and aspirations of its residents, present and future, and to encourage their full participation in the process of governance. For achieving these purposes, its departments and agencies can be roughly divided into four groups:

- Public Safety and Welfare
- Culture and Recreation
- Community and Human Development, and Citizen Participation
- General Government Operations

Selected Demographics

| | 2011 | 2012 |
|--|----------|----------|
| Population | 955,636 | 963,607 |
| Per Capita Income | \$29,221 | \$30,016 |
| Unemployment Rate | 5.7% | 5.3% |
| Percent of Total Workforce in Government | 22.5% | 22.3% |
| Number of City and County Employees | 8,628 | 8,713 |

Sources: US Census Bureau 2012, US Department of Labor Bureau of Labor Statistics, State of Hawai'i Data Book 2011, Department of Budget and Fiscal Services

...to promote accountability, fiscal integrity and openness in city government.

How We Have Progressed

Fiscal Year 2012

Citizen-Centric Report for Fiscal Year 2012



2012 Highlights

- The Office of the City Auditor has issued its third Service, Efforts and Accomplishments report, which will inform citizens about the status of the City and County of Honolulu.*
- As Honolulu's economy gradually emerges from the economic recession, debt service as a percentage of General Fund revenue remains just below the 20% cap, at 19.3%.
- The Department of Environmental Services reported that green waste recycling tonnage increased 66% since 2008.
- Honolulu Police Department Priority 1 response times improved 12% since 2008.
- In conjunction with the SEA Report, the City Auditor's Office reports the results of the 2012 National Citizen Survey, which reports Honolulu residents' opinions about city services.
- Community characteristics receiving the most favorable ratings by citizens were drinking water and air quality, recreation, shopping and opportunities to attend cultural activities.
- Characteristics receiving the least favorable ratings were availability of affordable housing, street repair, sidewalk maintenance, the amount of public parking, traffic signal timing, and availability of affordable quality child care.

*The SEA Report, attached National Citizen Survey and video tutorials can be found online at honolulu.gov/council/auditor/sea+reports.htm

Source: Honolulu Service, Efforts and Accomplishments Report & 2012 National Citizen Survey of Honolulu Residents, Executive Operating Program and Budgets FY 2011, FY 2012

¹ Police statistics are given by calendar year

Honolulu Performance Measures

| | 2011 Actual | 2012 Actual | 1 Year Change |
|---|-------------|-------------|---------------|
| Financial Priorities | | | |
| General Fund expenditures (millions) | \$1,195 | \$1,105 | -8 % |
| General Fund revenues (less carry over) (millions) | \$1,944 | \$1,880 | -3% |
| Debt service as a % of General Fund revenue | 19.9% | 19.3% | -0.6% |
| Community Design | | | |
| Availability of affordable quality housing <i>excellent or good</i> | 9% | 9% | 0% |
| Code enforcement <i>excellent or good</i> | 28% | 19% | -9% |
| Number of potholes patched | 67,714 | 52,071 | -23% |
| Environmental Sustainability | | | |
| Sanitation capital expenditures (millions) | \$366 | \$291 | -21% |
| Green waste recycled (thousands of tons) | 70 | 71 | 1% |
| Total tons recycled (thousands of tons) | 549 | 537 | -2% |
| Preservation of natural areas <i>excellent or good</i> | 49% | 39% | -10% |
| Public Safety | | | |
| Police services <i>excellent or good</i> ¹ | 63% | 64% | 1% |
| Priority 1 average response times (minutes) ¹ | 7.14 | 7.14 | 0% |
| Traffic enforcement— moving citations (thousands) ¹ | 122.0 | 116.3 | -5% |
| Fire services <i>excellent or good</i> | 89% | 89% | 0% |
| Inspections (fire prevention) (thousands) | 64.7 | 54.0 | -16% |
| Recreation and Wellness | | | |
| Recreation services expenditures (millions) | \$18.6 | \$20.2 | 9% |
| Percent who visited a neighborhood or C&C park | 86% | 87% | 1% |
| Number of children registrants in parks programs | 22,815 | 22,043 | -3% |
| Number of senior registrants in parks programs | 15,055 | 15,310 | 2% |

