

COUNCIL OF THE COUNTY OF MAUI  
**BUDGET AND FINANCE COMMITTEE**

February 22, 2008

**Committee**  
**Report No.**

\_\_\_\_\_ 08-28 \_\_\_\_\_

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 February 4, 2008, makes reference to County Communication No. 07-329, from the Council Chair, transmitting a proposed resolution entitled "AUTHORIZING THE COUNCIL CHAIR TO CONTRACT FOR AN AUDIT OF MAUI ECONOMIC CONCERNS OF THE COMMUNITY, INC.".

The purpose of the proposed resolution is to authorize the Council Chair to contract for an independent audit or evaluation of Maui Economic Concerns of the Community, Inc. (MECC), a nonprofit organization that operates homeless shelters and rental assistance programs in Central and West Maui.

By correspondence dated January 29, 2008, the Council Chair transmitted correspondence dated October 11, 2007, from the Director of Housing and Human Concerns, providing: (1) an evaluation of the financial status of MECC; (2) an accounting of all current grants; and (3) copies of audited financial statements for the calendar years 2001-2005.

By correspondence dated February 1, 2008, the Chair of your Committee transmitted a document entitled "MAUI ECONOMIC CONCERNS OF THE COMMUNITY, INC. FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORTS Year Ended December 31, 2006", received from MECC.

Your Committee notes that, according to MECC's independent auditor, Nishihama & Kishida CPAs, Inc., there is substantial doubt about MECC's ability to continue to operate.

At its meeting, your Committee met with the Budget Director; the Director of Finance; the Director of Housing and Human Concerns; the Grants Management Program Manager, Department of Housing and Human Concerns; the First Deputy Corporation

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Counsel; a Deputy Corporation Counsel; Rebecca Woods, Executive Director, MECC; Charles Ridings, Senior Executive, MECC; and Colin Kailiponi, Controller, MECC.

There was no public testimony.

Your Committee received the following: (1) correspondence dated February 4, 2008, from the Council Chair, transmitting written testimony from Luise Braun, in support of a broader management audit of MECC; (2) MECC's Business Action Plan for fiscal years 2008 and 2009, from Ms. Woods; (3) a document entitled "Council of the County of Maui, Proposed Resolution, Clarification of Information" and related information, from Mr. Ridings; and (4) correspondence dated February 4, 2008, from the Council Chair, transmitting a revised proposed resolution entitled "AUTHORIZING THE COUNCIL CHAIR TO CONTRACT FOR AN AUDIT OF MAUI ECONOMIC CONCERNS OF THE COMMUNITY, INC.".

The revised proposed resolution clarifies that, according to MECC's Financial Statements and Supplementary Information with Independent Auditor's Reports for Year Ended December 31, 2006, MECC has spent \$447,898 of a restricted \$1 million endowment fund from a private foundation, has not made required loan payments due on June 30, 2006 and June 30, 2007, and is in default of a \$4 million County loan.

The Director of Housing and Human Concerns stated that in July 2007, MECC notified the Department of Housing and Human Concerns that additional funding was needed to ensure that the operation of their homeless shelters would continue through June 30, 2008. She further stated that the Department granted an additional \$220,000 from a Fiscal Year 2008 Budget appropriation for affordable housing and/or supportive living housing.

Your Committee received an overview of the MECC Business Action Plan from Ms. Woods. She explained that the plan relies on new grants, increased fundraising, private party building projects, and rent increases to address its financial shortfalls.

Your Committee questioned the financial and managerial viability of MECC and noted that there have been no repayments received on the County's loan to MECC.

Your Committee was concerned that the Department of Housing and Human Concerns did not closely monitor the financial condition of MECC, considering MECC's past history of not repaying County loans.

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Mr. Ridings explained that the primary funds designated to repay the County loan were from previous County funding commitments that did not materialize. Mr. Ridings stated that “safety valves”, requested to be put in place to allow for the repayment of loans in the event of a shortfall, were rejected by Bond Counsel.

Your Committee noted that when loan payments are not received, the County is unable to allocate these funds to other pertinent and needed programs.

Your Committee voted to recommend adoption of the revised proposed resolution and filing of the communication.

Your Committee is in receipt of a revised proposed resolution, approved as to form and legality, from the Department of the Corporation Counsel.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Resolution No. \_\_\_\_\_, as revised herein and attached hereto, entitled “AUTHORIZING THE COUNCIL CHAIR TO CONTRACT FOR AN AUDIT OF MAUI ECONOMIC CONCERNS OF THE COMMUNITY, INC.”, be ADOPTED; and
2. That County Communication No. 07-329 be FILED.

Adoption of this report is respectfully requested.

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**JOSEPH PONTANILLA** **Chair**

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**DANNY A. MATEO** **Member**

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**G. RIKI HOKAMA** **Vice-Chair**

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**BILL KAUAKEA MEDEIROS** **Member**

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**MICHELLE ANDERSON** **Member**

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**MICHAEL J. MOLINA** **Member**

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**GLADYS C. BAISA** **Member**

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**MICHAEL P. VICTORINO** **Member**

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**JO ANNE JOHNSON** **Member**