

# ***OVERVIEW OF THE BUDGET PROCESS***

**FREDERICK PABLO**  
Budget Director

February 4, 2010  
Wastewater Community Working Group

# Overview of the Budget Process

## Legal Citations

Hawaii Revised Statutes (HRS)

Maui County Code

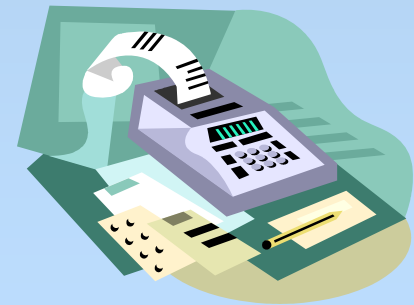
Maui County Charter

General Budget Provisions

## Two Annual Budgets

Operating Budget

Capital Program Budget



# Major References

- **County of Maui Code**
  - Title 3 Revenue and Finance County of Maui Charter
- **County of Maui Charter**
  - Article 9 Financial Procedures
  - Sections 1-19
- **Presentation Covers Maui Charter Provisions**

# Maui Charter – Article 9

- **Sec. 9-1 Fiscal Year**
  - July 1 to June 30 of following year
  - All fiscal affairs controlled by
    - 1) budget ordinance and
    - 2) capital program ordinance
- **Sec. 9-2 Preparation & Submission**
  - March 15<sup>th</sup> Mayor submits budgets to Council
    - Executive Operating Budget
    - Legislative Budget
    - Capital Program
    - Accompanying Message



# Maui Charter – Article 9

- **Sec. 9-3 Scope of Budget & Message**

- Complete financial plan for fiscal year

- A Balanced Budget is required:

Estimated Revenues = Expenditures and Appropriations

- Mayor's Message

- Explain changes compared with current fiscal year
- List pending and proposed capital improvements



# Maui Charter – Article 9

- **Sec. 9-4 Budget & Capital Program**
  - Council holds hearings between April 1-30
  - Invite public to provide testimony
  - Publish hearing date in newspaper two weeks prior to hearing; include summaries of budget and capital program



# Maui Charter – Article 9

- **Sec. 9-5 Council Action**



- Council may pass or amend budget
- Council may add, increase, delete, decrease amounts except appropriations required by law and appropriations to pay indebtedness
- Council shall pass budget by May 31<sup>st</sup> or Mayor's proposed budget goes into effect
- Approved budget goes into effect on July 1<sup>st</sup>

# Maui Charter – Article 9

- **Sec. 9-6 Capital Program**
  - Includes pending and proposed projects
  - Estimated cost and proposed funding method
  - Six Years Capital Program, i.e., includes proposed projects for next 5 years





# Maui Charter – Article 9

- **Sec. 9-7 Restrictions**

- Conditions, limitations or restrictions shall be set forth in the budget (proviso)
- Expenditures shall be made from revenues other than borrowing (exceptions: bond retirement, capital program, emergencies)
- All fees, rates, assessments, taxes shall be set forth in the budget (Appendix B)



# Maui Charter – Article 9

- **Sec. 9-8 Public Record**
  - Three copies are certified by Mayor and County Clerk
  - Filed in offices of Mayor, Finance and Planning
  - Summary of budget published once in newspaper within 3 weeks of enactment



# Maui Charter – Article 9

- **Sec. 9-9 Appropriations and Changes**
  - Mayor may request supplemental appropriations for emergencies
  - Council upon written request by Mayor may pass emergency appropriations to meet public emergency threatening life, health or property.
  - Ordinance must be passed by 7 members
  - May authorize issuance of emergency notes
  - Appropriation not to exceed 1% of the budget



# Maui Charter – Article 9

- **Sec. 9-10 Reductions and Transfers**
  - If projected revenues are insufficient, Mayor advises council with recommendations
  - Council addresses deficit by reducing one or more appropriations
  - Mayor may request transfer within department by resolution or from one department to another department by ordinance



# Maui Charter – Article 9

- **Sec. 9-11 Lapse of Appropriation**
  - Operating appropriations lapse at end of the fiscal year if not expended or encumbered
  - Capital improvements continue in force until accomplished or abandoned
  - Capital improvements are deemed abandoned six months (i.e. December) after the end of the fiscal year to the extent not expended or encumbered



# Maui Charter – Article 9

- **Sec. 9-12 Payments and Obligations**
  - No payment or obligation can be made if not authorized by ordinance
  - For any violation, County official shall be held liable for full payment
  - If County official knowingly violates the provisions, the violation shall be cause for removal from office