Per Capita Spending by Department

| Department | FY 2012 | Department | FY 2012 |
|---|---------|-------------------------|---------|
| Budget and Fiscal Services | \$15 | Information Technology | \$17 |
| Community Services | \$4 | Legislative Branch | \$13 |
| Corporation Counsel | \$8 | Mayor | <\$1 |
| Customer Services | \$18 | Managing Director | \$3 |
| Design and Construction | \$16 | Neighborhood Commission | \$1 |
| Emergency Management | \$1 | Royal Hawaiian Band | \$2 |
| Emergency Services | \$33 | Medical Examiner | \$1 |
| Enterprise Services | <\$1 | Parks and Recreation | \$58 |
| Environmental Services | \$5 | Planning and Permitting | \$14 |
| Facilities Maintenance | \$20 | Police | \$206 |
| Fire | \$97 | Prosecuting Attorney | \$16 |
| Human Resources | \$5 | Transportation Services | \$1 |
| Total Per Capita Cost for City Operations (rounded) | | | \$553 |

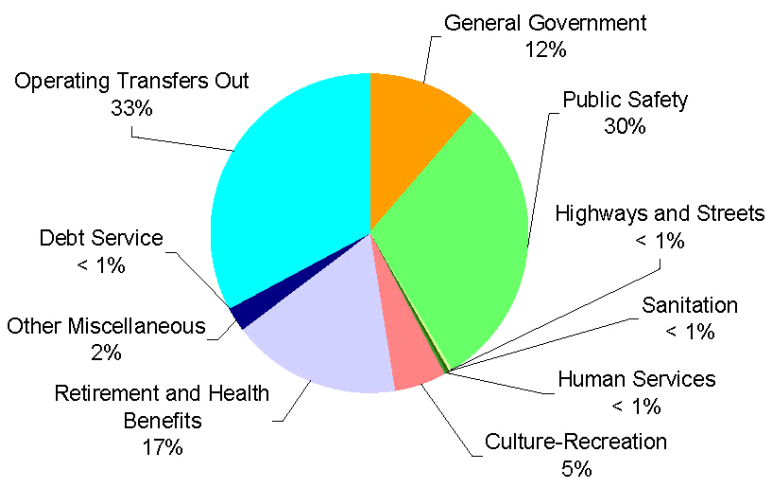


Our Finances

Spending and Revenues FY 2012

Honolulu, like other cities, uses various funds to track specific categories of activities. The General Fund is used for all general revenues and governmental functions, including the departments of community services, customer services, design and construction, emergency management and emergency services, environmental services, fire, information technology, parks and recreation, police, legislative branch, and support services. These services are supported by general city revenues and program fees. Proprietary Funds are used for housing, parks and playgrounds, sewer, bus transportation, solid waste, water, and enterprise services such as golf course, the zoo, and auditoriums. These services are generally supported by charges paid by users. Please note that the information below does not reflect capital funds or expenditures.

Where does the General Fund Dollar Go?



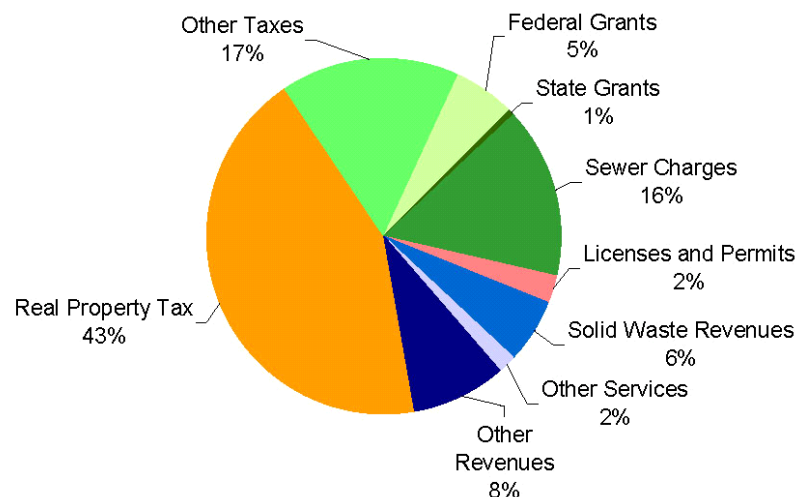
| Function | FY 2011 (\$ millions) | FY 2012 (\$ millions) |
|--------------------------------|-----------------------|-----------------------|
| General Government | \$121.7 | \$127.1 |
| Public Safety | \$325.5 | \$330.8 |
| Highways & Streets | \$1.9 | \$1.8 |
| Sanitation | \$3.9 | \$4.4 |
| Human Services | \$2.4 | \$3.6 |
| Culture/ Recreation | \$51.0 | \$56.9 |
| Utilities or Other Enterprises | - | - |
| Debt Service | \$0.4 | \$0.9 |
| Other Miscellaneous | \$22.2 | \$25.6 |
| Capital Outlay | - | - |
| Operating Transfers Out | \$543.0 | \$361.9 |
| Retirement and Health Benefits | \$122.6 | \$192.0 |
| Total | \$1,194.6 | \$1,105.0 |

