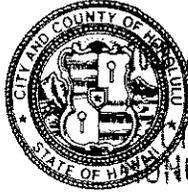


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MUFI HANNEMANN  
MAYOR



APR 22 P 1:57

CITY COUNCIL  
HONOLULU, HAWAII

MARY PATRICIA WATERHOUSE  
DIRECTOR

MARK K. OTO  
DEPUTY DIRECTOR

April 22, 2008

The Honorable Todd K. Apo, Chair  
and Members of the Budget Committee  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

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CITY CLERK  
HONOLULU, HAWAII

Dear Chair Apo and Councilmembers:

Subject: Testimony on Bill 24 (2008) Relating to Funding of Vacant Positions

Our opposition to the bill is based on the following legal and accounting concerns.

- The transfer of vacant funded position monies into the OPEB fund would involve various funds, including restricted funds. Since the restricted funds (such as the sewer, transit, bus, highway, highway beautification, Hanauma Bay, special events, golf, liquor and solid waste funds) can only be used for its authorized purposes, it can not be commingled with other funds within the proposed, new OPEB fund. If restricted funds are transferred to the new OPEB fund, the integrity of these special funds may be compromised.
- The purpose of the OPEB fund should be limited only to the payment of other post-employment benefits and related costs. If used to fund vacant positions, the lapsing of arbitrary amounts of restricted vacant position funds will create a disproportionate allocation of required sources of funding to pay OPEB obligations. This would mean that other special funds would be subsidizing the general fund or vice versa.
- Funds cannot be transferred directly from a fund and spent without an expenditure appropriation in the budget ordinance. The proposed amendment to ROH Section 2-17.2 to allow the transfer of vacant position funding from the new OPEB fund to other funds, activities or character of expenditure to meet the

The Honorable Todd K. Apo, Chair  
and Members of the Budget Committee  
April 22, 2008  
Page 2

costs of funding vacant positions, does not authorize the expenditure of funds as required by RCH 9-102.3.

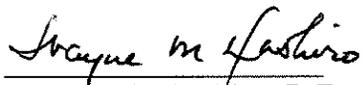
Thank you for allowing me to share these concerns regarding Bill 24. We urge your Committee to defer action on this bill.

Sincerely,



Mary Patricia Waterhouse  
Director

APPROVED:



Wayne M. Hashiro, P.E.  
Managing Director

cc: Office of the Mayor