

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

May 5, 2015

**Committee
Report No. _____**

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 27, 2015, April 6, 2015, and April 14, 2015, makes reference to County Communication 14-306, from the Budget Director, transmitting the following:

1. A proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING THE FISCAL YEAR 2015 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO ESTIMATED REVENUES; DEPARTMENT OF ENVIRONMENTAL MANAGEMENT, SOLID WASTE ADMINISTRATION PROGRAM – SOLID WASTE MANAGEMENT FUND, SOLID WASTE OPERATIONS PROGRAM – SOLID WASTE MANAGEMENT FUND; DEPARTMENT OF FINANCE, COUNTYWIDE COSTS; TOTAL OPERATING APPROPRIATIONS; AND TOTAL APPROPRIATIONS (OPERATING AND CAPITAL IMPROVEMENT PROJECTS)"; and
2. A certification of Additional Revenues for Fiscal Year ("FY") 2015, dated December 8, 2014, for \$700,029 in Carryover/Savings from the Solid Waste Management Fund.

The purpose of the proposed bill is to amend the FY 2015 Budget by (1) increasing estimated revenues for Carryover/Savings in the Solid Waste Management Fund by \$700,029, from \$1,332,200 to \$2,032,229; (2) amending Section 3.B.3.d, Department of Environmental Management, Solid Waste Administration Program – Solid Waste Management Fund, by increasing the appropriation by \$100,340 and increasing the equivalent personnel ("EP") by 1.0; (3) amending Section 3.B.3.e., Department of Environmental Management, Solid Waste

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Operations Program – Solid Waste Management Fund, by increasing the appropriation by \$599,689 and increasing the EP by 3.0; and (4) amending Section 3.B.4.f., Department of Finance, Countywide Costs, by increasing the appropriation for Fringe Benefits by \$100,340, decreasing the appropriation for Fringe Benefit Reimbursements by \$41,751, and decreasing the appropriation for Overhead Reimbursement by \$58,589.

By correspondence dated February 20, 2015, the Director of Environmental Management explained the requested \$700,029 for the Solid Waste Division (“Division”) of the Department of Environmental Management (“Department”) is needed to prevent (1) closure of the Olowalu Convenience Center; (2) closure of the landfills on holidays; (3) missed refused collection routes and cessation of refuse collection on holidays; (4) reduced landfill hours; (5) cessation of all maintenance and repairs on all landfill and refuse equipment; (6) reduction of contracts related to building long-term sustainability and regulatory compliance; and (7) employee layoffs.

By correspondence dated March 19, 2015, the Budget Director transmitted a revised proposed bill that included the same funding requests, but (1) deleted the requested 1.0 EP in the Department’s Solid Waste Administration Program; and (2) changed the requested 3.0 EPs to “Limited Term Appointment” positions in the Department’s Solid Waste Operations Program. A Limited Term Appointment position is a non-permanent position.

Your Committee notes, starting on August 1, 2014, hours of operation at all County landfills were reduced, and holiday residential refuse collection and landfill services were suspended. The service cuts were made because of a projected budgetary shortfall. Your Committee further notes services were restored on September 11, 2014.

Your Committee notes the “3 Can Plan”, a pilot project for curbside recycling in parts of South Maui, was discontinued on February 1, 2015, also because of a budgetary shortfall.

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During your Committee's consideration of this matter, the Deputy Director of Environmental Management said the requested funds are needed to keep the landfills open, avoid service reductions in residential refuse collection, and maintain other services.

He also noted the Administration informed the United Public Workers and Hawaii Government Employees Association, which represent County employees, about financial challenges facing the Division and potential layoffs.

Your Committee was concerned about the warnings of potential layoffs and questioned whether the Division has funds for payroll costs through the end of the fiscal year. The Deputy Director said funds are available for regular payroll costs, but there is an anticipated shortfall in funds for premium pay costs. Premium pay costs would be incurred if there are emergencies or continued staff shortages. He also said potential layoffs would only affect landfill and refuse collection employees, and not management.

Your Committee noted the Division's FY 2015 Budget was funded at more than 99 per cent of the amount requested in the Mayor's proposed budget. Your Committee had questions about the Division's budget management.

Your Committee sought information on the Division's use of two expansion positions authorized in the FY 2015 Budget. A representative from the Division said the approved expansion positions were later reevaluated by management, and that two positions were created to serve purposes other than those envisioned by the Council. An equipment operator position for the Hana Landfill was instead placed at the Molokai Landfill; and, instead of an attendant position for the Central Maui Landfill, an operations engineer position was established. He said the new positions remain vacant.

Your Committee questioned the timing of the Division's establishment of large contract encumbrances. The proposed bill requesting additional funds for operations was sent to the Council on

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December 8, 2014, and encumbrances of several-hundred-thousand dollars were made in January and February 2015. "Encumbrances" are funds reserved for future payment on an existing contract. Encumbered funds are effectively locked up and not available for uses other than for their associated contract. Your Committee discussed several encumbrances made by the Division, including some for multiple fiscal years, and observed the funds should have been allocated for current requirements rather than for future fiscal year contracts, considering the Division was projecting operational funding shortfalls.

Your Committee recommended the Division review and adjust its encumbrances to make available funding for services to the community through the end of this fiscal year.

Your Committee noted funds from the Department's operations budget are being used for Capital Improvement Projects. Your Committee expressed concern about use of operations funds for capital projects. The practice may have a negative impact on how the County's financial records and positions are regarded.

