

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

July 7, 2017

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 June 13, 2017, makes reference to County Communication 17-228, from the Director of Finance, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII RELATING TO THE ACQUISITION OF A GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 68 REPORT."

The purpose of the proposed bill is to authorize the Mayor to enter into an intergovernmental agreement with the Employees' Retirement System, State of Hawaii, to obtain a Governmental Accounting Standards Board Statement No. 68 Report ("GASB 68"), "Accounting and Financial Reporting for Pensions," for four fiscal years beginning with the Fiscal Year ending June 30, 2017. The Memorandum of Understanding authorizes a total cost of \$6,500 for four fiscal years, as the County's share for the report.

By correspondence dated June 6, 2017, the Department of the Corporation Counsel transmitted a revised proposed bill, approved as to form and legality, amending Section 2 Council Authorization.

Your Committee notes the Government Accounting Standards Board establishes standards for accounting and financial reporting by state and local governments, and GASB 68 is a provision that requires additional reporting on employee pensions.

Your Committee further notes, pursuant to Section 9-13 of the Revised Charter of the County of Maui (1983), as amended, annual independent audits of County financial statements are conducted. The

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audits are referred to as Comprehensive Annual Financial Report (“CAFR”) audits.

The Deputy Director of Finance stated GASB 68 requires the County to disclose additional information relating to employee pensions in the CAFR, and the report is needed to obtain the additional pension information. The actuarial information is received from Gabriel, Roeder, Smith & Company, the actuary for the State of Hawaii Employees’ Retirement System. The report will be done for each of the four fiscal years beginning with the year ending June 30, 2017.

He said the proposed Memorandum of Understanding is for a four-year period, whereas previously the agreement was done annually. The estimated cost per agency is determined by dividing the total cost of the contract by the number of participating employers. The ten participating employers are: 1) State of Hawaii; 2) City and County of Honolulu; 3) County of Maui; 4) County of Kauai; 5) County of Hawaii; 6) Board of Water Supply, City and County of Honolulu; 7) Department of Water Supply, County of Hawaii; 8) Department of Water, County of Kauai; 9) Honolulu Authority for Rapid Transportation; and 10) University of Hawaii.

The Deputy Director noted the cost to the County for the first year of the agreement will be \$1,550; second year, \$1,600; third year, \$1,650; and fourth year, \$1,700.

Your Committee notes the GASB 68 requirements will result in a more accurate representation of the County of Maui’s unfunded liabilities relating to employee pensions.

Your Committee voted 7-0 to recommend passage of the revised proposed bill on first reading and filing of the communication. Committee Chair Hokama, Vice-Chair White, and members Carroll, Cochran, Crivello, King, and Sugimura voted “aye.” Committee members Atay and Guzman were excused.

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Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill _____ (2017), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII RELATING TO THE ACQUISITION OF A GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 68 REPORT," be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That County Communication 17-228 be FILED.

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



RIKI HOKAMA, Chair

bf:cr:17058aa:mmy

ORDINANCE NO. _____

BILL NO. _____ (2017)

A BILL FOR AN ORDINANCE AUTHORIZING THE MAYOR OF THE COUNTY OF MAUI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII RELATING TO THE ACQUISITION OF A GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 68 REPORT

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

SECTION 1. Purpose. The Employees' Retirement System of the State of Hawaii ("ERS") has been requested by various governmental employers to obtain a Governmental Accounting Standards Board Statement No. 68 ("GASB 68") Report from its actuary. ERS is willing to obtain the GASB 68 Report from its actuary, at this time ERS is proposing a four (4) year agreement covering Fiscal Years 2017, 2018, 2019 and 2020. The cost to the County of Maui for all four (4) years is anticipated to be a total of \$6,500. Currently, ERS anticipates ten (10) governmental employers requesting a GASB 68 Report, however, if fewer than nine (9) request the report, each requesting governmental employer will equally share the cost of \$65,000 charged by the actuary. The details of the agreement are set forth in the Memorandum of Understanding, attached hereto and incorporated herein as Exhibit "1".

SECTION 2. Council Authorization. Pursuant to Section 2.20.020, Maui County Code, the Council of the County of Maui hereby authorizes the Mayor to enter into any intergovernmental agreement, which would include the execution of the MOU, all other necessary documents relating to the MOU, and any amendments thereto.

SECTION 3. Effective date. This ordinance shall take effect upon its approval.

