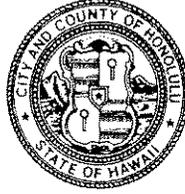


DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov



MUFI HANNEMANN
MAYOR

MARY PATRICIA WATERHOUSE
DIRECTOR

MARK K. OTO
DEPUTY DIRECTOR

September 30, 2008

CITY CLERK
HONOLULU, HAWAII

SEP 30 3 17 PM '08

RECEIVED

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

CITY COUNCIL
HONOLULU, HAWAII

2008 SEP 30 A 11: 18

RECEIVED

Dear Chair Apo and Councilmembers:

Subject: Testimony Relating to Resolution 08-209 – Transfer of Funds

Resolution 08-209 requests ratification after-the-fact for the transfer of funds in Fiscal Year 2008 totaling \$277,900 between activities in the Department of Information Technology (DIT), the Department of Planning and Permitting (DPP), and the Honolulu Police Department (HPD).

These funds were transferred between activities within DIT, DPP, and HPD in Fiscal Year 2008 to meet salary and current expense requirements of these departments. Although Council approval by resolution was required for these transfers, the departments did not submit resolutions for these transfers due to their misunderstanding of the ordinance requirement and oversight. When this situation came to the attention of the Department of Budget and Fiscal Services, there was insufficient time in Fiscal Year 2008 to process the required resolutions. To assist departments in the review and monitoring of fund transfers, a clarification memorandum regarding the transfer of funds was issued to all City agencies and fiscal officers. Please find the memorandum attached.

Your favorable action on Resolution 08-209 is requested.

Sincerely,

Mary Patricia Waterhouse
Director

MPW/EK:sk

Attachment

APPROVED:

Wayne M. Hashiro, P.E.
Managing Director

DEPT. COM. 740

B

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MUFI HANNEMANN
MAYOR



MARY PATRICIA WATERHOUSE
DIRECTOR

MARK K. OTO
DEPUTY DIRECTOR

August 14, 2008

MEMORANDUM

TO: All City Agencies
(Excluding Board of Water Supply)

FROM: Mary Patricia Waterhouse, Director
Budget and Fiscal Services

A handwritten signature in black ink, appearing to read "M. Waterhouse", is written over the printed name of the Director.

SUBJECT: Compliance with Ordinance Requirement Regarding Transfer of Funds

This is to clarify the restriction on transfer of funds by City departments, as set forth in Section 2-17.2 (c) of the Revised Ordinances of Honolulu, regarding Budget Execution, and to remind departments and fiscal officers about their responsibility to comply with the provisions of this ordinance. (See bolded sections in the attached copy of ordinance.)

The restrictions on the transfer of funds between activities and between characters of expenditure are based on the cumulative amount of transfers from or to an activity, or from or to a character of expenditure. The cumulative amount of transfers is the total amount of transfers, for an activity or for a character of expenditure, as of a certain date, including transfers that have been authorized by a Resolution. Authorization of a transfer by Resolution does not exclude the transferred amount from the cumulative total. Also, transfers from the Provisional Account to departmental accounts are considered to be transfers between activities, and therefore these amounts are to be included in the cumulative total of transfers.

In light of the delegated authority to the departments to transfer funds between activities and between characters of expenditure up to the transfer limit, it is important that the agency heads and fiscal officers review all transfers of funds carefully to ensure compliance with the ordinance. (Exception to this delegation: Transfer of salary funds to current expense or equipment requires approval by the BFS Director regardless of the amount of the transfer.)

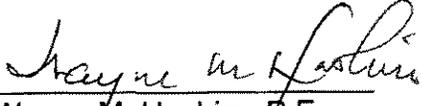
Memorandum
August 14, 2008
Page Two

Should you have any questions, please feel free to call me at 768-3901. Thank you for your cooperation.

MPW/EK:sk

Attachment

FORWARDED:



Wayne M. Hashiro, P.E.
Managing Director

cc: Fiscal Officers

Sec. 2-17.2 Budget execution.

