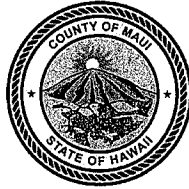


MICHAEL P. VICTORINO  
Mayor



COUNTY OF MAUI  
**DEPARTMENT OF FINANCE**  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793

January 18, 2019

SCOTT K. TERUYA  
Acting Director

RECEIVED

2019 JAN 18 PM 3:04

MAY-ANNE A. ALIBIN  
Deputy Director

OFFICE OF THE MAYOR

OFFICE OF THE  
COUNTY COUNCIL

2019 JAN 18 PM 3:59

RECEIVED

Honorable Michael P. Victorino  
Mayor, County of Maui  
200 South High Street  
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

For Transmittal to:

Michael P Victorino 1/18/19  
Mayor Date

Honorable Michael J. Molina, Chair  
Government, Ethics, and Transparency Committee  
Maui County Council  
200 South High Street  
Wailuku, Hawaii 96793

**SUBJECT: NOMINATION AS DIRECTOR OF FINANCE (GET-1)**

Dear Chair Molina:

This transmission is in receipt of the letter sent by Chair Kelly T. King dated January 10, 2019, requesting the following information be submitted to the Council's Government, Ethics, and Transparency Committee. Provided are the responses to the letters requests:

(1) Why did you apply to serve as the Director of Finance?

Response: I wanted a new challenge and after speaking to counterparts on the neighbor islands about their experiences leaving Real Property for the Director's office, I feel that I have the suitable attributes for this role and also wanted to make changes within the Department in areas that I know have deficiencies.

(2) What do you perceive as the roles and responsibilities of the Director of Finance?

Response: First of all, to follow the duties and functions of the Director of Finance as prescribed in the County Charter, Section 8-4.3. It is my responsibility to be honest with the Mayor, the Council, the Department and the public. Honest about what is happening in my Department and address deficiencies and inefficiencies and have a plan for corrective measures. The Director of Finance is the financial oversight over all county departments as well as directly responsible for seven divisions and programs.

- (3) Given your understanding of the role and responsibilities of the Director of Finance, why do you believe you are qualified for the position? Please include a brief statement of your skills, expertise, experiences, or knowledge that would aid in your decision-making ability as the Director of Finance. Highlight three qualities you feel make you a highly qualified candidate.

Response: I have read the qualification for the Director of Finance position and meet them for the following reasons:

- A citizen of the United States.
- A resident of the State for at least one year immediately preceding the appointment.
- Have a minimum of five years of experience in a public or private financial position, at least three of which shall have been in an administrative capacity.
- As a part of or in addition to the five years of experience in a public or private financial position, three years of responsible managerial and budgetary experience.
- As a part of or in addition to the five years of experience in a public or private financial position, three years of experience in one or more of the following functions: preparing bills for the collection of money due, or authorizing the preparation of such bills by others being supervised; collecting and receiving moneys due or receivable and issuing receipts therefor, or authorizing other to do so under prescribed conditions; maintaining and managing a treasury and depositing moneys in depositories and instruments authorized by law; contracting for services of independent contractors and permitting disbursements to be made pursuant to established policies; selling real property upon which improvement assessments or real property taxes are not paid within the prescribed period, and disposing of real property or personal property not needed pursuant to established policies; reviewing assessment rolls for assessable public improvements and issuing bills once approved; and administering the real property taxation function of a municipality or other governmental entity.
- Have a bachelor's degree from an accredited college or university in finance, accounting, economics, business administration, public administration, or other relevant discipline, or a combination of education and work experience substantially equivalent to such a bachelor's degree.

Since 2007, I held the position as the Real Property Tax Administrator for the County of Maui and have been responsible for administering real property assessments, including determining variations in cost and market value factors due to local County conditions and standards established by the International Association of Assessing Officers. Prior to

Fiscal Year 2012, I was also responsible for accounting and collecting real property taxes until it was transferred to the Treasury Division for internal control purposes.

