

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

April 7, 2006

Committee
Report No.

06-42

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 March 15, 2005 and March 14, 2006, makes reference to the following:

1. County Communication No. 04-289, from the Director of Finance, transmitting the Finance Director's Quarterly Report and the Capital Improvement Project Report for Fiscal Year July 1, 2004 to June 30, 2005 (as of September 30, 2004).
2. County Communication No. 05-14, from the Deputy Director of Finance, correcting an error in County Communication No. 04-289.
3. County Communication No. 05-83, from the Director of Finance, transmitting the Finance Director's Quarterly Report and the Capital Improvement Project Report for Fiscal Year July 1, 2004 to June 30, 2005 (as of December 31, 2004).
4. County Communication No. 05-201, from the Director of Finance, transmitting the Finance Director's Quarterly Report and the Capital Improvement Project Report for Fiscal Year July 1, 2004 to June 30, 2005 (as of March 31, 2005).
5. County Communication No. 05-307, from the Director of Finance, transmitting the Finance Director's Quarterly Report and the Capital Improvement Project Report for Fiscal Year July 1, 2004 to June 30, 2005 (as of June 30, 2005).
6. County Communication No. 05-373, from the Director of Finance, transmitting the Finance Director's Quarterly Report and the Capital Improvement Project Report for Fiscal Year July 1, 2005 to June 30, 2006 (as of September 30, 2005).

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7. County Communication No. 06-47, from the Director of Finance, transmitting the Finance Director's Quarterly Report and the Capital Improvement Project Report for Fiscal Year July 1, 2005 to June 30, 2006 (as of December 31, 2005).

Your Committee notes that Section 8-4.3(14) of the Revised Charter of the County of Maui (1983), as amended, states that the Director of Finance shall:

Each quarter submit through the mayor to the council a statement of the revenues and expenditures for the preceding quarter and for the fiscal year up to and including the preceding quarter. Such statement shall be sufficiently detailed as to appropriations, allotments and funds to show the exact financial condition of the county and of each of its agencies and executive departments.

Your Committee further notes that County Communication No. 04-289 was referred to the prior Council at the Council meeting of December 3, 2004 and referred to the Council Chair for the term beginning January 21, 2005, for a recommendation as to referral or other disposition.

At its meeting of January 21, 2005, the Council referred County Communication No. 04-289 to your Budget and Finance Committee (County Communication No. 05-11).

By correspondence dated March 10, 2005, the Chair of your Committee requested that the Director of Finance respond to questions relating to discrepancies in the Finance Director's Quarterly Report (Quarterly Report) and the Capital Improvement Project Report (CIP Report) for Fiscal Year (FY) 2005 (as of December 31, 2004), and explain how the Department of Finance ensures that all supplemental budget amendments are incorporated into the financial records.

By correspondence dated March 15, 2005, the Director of Finance explained the discrepancies, and responded that all resolutions and ordinances relating to the budget are routed to the Department of Finance's Accounts Division, and a review of all ordinances is performed at the end of each fiscal year.

At its meeting of March 15, 2005, your Committee met with the Director of Finance, the Deputy Director of Finance, the Account System Administrator from the Department of Finance, and the First Deputy Corporation Counsel.

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There was no public testimony.

Your Committee received a document from Councilmember Joseph Pontanilla, entitled "KUALAPUU SUBDIVISION FUNDS".

Your Committee reviewed the Quarterly Report and the CIP Report for FY 2005 (as of December 31, 2004).

The Director of Finance stated that the Quarterly Report shows a \$4,000,000 balance available for Ukumehame Land Acquisition because the money was deposited in an escrow account as of December 31, 2004. He further stated that these monies are considered assets of the County and not expenditures.

Your Committee discussed the proper accounting for this transaction. Your Committee questioned whether the amount should be shown as an encumbrance or as an expenditure.

The Deputy Director of Finance stated that the amount should have been shown as an encumbrance as of December 31, 2004 because there was an agreement to purchase the property, and payment was made to the escrow company.

Your Committee questioned whether the increased pace of construction throughout the County has significantly influenced the bids for the County projects.

The Director of Finance stated that bids on County projects are often higher than anticipated, which has impeded the County's ability to proceed with certain projects.

Your Committee discussed the difficulty in evaluating a department's performance by expenditures made in the quarterly report because expenditures are not made equally throughout the year.

Your Committee deferred consideration of the matter pending further discussion.

At its meeting of March 14, 2006, your Committee met with the Budget Director, the Director of Finance, the Account System Administrator from the Department of Finance, and the First Deputy Corporation Counsel.

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There was no public testimony.

The Director of Finance noted that the Quarterly Report and the CIP Report for FY 2005 (as of June 30, 2005) were prepared prior to the Comprehensive Annual Financial Report (CAFR) for FY 2005, which is near completion.

Your Committee questioned why special assessment revenues collected, which include park and water assessments, are approximately 89 percent less than anticipated in the FY 2005 Budget.

The Budget Director stated that the actual special assessment revenues are recorded in the Special Revenue Fund and is not reflected in the Quarterly Report nor the FY 2005 Budget. He explained that the FY 2005 Budget assessment revenues is an estimate based on the expenditures to be funded by special assessments in FY 2005. The accounting entry to identify the revenue as “collected” in the Quarterly Report was not posted in time for the preparation of the report.

Your Committee requested that the Director of Finance include a schedule that identifies actual revenues collected and the total balance in all revolving and trust funds in future quarterly reports.

The Director of Finance stated that Countywide General Costs was \$3,400,000 less than appropriated because departments were able to pay for salary increases within their individual department’s budget without utilizing the Countywide appropriation. He further stated that fringe benefit costs were \$4,200,000 less than appropriated because of vacant positions within the departments.

Your Committee requested that the Director of Finance provide a breakdown of the “Statement of Appropriations and Expenditures, Operations by Activity, FY Ending 06/30/05” by salaries and wages, operations, and equipment.

Your Committee was concerned that the CAFR for the FY 2005 has not been completed, and noted that the report provides financial information that should be considered in crafting the County’s FY 2007 Budget.

The Director of Finance stated that the CAFR has been delayed because of employee turnover, the temporary loss of a key employee, and the implementation of the Human Resources/Payroll Time and Attendance System.

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Your Committee voted to recommend filing of the communications.

Your Budget and Finance Committee RECOMMENDS the following:

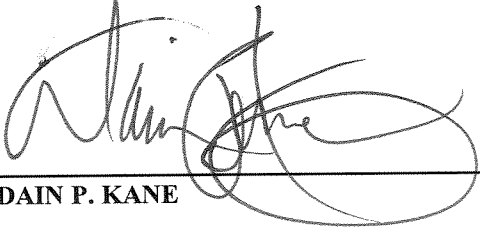
1. That County Communication No. 04-289 be FILED;
2. That County Communication No. 05-14 be FILED;
3. That County Communication No. 05-83 be FILED;
4. That County Communication No. 05-201 be FILED;
5. That County Communication No. 05-307 be FILED;
6. That County Communication No. 05-373 be FILED; and
7. That County Communication No. 06-47 be FILED.

Adoption of this report is respectfully requested.

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DAIN P. KANE Chair

DANNY A. MATEO Member

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MICHAEL J. MOLINA Member

MICHELLE ANDERSON Member

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