APPROVED AS TO FORM
AND LEGALITY:



JEFFREY ULOKA
Deputy Corporation Counsel
County of Maui
LF 2015-4268/2017-0093
BF-58 2017-06-06 Ordinance (Revised)

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) is effective the _____ day of _____, 2017, by and between the EMPLOYEES’ RETIREMENT SYSTEM OF THE STATE OF HAWAII (“ERS”) and the COUNTY OF MAUI, 200 S. High Street, Kalana O Maui Building, 2nd Floor, Wailuku, HI 96793 (“Employer”).

RECITALS

A. The following state or county government employers (the “employers”) have requested assistance from the ERS in obtaining actuarial information to meet reporting requirements under Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” the employers’ financial statements for the fiscal years ending June 30, 2017 through 2020 (FYE 2017, 2018, 2019, 2020):

- i. State of Hawaii;
- ii. City and County of Honolulu;
- iii. County of Maui;
- iv. County of Kauai;
- v. County of Hawaii;
- vi. Board of Water Supply, City and County of Honolulu;
- vii. Department of Water Supply, County of Hawaii;
- viii. Department of Water, County of Kauai;
- ix. Honolulu Authority for Rapid Transportation; and
- x. University of Hawaii.

B. The ERS is willing to obtain the information (“GASB 68 Report”) for the employers from the ERS’s actuary, Gabriel, Roeder, Smith & Company (“GRS”);

C. GRS is willing to provide GASB 68 Reports to the employers for a total of \$65,000.00, provided that GRS is able to bill the ERS for all of the GASB 68 Reports. The total fee of \$65,000.00 will be divided equally among all of the employers listed above who enter into a MOU with the ERS to obtain their GASB 68 reports from GRS through the ERS.

D. Because of concerns arising from federal tax-qualification requirements applicable to the ERS, the ERS is unable to advance the fees for the GASB 68 Reports.

E. GRS has agreed that it will defer billing the ERS for the GASB 68 Report(s) until the ERS has received payment from the employers who receive a GASB 68 Report from GRS.

F. The purpose of this MOU is to provide for payment by the Employer for the GASB 68 Report provided to it by GRS.

TERMS AND CONDITIONS

1. Upon execution of this MOU, the ERS will request GRS to prepare a GASB 68 Report for Employer for FYE 2017, as provided in the letter attached to this MOU as Exhibit "A" and incorporated herein by reference. After FYEs 2018, 2019 and 2020, ERS will request GRS to prepare a GASB 68 Report for Employer for that respective fiscal year, as provided in Exhibit "A".

2. The cost to Employer for the GASB 68 Report will be per the table below; provided that all of the employers listed above enter into a MOU with the ERS to obtain their GASB 68 Report from GRS through the ERS. If all of the employers listed above do not enter into an MOU with the ERS to obtain their GASB 68 report from GRS through the ERS, the cost to Employer for the GASB 68 Report will be equal to: Cost per Fiscal Year/number of participating employers. In addition, if Employer requests additional services or information beyond what GRS understands to be customary or reasonable for a GASB 68 Report, the cost for the Employer may be higher.

Fiscal Year	Total Cost	Cost per Employer
2017	\$15,500	\$1,550
2018	\$16,000	\$1,600
2019	\$16,500	\$1,650
2020	\$17,000	\$1,700
Total	\$65,000	\$6,500

3. Upon execution of this MOU, Employer will pay ERS \$1,550.00 for remittance to GRS for the FY2017 GASB 68 Report. For FYEs 2018, 2019 and 2020, ERS will invoice Employer for their applicable cost for the fiscal year per the table in Item 2, and upon receipt of the invoice Employer will pay ERS the amount due for remittance to GRS for the respective fiscal year GASB 68 Report. If all of the employers do not enter into an MOU with the ERS to obtain their GASB 68 report from GRS through the ERS, the ERS will bill Employer for the difference between Cost per Fiscal Year and the cost of the GASB 68 Report as determined pursuant to paragraph 2 (the "additional cost"). The ERS will bill Employer for any additional services or information requested by Employer after the ERS receives the bill from GRS for such additional services or information. Employer will pay ERS within thirty days from receipt of the bill from the ERS for any additional cost or for any additional services or information. Upon receipt of payment from Employer, the ERS will promptly remit the payment to GRS.

4. This MOU may be amended or modified only by a written agreement signed by both parties.

IN WITNESS WHEREOF, the parties have executed this MOU as of the last date written below.

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII

EMPLOYER:
COUNTY OF MAUI

By _____
Thomas Williams
Executive Director

By _____

DATE: _____

DATE: _____

By: _____

DATE: _____

APPROVED AS TO FORM:

APPROVED AS TO FORM:

Deputy Attorney General
State of Hawaii