Real property taxes account for approximately 40% of the County's total governmental funds' revenues and with my experience as the Real Property Tax Administrator, I have an in-depth knowledge and understanding of the operations and legislative issues of the County's largest revenue generator. Furthermore, I have historically worked closely with the Budget Chair and council members to provide information required to analyze any taxation or budget issue that came before them. I also have the necessary skills in conceptualizing and implementing financial policies and procedures. One item that I've implemented at Real Property was an "Operational Deadline" program that identifies all deadlines and items of importance for the entire office by section. The program identifies the task, the responsible party, deadline date, date completed, status, if not completed by date due (an explanation why), and location/source/drive of applicable procedures manual. (This is one efficiency and my top goal for all divisions and programs in the Finance Department to implement. Currently, no other division, except for Real property Assessment has established this program)

Prior to taking the Administrator position at Real Property, the division had high annual overtime costs (FY 07 \$160,000), a five year backlog of ownership and subdivision transfers, a multi-million dollar backlog of board of review appeals, and high vacancies in many positions. Over the past 8 fiscal years, overtime averages were around \$4,000 per year, with no backlog in ownership or subdivision transfers or appeals, and minimal vacancies due to retirement or promotional opportunities. (These are proven records of improved operations, efficiencies and productivity; a leadership skill that should be incorporated in Finance to deal with massive overtime expenses in the Accounts Division, to reorganize the department to address deficiencies, to review position descriptions, and to require bi-weekly reports from each division and program to identify output and possible failing sections in an effort to meet or exceed performance measures.)

Lastly, I have proven my ability to complete projects and future proof the Division. Most recently, Real Property was awarded the Certificate of Excellence in Assessment Administration. This certification requires that the government unit operate efficiently and transparently employing best practices and using nationally recognized modern technologies. This was a two year project that included no overtime. Real Property has eliminated storing paper and making copies by having all documents scanned and indexed. Real Property has made many of these document files available to the public. I have done many other projects that did not include any overtime costs such as, but not limited to:

- Home Exemption fraud project in partnership with the State Department of Taxation
- Partnership with Maui County Credit Unions to pay tax bills for their clients to avoid losing home exemption and common problem for many seniors

- Condominium 3D project, which entailed working with State Bureau of Conveyances to acquire condominium data for establishing the GIS platform (1 year project)
- Hawaii specific building cost project, where a contract with Marshall & Swift was executed (3 year project)
- Computer Assisted Mass Appraisal system upgrade where our old client server migrated to modern web-based system, integrated with GIS, aerial imagery, report writing tools and business processing tools (2 year project – Award from Tyler for integration of 3<sup>rd</sup> party data)
- Conversion project to replace old website to a new webhosted service by qPublic (1 year project)
- Conversion of AutoCad and mylar paper maps to GIS Parcel Fabric-(2 year project and SAG award from ESRI)
- First county to electronically record documents with the State of Hawaii Bureau of Conveyance (475 county documents recorded since December 2015), and;
- Integrated DSA KIVA permit data into real property assessment software to eliminate data entry, improve data quality and provided timely access to permit data for discovering taxable improvements (2015 public sector excellence award)

There is a tremendous need for goal setting, prioritization of projects, and culture change. These combined experiences of working on complex contracts and successfully completing projects are reasons why I believe I am a qualified candidate for the Director of Finance position and bring the Department of Finance “Vision 2020” into a reality.

- (4) Please identify one short-term and one long-term goal you would have as the Director of Finance and how you would accomplish these during your term of service.

Response: As you may know, a performance audit of the Department of Finance was conducted in November 2018. Based on the final audit report dated November 26, 2018, there were 22 audit findings on the review of the department’s organizational structure, policies and procedures, and software applications. The performance audit report is a valuable tool that will aid in strategically planning the Department of Finance. Both of my short-term and long-term goals encompass addressing these audit finding, which are of paramount importance. These audit findings will be addressed through effective management and the establishment of performance measures for all divisions and programs. Most of my short and long-term goals are within the recommendations by the external auditor who conducted the departmental performance audit, which includes the following:

- Selection of the 3<sup>rd</sup> party investment consultant to comply with Chapter 3.080.040 of the Maui County code
- Recruit and hire Account Systems Assistant Administrator
- Create operational deadline calendar for all Divisions and programs within Finance Department

- Fully implement the iNovah cashiering system countywide by 2020
- Review and update all position descriptions within the Department
- Document policies and procedures
- Establish training manuals

Some of my 30-60 day goals are as follows:

- Consult with union and relocate employee's workspaces for efficiencies and privacy purposes
- Obtain the Mayor's FY 20 budget proposal and review performance measures.
- Submit long term rental exemption legislation for consideration.