By correspondence dated April 8, 2015, the Mayor transmitted a proposed resolution entitled "AUTHORIZING THE TRANSFER OF AN UNENCUMBERED APPROPRIATION BALANCE WITHIN THE DEPARTMENT OF ENVIRONMENTAL MANAGEMENT FISCAL YEAR 2015 BUDGET". The purpose of the proposed resolution is to transfer \$150,000 from the Solid Waste Administration Program – Solid Waste Management Fund, Administrative Overhead Charge, to the Solid Waste Operations Program – Solid Waste Management Fund, to address concerns discussed with your Committee and the matters noted in the February 20, 2015 correspondence from the Director of Environmental Management.

By correspondence dated April 9, 2015, the Budget Director transmitted a revised proposed resolution entitled "AUTHORIZING THE TRANSFER OF AN UNENCUMBERED APPROPRIATION BALANCE WITHIN THE DEPARTMENT OF ENVIRONMENTAL MANAGEMENT, SOLID WASTE MANAGEMENT FUND FISCAL YEAR 2015 BUDGET".

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The purpose of the revised proposed resolution is to address projected budgetary shortfalls for FY 2015 by increasing the transfer by \$70,000 from the Solid Waste Administration Program – Solid Waste Management Fund, Contribution to General Fund – Employees’ Retirement System (ERS) and Federal Insurance Contributions Act (FICA) to the Solid Waste Operations Program – Solid Waste Management Fund, and by \$150,000 from the Solid Waste Administration Program – Solid Waste Management Fund, Administrative Overhead Charge to the Solid Waste Operations Program – Solid Waste Management Fund.

Your Committee was unsatisfied with the Administration’s recommendation that a budget amendment and certification of Carryover/Savings are required to provide the needed services to the community, and determined that sufficient funds are available in the FY 2015 Budget.

Your Committee supported the Division’s review and proposed reallocation of the existing FY 2015 Budget appropriation, including transfer of funds between programs.

Your Committee voted 9-0 to recommend adoption of the revised proposed resolution and filing of the communication. Committee Chair Hokama, Vice-Chair White, and members Baisa, Carroll, Cochran, Couch, Crivello, Guzman, and Victorino voted “aye”.

Your Budget and Finance Committee RECOMMENDS the following:

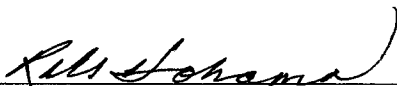
1. That Resolution _____, as revised herein and attached hereto, entitled “AUTHORIZING THE TRANSFER OF AN UNENCUMBERED APPROPRIATION BALANCE WITHIN THE DEPARTMENT OF ENVIRONMENTAL MANAGEMENT, SOLID WASTE MANAGEMENT FUND FISCAL YEAR 2015 BUDGET”, be ADOPTED; and
2. That County Communication 14-306 be FILED.

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This report is submitted in accordance with Rule 8 of the Rules of the Council.



RIKI HOKAMA, Chair

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Resolution

No. _____

AUTHORIZING THE TRANSFER OF AN UNENCUMBERED
APPROPRIATION BALANCE WITHIN THE
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT,
SOLID WASTE MANAGEMENT FUND
FISCAL YEAR 2015 BUDGET

WHEREAS, Section 9-10(2) of the Revised Charter of the County of Maui (1983), as amended (“Charter”), provides that, upon written request of the Mayor, part or all of any unencumbered appropriation balance may be transferred within a department by resolution or from one department to another by ordinance; and

WHEREAS, Section 3.B.3. of Ordinance No. 4133, Bill No. 37 (2014), as amended (“Fiscal Year 2015 Budget”), relating to the Department of Environmental Management, sets forth appropriations for Solid Waste Administration Program – Solid Waste Management Fund, Contribution to General Fund – Employees’ Retirement System (ERS) and Federal Insurance Contributions Act (FICA), and Administrative Overhead Charge; and Solid Waste Operations Program – Solid Waste Management Fund; and

WHEREAS, pursuant to Section 9-10(2) of the Charter, Mayor Alan M. Arakawa has submitted a written request to transfer an unencumbered appropriation balance of \$70,000 from Solid Waste Administration Program

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– Solid Waste Management Fund, Contribution to General Fund – Employees’ Retirement System (ERS) and Federal Insurance Contributions Act (FICA) to Solid Waste Operations Program – Solid Waste Management Fund; and \$150,000 from Solid Waste Administration Program – Solid Waste Management Fund, Administrative Overhead Charge to Solid Waste Operations Program – Solid Waste Management Fund due to projected budgetary shortfalls by the end of Fiscal Year 2015; now, therefore,

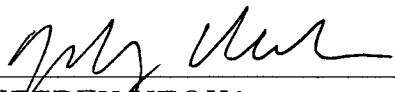
BE IT RESOLVED by the Council of the County of Maui:

1. That, pursuant to Section 9-10(2) of the Charter, and in accordance with the Fiscal Year 2015 Budget, it does hereby authorize the transfer of an unencumbered appropriation balance of SEVENTY THOUSAND DOLLARS (\$70,000) from Solid Waste Administration Program – Solid Waste Management Fund, Contribution to General Fund – Employees’ Retirement System (ERS) and Federal Insurance Contributions Act (FICA) to Solid Waste Operations Program – Solid Waste Management Fund; and ONE-HUNDRED FIFTY THOUSAND DOLLARS (\$150,000) from Solid Waste Administration Program – Solid Waste Management Fund, Administrative Overhead Charge to Solid Waste Operations Program – Solid Waste Management Fund; and

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2. That certified copies of this resolution be transmitted to the Mayor, the Director of Environmental Management, and the Budget Director.

APPROVED AS TO FORM
AND LEGALITY:



JEFFREY UEOKA
Deputy Corporation Counsel
County of Maui