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October 15, 2025

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Richard T. Bissen, Jr. 10/20/25
Mayor Date

For Transmittal to:

Honorable Yuki Lei K. Sugimura, Chair
Budget, Finance, and Economic Development Committee
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Sugimura and Members:

SUBJECT: FISCAL YEAR 2025 ESTIMATED REVENUE SHORTFALL FOR THE SEWER FUND (BFED-20(10))

Pursuant to your letter dated October 10, 2025, regarding the above-referenced matter, as requested please see responses below:

1. Identify any conditions or limits on Section 20 transfers to enterprise or special funds. Do internal guidelines restrict using Countywide Costs to subsidize funds that are meant to be self-supporting? If none exists, would you recommend adopting such a guideline? Why or why not?

Response: Currently, there are no limitations or conditions regarding General Budget Provision – Section 21 transfers to enterprise or special funds and there are no internal guidelines restricting the use of Countywide Costs to subsidize funds that are meant to be self-supporting. Section 21 of the General Budget Provisions was intended to provide a mechanism for the Department of Finance – Accounts Division to comply with financial reporting requirements under Generally Accepted Accounting Principles (GAAP) when a departmental program budget or A and B/C budget is not sufficient to record financial transactions for a fiscal year where a budget resolution or amendment could not be processed. This normally occurs when invoices are presented after the close of the fiscal year (June 30th) but prior to the audit conclusion. However, these occurrences should be infrequent and not occur on a regular year-to-year basis.

Received at BFED meeting on 10/21/2025

The Department of Finance – Accounts Division would not recommend adopting guidelines to restrict the use as this provision allows the Accounts Division to comply with financial reporting requirements.

2. Explain the policy and reasoning for using the General Fund to cover Department of Water supply enterprise-fund expenses.

Response: As discussed in our response to Question 1, such a transfer is appropriate in such circumstances and in accordance with financial reporting requirements.

a. Is the Department intended to be self-funding under County policy?

Response: The Water fund is intended to be self-funded. However, if the need occurs, the General Fund may subsidize the enterprise fund if necessary.

b. If so, what circumstances led to the FY 2025 support and is repayment to the General Fund planned? If no, why not?

Response: The Accounts Division implemented Governmental Accounting Standards Board (GASB) Statement 101 – Compensated Absences for Fiscal Year 2025. This statement required the County to record an estimated liability for a portion of unused sick leave. As DWS is an enterprise fund, these expenditures are recorded to the various programs as salaries expense. This amount was not known until after the close of the fiscal year and was not included in the FY 2025 budget. Additionally, a portion of the total DWS shortfall was due to unbudgeted vacation/ CTO accruals in the Field Operations program.

No repayment is necessary since the expenditures were recorded in the Water Fund.

c. Is this support a one-time need or is it indicative of a structural shortfall?

Response: The budget transfer is intended to be a non-recurring transfer for fiscal year 2025.

d. Is a supplemental transfer from the General Fund to the Water Fund needed for this transaction? Explain.

Response: A supplemental transfer, which would entail recording the expenditure in the General Fund and recording revenue in the Water Fund, is not necessary as the budget transfer increased the available budget for the Department of Water Supply to appropriately record the expenditure in the Water Fund and to the correct program. The Department of Water Supply had adequate

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available remaining appropriations on a County-wide basis to accommodate the expenditure for financial reporting purposes and did not need the revenue transfer.

2. List all enterprise and special funds with FY 2025 shortfalls, including the fund and amount. Further, explain how shortfalls were handled.

Response: FY 2025 shortfalls included the following:

- *Special Revolving Fund – Plan, Review, Processing, and Inspection Revolving Fund (101075A) - \$206.83.*
- *Water Fund – Department of Water Supply - \$348,361.73*

Budget transfers from Countywide costs were made and the expenditure recorded appropriately in the respective fund.

3. List projected Carryover Savings by fund, by program for FY 2025, as of October 1, 2025. Are there still pending transactions for FY 2025 that may impact the Carryover Savings?

Response: The Accounts Division is currently in the process of reviewing the FY 2025 financial statements and is working with its auditors to complete the Annual Comprehensive Financial Report (ACFR). We will provide projected Carryover Savings by fund and program once finalized.

Should you have any questions, please feel free to contact me or Deputy Director Maria Zielinski at extension 7722.

Sincerely,



MARCY MARTIN
Director of Finance

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cc: Lesley Milner, Budget Director