Several long term goals are to:

- "Future proof" all of the Divisions and Programs within the Department of Finance
- Reorganize the Real Property Manager back to Director's office and add an additional personnel to support that function
- Reorganize the vacant Internal Control Officer to Payroll Section to support the new Workday system and address enormous overtime hours
- Implement a "Go Green" scanning project for Finance Department with the goal of eliminating/reducing storage of paper and expedite document retrieval
- Establish kiosks at various locations island-wide to make payments for county taxes, utility bills, and other charges for services.

- (5) What are your plans for establishing a policy on County investments pursuant to Section 3.08.040, Maui County Code?

Response: Following the passing of Ordinance No. 4876 that added a new section to Chapter 3.080.040 of the Maui County Code (MCC) as it relates to the County Investments, the Investment Committee, which consists of the Finance Director (Chair), Managing Director, Budget Director, Deputy Finance Director, and Accounting System Administrator, adopted a revised Investment Policy and Procedures "Policy" on October 11, 2018. The revised Policy was adopted to comply with the new mandates prescribed in MCC Chapter 3.080.040.

The Investment Committee is scheduled to meet on January 30, 2019, at which time will discuss the third party investment advisor services.

- (6) Given that the Workday payroll project is already overdue with cost overruns, what is your plan to get it back on track without compromising the quality of the deliverable?

Response: During the first week in my role as acting Finance Director, I had some discussions with various members of the steering committee, consisting of Personnel Services, Management and Finance team to obtain an understanding of the project, the current status, and issues we're dealing with. The original go-live date for both HR/Payroll and Timekeeping was October 2018. The Phase 1, HCM/Payroll is

scheduled to go-live on April 1, 2019 while Phase 1A, Timekeeping is tentatively scheduled to go-live on May 1, 2019. The delay in the implementation of the project was primarily due to the results of the final testing of the system. The additional time will allow the project team to fix any issues and complete additional testing.

Currently, the number of staff assigned to the project is inadequate, even with allowed overtime. Based on the information provided to me, the project is currently within the original budget request for services but the availability of staff resources remains as the primary bottleneck. The Finance Department reached out to other departments to provide additional staff and will continue to work closely with the acting Managing Director and other members of the steering committee to ensure the delivery of the final project is within reasonable timeline and with minimal additional costs.

- (7) What is your plan relative to changing or upgrading the financial reporting software for Accounts?

Response: In 2016, the recommendation to upgrade the County's current financial software called Integrated Financial Accounting System (IFAS) into a newer version called One Solution was made through the annual budget process but the approved funding was not sufficient to implement the ultimate goals and objectives of the upgrade. Given the limited funding, the Department of Finance negotiated with the vendor and when the contract was finally executed, there was a lack of resources available within Finance and Department of Management to start the upgrade due to the HR/Payroll Replacement Project being started and the Accounts Division within Finance was getting into another Comprehensive Annual Financial Report (CAFR) process.

My current plan is to defer the IFAS upgrade until the HR/Payroll Project has been completed. Then, I will re-evaluate the departmental needs and assess whether it is to the best interests of the County to upgrade into a newer version or replace IFAS into a new system. Once the determination has been completed, my plan is to request for adequate resources required to support this effort. It is my observation that it was an overly optimistic decision to have multiple projects occurring at one time. I prefer to avoid taking on too many large projects while sacrificing timeliness and missing deadlines. At this time I feel the Department lacks sufficient personnel with the requisite subject matter knowledge to efficiently implement this project.

- (8) Given that two critical and key software and implementation projects (one in process and the other to be addressed) are the responsibility of the Department of Finance, what experience have you had in overseeing and managing such initiatives?

Response: As I mentioned in question 3, I have sponsored and successfully completed many projects as the Real Property Tax Administrator. These projects were justified and deemed successful as they either saved money or generated income for the County. I am quite confident that existing projects will be completed, however the HR/Payroll project is in my opinion the most important at this time. As mentioned in my response to

question no. 7, the lack of sufficient personnel with the requisite subject matter knowledge forces the decision to defer on the IFAS upgrade at this time.

