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April 20, 2017

MEMO TO: Patrick K. Wong
Corporation Counsel

F R O M: Riki Hokama, Chair 
Budget and Finance Committee

SUBJECT: **FISCAL YEAR ("FY") 2018 BUDGET** (CC-12) (BF-1)

In April 2017, the County Auditor issued Report 14-02 ("Report"), relating to an audit of expenditures from the FY 2012 Budget appropriation for the Old Wailuku Post Office Rehabilitation Project. The Report can be found at: <http://www.mauicounty.gov/DocumentCenter/View/108598>.

As noted in the Report, on February 1, 2013, the Council's Budget and Finance Committee was informed that dollars earmarked for the "Old Wailuku Post Office Rehabilitation project" were used to demolish the building and prepare a campus study of County facilities. The audit examined the facts surrounding that decision and whether appropriate procedures were followed.

The controversy stemmed from the Council's understanding, based largely on information contained in a project sheet requesting funding for the project, that the building would be renovated as described on page 11 of the Report.

However, by an opinion dated July 31, 2015, the Department of the Corporation Counsel opined: "If the Council intended such inclusion, it could easily revise Section 10 [of the General Budget Provisions] to include the term 'description and justification.'" The Budget and Finance Committee received this guidance during its FY 2017 Budget deliberations.

As noted by the Auditor, following receipt of the Department of the Corporation Counsel's guidance, the Council attempted to strengthen the General Budget Provisions to legally bind the Administration to the project

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description and justification provided as the basis for funding. The FY 2017 Budget contained a new Appendix C and language in Section 10 of the General Budget Provisions to incorporate into the FY 2017 Budget ordinance project descriptions for which appropriations were being made.

Nonetheless, the Auditor noted, “While the changes made by the Council to the FY 2017 Budget Ordinance are steps in the right direction, **the Council must continue to explore the limitations of the General Budget Provisions. This holds true not only for the CIP section, but also for the operating funds within each department.**” (See page 17 of the Report.)

As it relates to the FY 2018 Budget, please examine the proposed General Budget Provisions and the form of the proposed Appendix C, and suggest appropriate language or other revisions to the FY 2018 Budget bill that would strengthen the Council’s ability to bind the Administration to the representations being made as the basis for appropriations.

May I further request that you transmit your response **no later than April 21, 2017**, to enable the Committee to comprehensively review the FY 2018 Budget. To ensure efficient processing, please duplicate the coding in the subject line above for easy reference.

Should you have any questions, please contact me or the Committee staff (Michele Yoshimura at ext. 7663, Shelly Espeleta at ext. 7134, or Yvette Bouthillier at ext. 7758).

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cc: Budget Director