Upon the enactment of the executive operating budget ordinance and the executive capital budget ordinance, each executive agency may make expenditures pursuant to the charter, subject, however, to the following:

- (a) **Authorized Positions.** Only those positions authorized within the specified permanent position count and temporary position count for each activity under the executive operating budget ordinance may be established, filled, and have funds allotted to them. Provided, however, if because of an unforeseen or emergency circumstance a temporary position is required for an activity for which a temporary position count has not been authorized, the mayor, after notifying the council, may establish, fill and allot funds for that temporary position.

The notification shall identify: the type of temporary position required, the anticipated duration of the employment of the temporary position, the cost of the temporary position, the source of budgetary savings which will accrue to finance the temporary position, and the unforeseen or emergency circumstance justifying the need for the temporary position.

- (b) (1) **Temporary Transfers of Positions.** Temporary transfers of positions by the mayor shall be permitted pursuant to Section 5-103 of the charter within the fiscal year. A quarterly status report of all transfers shall be filed with the office of the city clerk. Such report shall include, but need not be limited to, the following information for each position transferred: the position title and position number of the position transferred, the originating activity from which the position is transferred, the activity to which the position is transferred, the title and function of the position in its temporary assignment, the purpose for the transfer, and the effective date and the anticipated duration of the temporary transfer.
- (2) Temporary transfer of position actions shall not be used as a means to circumvent the annual budget policies and process.

(c) **Transfer of Funds.**

- (1) **No transfer of funds from an activity shall be executed without council approval by resolution when the cumulative amount of transfers from that activity shall total in excess of \$100,000.00 or 10 percent of the amount appropriated for that activity in the executive operating budget ordinance, as may be amended, whichever is less. No transfer of funds to an activity shall be executed without council approval by resolution when the cumulative amount of transfers to that activity shall total in excess of \$100,000.00 or 10 percent of the amount appropriated for that activity in the executive operating budget ordinance, as may be amended, whichever is less.** A report of all individual transfers of funds between activities occurring within each month shall be filed with the office of the city clerk within 15 days after the end of the month. Such report shall include, but need not be limited to, the following information: the amount of funds transferred, the source of funding of the transferred funds, the originating activity and character of expenditure thereof from which the funds are transferred, the activity and character of expenditure thereof to which the funds are transferred, the purpose for the transfer, and the impact of the loss of funds on the originating activity.
- (2) **Except as otherwise provided in subdivision (4), no transfer of funds between characters of expenditure within the same activity shall be executed without council approval by resolution when the cumulative amount of such transfers exceeds the lesser of:**
- (A) **\$100,000.00, or**
- (B) **the greater of:**
- (i) **10 percent of the appropriation for either the originating or receiving character of expenditure, or**
- (ii) **\$10,000.00.**

A report of all individual transfers of funds between characters of expenditure shall be filed with the office of the city clerk within 15 days after the end of the month. Such report shall include, but need not be limited to, the following information: the amount of funds transferred, the source of funding of the transferred funds, the originating character of expenditure from which the funds are transferred, the character of expenditure to which the funds are transferred, the purpose of the transfer, and the impact of the loss of funds on the originating character of expenditure.

- (3) For the purposes of this subsection, "character of expenditure" means the same as defined in Section 2-18.1.
- (4) Council approval shall not be required for transfers of funds between characters of expenditure within the same activity when the funds transferred are from and will remain a part of the appropriations to the transit management services contractor as defined in Chapter 13. A report of all individual transfers of funds as provided herein shall include the same information prescribed in subdivision (2). The report shall be filed with the office of the city clerk within 15 days after the end of the month and a copy of the report shall be transmitted to the city council.

- (d) **Force and Effect of the Executive Program.** The temporary position count for each activity as may be provided for in the executive program, as attached to the executive operating budget ordinance, shall have the same force and effect as provided by this article, to limit funding only to duly authorized temporary positions.

(Sec. 2-18.2, R.O. 1978 (1987 Supp. to 1983 Ed.); Am. Ord. 88-14, 90-49, 91-27, 96-23, 97-02, 98-02, 00-48)