- (9) The Director of Finance is responsible for working closely with credit rating agencies to ensure the County ratings remain (or exceed) the current ratings. The perception of the Director of Finance's financial expertise by rating agencies, institutional investors, and bond counsel is as key as the County's financial condition. Financial expertise involves understanding and having the ability to explain the County's financial performance to sophisticated investors, reading, and interpreting financial statements, fund balance variations, cash flow, and unfunded liabilities, to name a few. Please discuss your experience and expertise in these areas.

Response: County of Maui currently maintains bond ratings from the three primary rating agencies: Standard & Poor's, Moody's and Fitch. The County's outstanding bonds include Series 2010 A & B, Series 2012, Series 2014, Series 2015 and most recently Series 2018. The County also has over 49 state revolving fund loans with the State of Hawaii, primarily for water and sewer improvements. The County Bond ratings are the highest in the State at Aa1, AA+ and AA+. While, I may not have direct experience with municipal bond issuances or an extensive financial background like most of the previous Finance Directors, I will take whatever steps are necessary to educate myself. As a department manager with years of management experience, I feel confident I can organize the resources I need to manage the County's bond program. My deputy, Ms. May-Anne Alibin, has worked on Series 2014, 2015 and 2018 Bond issues and as County Treasurer has filed the annual continuing bond disclosure reports. I strongly believe it is critical for the Director of Finance to have an understanding of the process of issuing bonds, the various factors that may impact the County's bond ratings and relations with investors. The County has successfully competitively bid its bonds since 2012 and I will review and likely continue with this approach. I will also make sure that the County maintains a highly qualified bond financing team including a municipal advisor, bond counsel and bond disclosure counsel. These experts can assist me on an ongoing basis in addressing the credit and legal issues, ensuring all required continuing disclosures to investors are made and investor relations maintained. I fully realize the importance of maintaining the County's rating and understand that a downgrade could raise interest costs. I also am well aware that the State's unfunded pension and the County's OPEB liabilities are important credit concerns that need to be continually monitored and addressed. I am also aware of the importance of maintaining financing policies that support our high bond ratings including the maintenance of adequate fund balance and reserves.

The success of a bond issuance and the County's ability to retain or exceed its current bond ratings do not solely lie with the Finance Director because this is a countywide effort and is very dependent on the Maui economy, budgetary practices, and County financial policies. It requires that both the administration and the Council work collaboratively to create a County that is economically and financially healthy and sound. I am committed to this. I believe my tenure with the County shows my ability to work

collaboratively with the other departments and the Council to ensure all processes relating to our general obligation bonds go smoothly.

My experience in the real property assessments area has given me a strong background in the primary source of county revenue. Many of the credit rating and investor concerns are directly related to property tax policy rates, assessed valuations and collections.

- (10) Can you foresee any possible conflicts of interests that could arise during your service? How would you overcome any possible conflicts of interests?

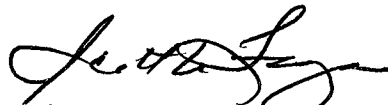
Response: The foregoing response is provided with the assistance of corporation counsel as the question appears to involve the Code of Ethics, Article 10 of the Charter, Code of Ethics, Section 2.56 of the Maui County Code, and to Chapter 101 of the Administrative Rules for the Maui County Board of Ethics. Based on Section 04-101-3, Definitions, "conflict of interests" means:

a real or seeming incompatibility between one's private interests and one's public or fiduciary duties; it also has meanings as explained in past board opinions, that involve a two-part test and require interpretation of section 10-4.1.c. of the Charter, that no officer or employee of the County shall engage in any business transaction or activity or have a financial interest, direct or indirect, which is incompatible with the proper discharge of the officer's or which may tend to impair the officer's or employee's independence of judgment in the performance of the officer's or employee's official duties.

As your question specifically asks about the foreseeability of any possible "conflicts of interests" that could arise, and if one does arise how it may be overcome, we must look to the body of the Code of Ethics referenced above, inclusive of past board opinions. In doing so, however, we humbly respond that we are unable to speculate absent specific facts. Rest assured that any possible consideration of "conflicts of interests" will be immediately submitted to the Board of Ethics for its review and guidance.

Should you have any questions, please feel free to contact me at extension no. 7474.

Sincerely,



SCOTT K. TERUYA  
Acting Director of Finance

SKT:dah

Attachments