

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

June 6, 2008

Committee
Report No.

08-62

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on May 13, 2008, makes reference to County Communication No. 08-106, from the Budget Director, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2008 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO DEPARTMENT OF FINANCE AND APPENDIX A, PART II, SPECIAL PURPOSE REVENUES – SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2008, POST-EMPLOYMENT OBLIGATIONS FUND".

The purpose of the proposed bill is to amend the Fiscal Year (FY) 2008 Budget by: (1) decreasing Countywide Costs, Fringe Benefits, in the Department of Finance by \$1,381,640; (2) increasing the Transfer to the Post-Employment Obligations Fund (County PEOF) by \$1,381,640; and (3) amending Appendix A as it pertains to "Part II, Special Purpose Revenues - Schedule of Revolving/Special Funds". The purpose of these changes is to supplement the County PEOF to provide for a "FY 08 Actuarially Required Contribution in the amount of \$13,000,000".

By correspondence dated May 9, 2008, the Budget Director transmitted a revised proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2008 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO DEPARTMENT OF FINANCE AND APPENDIX A, PART II, SPECIAL PURPOSE REVENUES – SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2008, POST-EMPLOYMENT OBLIGATIONS FUND".

The revised proposed bill incorporates technical and nonsubstantive revisions.

At its meeting, your Committee met with the Budget Director, the Director of Finance, and the First Deputy Corporation Counsel.

There was no public testimony.

Your Committee received a document from the Director of Finance summarizing pertinent aspects of the County PEOF and the State's Employee-Union Health Benefits

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Trust Fund (State EUTF). The document provides an overview of the fund and estimates of the actuarial accrued liability for FY 2007, FY 2008, and FY 2009.

The Director of Finance stated that the Governmental Accounting Standards Board, which sets financial reporting standards for governments, is requiring government entities, including the County, to disclose unfunded liabilities such as the County's future obligation to the State EUTF. The State EUTF now estimates that the County can gradually prepay the health benefit amounts that will be due in the future when its employees retire, by making annual payments (adjusted for inflation) over a period of years. This "Annual Required Contribution" for FY 2008 (paid now, on a pre-funding basis) is \$20.3 million. The County has already budgeted \$7.3 million to pay the State EUTF to cover current retirees, and another \$11,618,360 in the County PEOF. Appropriating \$1,381,640 more for the County PEOF would enable the County to pay \$13 million from that fund, for a total of \$20.3 million, which will satisfy the County's actuarial accrued liability for FY 2008.

The proposed bill transfers an additional \$1,381,640 to the County PEOF from the appropriation for Fringe Benefits, Countywide Costs, thereby increasing the fund's balance to \$13 million. The Director of Finance stated that the transferred amount is not required for fringe benefits because there were more unfilled positions than anticipated during the first three quarters of FY 2008.

Your Committee recommended that the proposed bill be revised to incorporate pending budget amendments and make any nonsubstantive revisions as required.

Your Committee voted to recommend passage of the revised proposed bill and filing of the communication.

Your Committee is in receipt of a revised proposed bill incorporating your Committee's recommendations.

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Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill No. 58 (2008), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2008 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO DEPARTMENT OF FINANCE AND APPENDIX A, PART II, SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2008, POST-EMPLOYMENT OBLIGATIONS FUND", be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That County Communication No. 08-106 be FILED.

Adoption of this report is respectfully requested.

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ORDINANCE NO. _____

BILL NO. 58 (2008)

A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2008 BUDGET
FOR THE COUNTY OF MAUI AS IT PERTAINS TO
DEPARTMENT OF FINANCE AND
APPENDIX A, PART II, SPECIAL PURPOSE REVENUES -
SCHEDULE OF REVOLVING/SPECIAL FUNDS FOR FISCAL YEAR 2008,
POST-EMPLOYMENT OBLIGATIONS FUND

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Ordinance No. 3462 Bill No. 28 Draft 1 (2007), Draft 1, as amended, "Fiscal Year 2008 Budget", is hereby amended as it pertains to Section 3.B.4.e, Department of Finance, Countywide Costs, by decreasing the appropriation for the Fringe Benefits in the amount of \$1,381,640, and increasing the Transfer to the Post-Employment Obligations Fund in the amount of \$1,381,640, to read as follows:

"FUNCTIONS AND PROGRAMS

APPROPRIATION

4. Department of Finance

e. Countywide Costs

(1) Fringe Benefits	[44,952,142]	<u>43,570,502</u>
(2) Fringe Benefit Reimbursements		(10,674,135)
(3) Bond Issuance and Debt Service		36,253,568
(4) Supplemental Transfer to the Golf Fund		329,126
(5) Supplemental Transfer to the Solid Waste Fund		14,739,993
(6) Insurance Programs and Self Insurance		13,550,000
(7) Transfer to the Open Space, Natural Resources, Cultural Resources, and Scenic Views Preservation Fund		2,147,584
(8) Transfer to the Affordable Housing Fund		4,295,169
(9) General Costs		4,173,100
(10) Overhead Reimbursements		(6,480,210)
(11) Transfer to Emergency Fund		3,000,000
(12) Transfer to the First-Time Home Buyers' Revolving Fund		400,000
(13) Transfer to the Post-Employment Obligations Fund	[11,618,360]	<u>13,000,000</u>
(14) Supplemental Transfer to the Highway Fund		2,529,688"