# Maui Charter – Article 9

- **Sec 9-13 Audit of Accounts**
  - Within 6 months of beginning of each fiscal year, Council engages Certified Public Accountant (firm) to audit financial transactions
  - In the case of death, resignation or removal of director of finance, Council arranges for an independent audit



# Maui Charter – Article 9

- **Sec. 9-14 Surplus and Reserves**
  - Any unappropriated surplus and unencumbered balances at end of fiscal year becomes available for appropriation for succeeding year(s)





# Maui Charter – Article 9

- **Sec. 9-18 Contracts**
  - All contracts shall be approved by Corporation Counsel
  - Before execution, contracts involving financial obligations shall be certified by director of finance as to availability of funds



# Balanced Budget Required Fiscal Year 2010

- Estimated Revenues      \$563,691,406
- Operating Budget      \$461,969,116
- Capital Budget      \$101,722,290
- Total      \$563,691,406

# Constructing the Budget

## Fund Accounting

- **General Fund**
- **Special Revenue/Enterprise Funds**
  - Sewer Fund (Wastewater Fund)
  - Highway Fund
  - Bikeway Fund
  - Solid Waste Fund
  - Golf Fund
  - Liquor Fund
  - Water Fund

# Estimated Revenues

## Sewer Fund

- **Charges for Current Services – Fees are shown in Appendix B of the Budget Ordinance**
  - Pretreatment Permit Fees
  - Fees – Sewer Collections
  - Fees – Cesspool & Septic Tank Pumping
  - Private Septic Disposal
  - Fees – Reclaimed Water Service
  - Fees – Installation of Reclaimed Water Meter
  - Fees – Reclaimed Water Connection

# Operating Budget

- Each department has one or more program budgets
- A program budget has three parts
  - Salaries and Wages
  - Operating Expenses
  - Equipment



# Operating Budget Salaries and Wages

- **Factors to Consider**

- Unions & Collective Bargaining Agreements
  - HGEA Hawaii Government Employees Association
  - UPW United Public Works
  - HFFA Hawaii Fire Fighters Association
  - SHOPO State of Hawaii Organization of Police Officers
- EP: equivalent personnel; the authorized level for number of employees



# Operating Budget Sewer Fund

- **Department of Environmental Management**
- **Sewer Fund has Two Program Budgets**
  - Administration & Engineering Program
  - Wastewater Reclamation Facilities Program

# Capital Program Budget

- **Capital Improvement Projects are organized under three headings**
  - Source Of Funding
  - Community Plan
  - Type of Project
- **Capital Program is a Six Year Program with annual appropriations**



# Capital Program Budget

- **Sources of Funding**



- General Fund
- Special Revenue/Enterprise Funds
  - Sewer Fund
- Bond Funding
- State Revolving Loan Fund
- Assessments e.g. Park Assessments

# Capital Program Budget

- **Community Plan Area**
  - General Plan, Island Plan, Community Plan
  - Hana, Kihei-Makena, Makawao-Pukalani-Kula, Paia-Haiku, Wailuku-Kahului, West Maui, Lanai, Molokai, Countywide

# Capital Program Budget

- **Project Types**
  - Drainage
  - Government Facilities
  - Parks and Recreation
  - Road Improvements
  - Sanitation
  - Sewer
  - Water Supply
  - Other projects

# The Budget Cycle



- **Key Dates**

- **September:** Community Budget Meetings
- **March 15<sup>th</sup>:** Mayor transmits proposed budget to Council
- **April:** Budget Deliberations in Council Chambers
- **May 31<sup>st</sup>:** Council approves or amends budget
- **June 20<sup>th</sup>:** Mayor reviews
- **July 1<sup>st</sup>:** Effective date of budget

**The budget process is a continuum. It is not only a fiscal year but also a multi-year process.**

# Budget Amendments



- **Budget Amendments – Processing Time**
  - Allow eight weeks
  - Proposed Bill filed with County Clerk 7 days prior to Council Meeting
  - Council takes up agenda item and refers to Committee
  - Budget-Finance Committee discusses bill; adopted bill transmitted to Council ,
  - Council: First Reading
  - Council: Second Reading and passage of bill
  - Mayor signs bill

# Budget Reporting



## Council Monitors Budget through Quarterly Reports

- **Due after quarter: Budget 15 days, to Council 30 days**
  - Status Of Capital Improvement Projects
  - Vacancies > 90 days
  - Grant Revenue Received
  - Update on Performance Measures

***NEXT TOPIC:***

**General Aspects of the Fiscal Budget and  
County Finance**