Sources: Honolulu Comprehensive Annual Financial Reports FY 2011, FY 2012

What are the General Fund Sources of Revenue?

| Operating Resources | FY 2011 (\$ millions) | FY 2012 (\$ millions) |
|----------------------|-----------------------|-----------------------|
| Real Property Tax | \$799.4 | \$813.3 |
| Other Taxes | \$414.5 | \$310.9 |
| Federal Grants | \$88.7 | \$100.5 |
| State Grants | \$6.7 | \$12.1 |
| Sewer Charges | \$323.4 | \$293.6 |
| Licenses and Permits | \$43.9 | \$45.8 |
| Solid Waste Revenues | \$94.7 | \$112.2 |
| Other Services | \$28.5 | \$31.4 |
| Other Revenues | \$143.8 | \$159.9 |
| Total | \$1,943.6 | \$1,879.7 |

Sources: Executive Operating Program and Budgets FY 2013, FY 2014



Independent Audit

The City and County of Honolulu Comprehensive Annual Financial Report was issued on December 21, 2012. Independent audits of the City's finances were conducted, resulting in clean opinions. Complete financial information can be found at <http://www1.honolulu.gov/council/auditor/financial.htm>



Priorities

Transportation and Core Infrastructure

The Honolulu Authority for Rapid Transportation (HART) became a semi-autonomous city agency on July 1, 2011, and is engaged in design and construction of the 20.1 mile elevated rail system. Over the past year, changes to TheBus routes and schedules resulted in residents' bus quality ratings falling 10% from 65% (2011) to 55% (2012). The city's focus on core infrastructure included fixing roads, and upgrading sewer, refuse and water system facilities. Over the past 5 years, contract road resurfacing increased 98% from 91 to 180 lane miles. Street repair, amount of public parking, and traffic flow on major streets continue to challenge the city.

Challenges Moving Forward

WE ARE GRADUALLY EMERGING FROM THE RECESSION:

Honolulu's economy was hit hard by the recession and the recovery has been slow. This has impacted city government, as well as each citizen of the City and County of Honolulu. Given uncertainties in the global economy, rising energy, debt service and employee costs, the city's philosophy is to contain costs while maintaining the expected level of public services.

The mayor's priorities for FY 2012 were related to:

- Transportation and Core Infrastructure
- Economic Development
- Good Government
- Fiscal Responsibility
- Focus on Technology for the Future

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Please let us know by contacting our office at oca@honolulu.gov. For more information on our services, visit our website at <http://www1.honolulu.gov/council/auditor/contactus.htm>

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Photos courtesy of City Auditor and C&C of Honolulu Can-Do website

Source: Executive Operating Program and Budget (FY 2011 to FY 2013).

¹Honolulu Department and Agency Report (FY 2012)



Honolulu 311
Smartphone
Application

Can-Do.honolulu.gov

auditor continued Honolulu's annual Citizen-Centric Report; the Service, Efforts and Accomplishments Report; and a National Citizen Survey of Honolulu residents. These projects allow citizens and policy makers to monitor city performance and resident opinions of city services.

Fiscal Responsibility

Over the last five years, the city reduced operating expenditures 12% from \$1.25 billion in FY 2008 to \$1.1 billion in FY 2012. City departments reduced operating costs through budget and hiring restrictions. General fund subsidies were reduced for TheBus and Golf Fund by raising bus fares and fees for city golf courses.

Focus on Technology

New smart phone applications engage citizens to report trouble spots to the city (*Honolulu 311*) and to receive information (*DaBus*, *Tsunami Mobile*). The city added *Data.Honolulu.gov* and expanded the *Can-Do* system which provide key government data to the public and receives citizen inputs for improving city government. The HOLIS and GIS systems provide integrated geographic information for plans and permits. The HonLINE allows citizens to obtain building permits on line and was expanded to include photovoltaic, solar and fencing permits. Permits issued via HONLINE saved the equivalent of 601 working days in FY 2012. The city is completing upgrades to the Wahiawa wastewater treatment plant to produce high-quality, R-1 recycled water for North Shore agriculture and conserve potable water use.¹

Good Government

The mayor's goals include bringing honesty, transparency, and fiscal responsibility to city government. The fire, police, and ocean safety departments retained professional accreditations, and the Honolulu Zoo earned reaccreditation. During FY 2012, HART's board and CEO established transparency as a top goal.

The city expanded on-line and web-based programs that allow residents to extract city data, monitor city activities, and provide inputs for improving city services. The city