SECTION 2. Ordinance No. 3462 Bill No. 28 Draft 1 (2007), Draft 1, as amended, "Fiscal Year 2008 Budget", Appendix A, Part II, "Special Purpose Revenues - Schedule of Revolving/Special Funds for Fiscal Year 2008", is hereby amended as it pertains to R. Post-employment Obligations Fund (Chapter 3.97, Maui County Code) by increasing the Revenues For FY 2008 and Total For FY 2008 in the amount of \$1,381,640, and adding an appropriation in the amount of \$13,000,000 for FY08 Actuarially Required Contribution, to read as follows:

**"II. SPECIAL PURPOSE REVENUES - SCHEDULE OF REVOLVING/ SPECIAL FUNDS
FOR FISCAL YEAR 2008**

	<u>BALANCE AS OF 6/30/07</u>	<u>REVENUES FOR FY 2008</u>	<u>TOTAL FOR FY 2008</u>
A. Housing Interim Financing and Buy-Back Revolving Fund (Chapter 3.32, Maui County Code)	450,800	202,600	653,400
B. Naval Air Station Kahului Airport (NASKA) Sewage Pump Station Fund (Chapter 3.52, Maui County Code)	4,000	1,970	5,970
C. Fire Hazard Removal Revolving Fund (Chapter 3.68, Maui County Code)	8,660	0	8,660
D. Plan Review, Permit Processing, and Inspection Revolving Fund (Section 16.26.107.3, Maui County Code) Provided, that disbursement for salaries and premium pay is limited to 11.0 equivalent personnel.	1,990,900	1,308,300	3,299,200
E. Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund (Section 3.25.030, Maui County Code) (1) Provided, that \$170,000 shall be for a grant to Community Work Day Program.	352,200	680,800	1,033,000
F. Molokai Diversified Agricultural Revolving Loan Program (Act 387, Session Laws of Hawaii 1988)	281,800	0	281,800
G. Construction Plan Review Revolving Fund (Section 18.24.010, Maui County Code)	390,500	37,000	427,500
H. Rental Housing Development Revolving Fund (Chapter 3.34, Maui County Code)	52,800	0	52,800
I. Liquor Education Fund (Hawaii Revised Statutes 281-16, 281-17(2), 281-17(3))	407,800	40,000	447,800
J. Recycling Grant-Loan Revolving Fund (Section 3.36.180, Maui County Code)	130	0	130
K. Animal Management Revolving Fund (Chapter 3.84, Maui County Code)	186,000	76,500	262,500
L. Plan Review, Processing, and Inspection Revolving Fund (Fire) (Section 16.04B.050, Maui County Code)	886,500	356,400	1,242,900

M. Open Space, Natural Resources, Cultural Resources, and Scenic Views Preservation Fund (Section 9-19, Revised Charter of the County of Maui, (1983), as amended; Chapter 3.88, Maui County Code)	3,856,041	2,147,584	6,003,625
(1) A grant for Land Acquisition Subject to Chapter 3.88, Maui County Code, for Lipoa Point, Honolua, Maui, Hawaii, including portions of TMK Nos. (2) 4-1-01:010 (2) 4-2-04:032, and (2) 4-2-01:009, totaling approximately 583.4 acres in the amount of \$1,000,000.			
(2) Land Acquisition Subject to Chapter 3.88, Maui County Code, for Apartment B, Montana Beach Condominium, Paia, Maui, Hawaii, TMK No. (2) 2-5-005-014 CPR #2, in the amount of \$3,000,000.			
N. Emergency Fund (Section 9-14, Revised Charter of the County of Maui (1983), as amended; Chapter 3.96, Maui County Code)	8,626,468	3,000,000	11,626,468
O. First-Time Home Buyers' Revolving Fund (Chapter 3.30, Maui County Code)	400,000	400,000	800,000
P. Ocean Recreational Activity Fund (Section 13.04.340, Maui County Code)	61,500	1,500	63,000
Q. Affordable Housing Fund (Section 9-20, Revised Charter of the County of Maui (1983), as amended; Chapter 3.35, Maui County Code)	-	4,295,169	4,295,169
R. Post-employment Obligations Fund (Chapter 3.97, Maui County Code)	-	[11,618,360]	[11,618,360]
(1) <u>FY08 Actuarially Required Contribution in the amount of \$13,000,000.</u>		<u>13,000,000</u>	<u>13,000,000"</u>

SECTION 3. Material to be replaced is bracketed. New material is underscored. In printing this ordinance, the County Clerk need not include the brackets, the bracketed material or the underscoring.

SECTION 4. This ordinance shall take effect upon its approval.

APPROVED AS TO FORM AND LEGALITY:



 TRACI FUJITA VILLAROSA
 First Deputy Corporation Counsel