

Chapter 2 - Department of Budget and Fiscal Services

The Department of Budget and Fiscal Services (BFS) is the City and County of Honolulu’s central financial agency. It is responsible for providing the city’s centralized accounting, procurement, treasury, and budget functions.

The department’s goals are to:

- Promote good and accountable government;
- Work collaboratively to meet the mayor’s goals;
- Develop a strong and cohesive management team;
- Approach problems from a broad, citywide perspective and its impact on others; and
- Provide excellent service to internal and external customers.

BFS administration provides department-wide leadership and coordination to the following divisions:

Budgetary Administration	Internal Control	Accounting and Fiscal Services	Fiscal/CIP Administration	Purchasing and General Services	Real Property Assessment	Treasury
<ul style="list-style-type: none"> • Oversees the city’s annual operating budget • Formulates and administers the city’s budgetary policies 	<ul style="list-style-type: none"> • Safeguards the city’s assets by examining its financial activities • Monitors controls and processes • Recommends improvements 	<ul style="list-style-type: none"> • Provides financial services to city agencies • Accounts for city funds and the receipt and expenditure of public funds 	<ul style="list-style-type: none"> • Responsible for the city’s capital improvement program and budget • Prepares ordinances and resolutions • Develops debt service programs 	<ul style="list-style-type: none"> • Conserves city resources through cost-efficient purchases of goods and services • Responsible for the city’s assets 	<ul style="list-style-type: none"> • Ensures that real property assessment values are fair, equitable, and based on market value and applicable standards and laws 	<ul style="list-style-type: none"> • Responsible for cash management, debt, and certain accounts receivable • Issues, sells, pays interest on, and redeems bonds

The city charter administratively attaches the Honolulu Liquor Commission to BFS. The commission is wholly funded through revenues from liquor licenses. The O’ahu Workforce Development Board (OWDB) is also administratively attached to BFS. OWDB administers the federal Workforce Innovation and Opportunity Act (WIOA) funds and oversees and sets policies for the American Job Center Hawai’i which provides workforce services for businesses, job seekers, and youth.

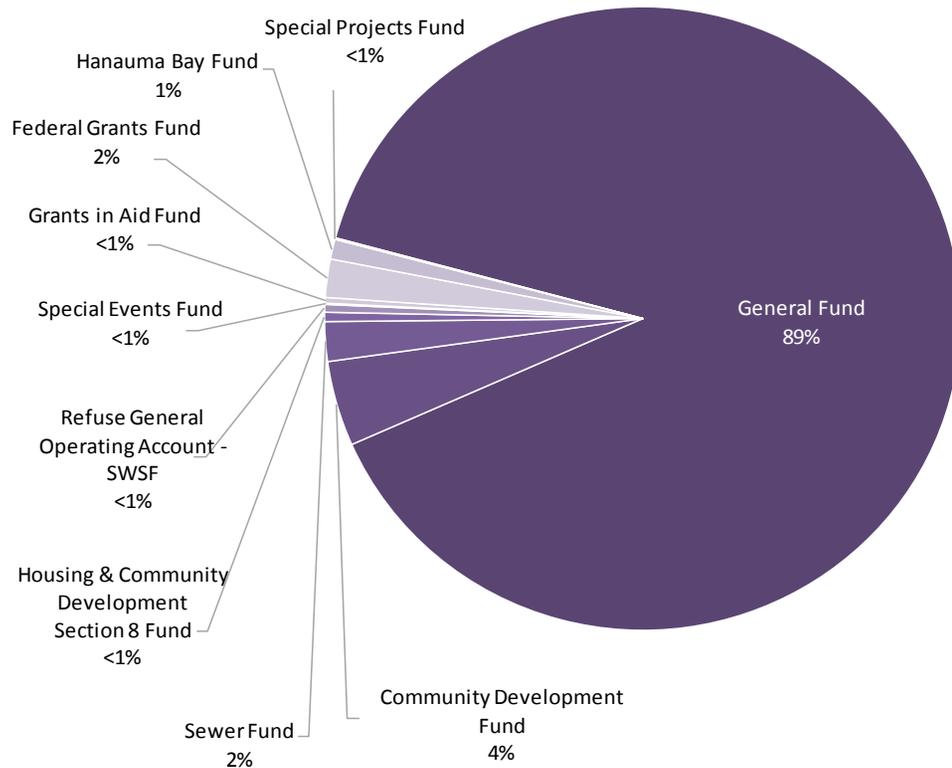


To deliver adequate resources to city agencies to ensure successful programs and projects in a fiscally prudent and responsible manner.

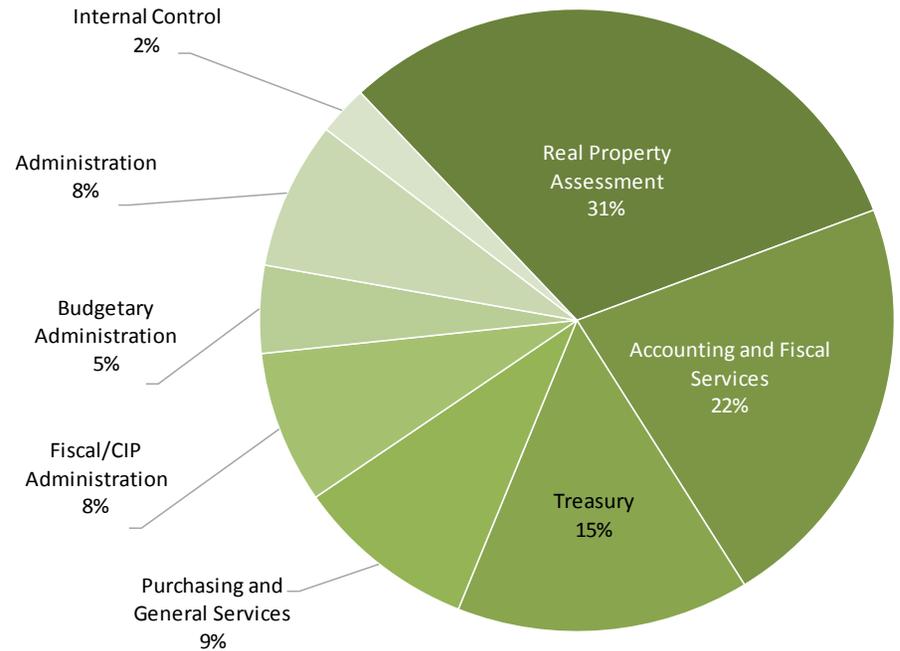
Mission Statement

Spending and Staffing

Fund Sources¹



Fund Uses



	Operating Expenditures (\$ millions)	Revenues (\$ millions)	Staffing			Overtime Expenditures ³	
			Total Authorized FTE	Total Vacant FTE	Cost Per FTE ²	Total	Non-Holiday
FY 2015	\$17.83	\$2,112.31	303	36	\$58,837	\$147,718	\$146,969
FY 2016	\$18.07	\$1,985.29	302	38	\$59,839	\$171,205	\$171,039
FY 2017	\$18.37	\$2,283.71	303	42	\$60,626	\$160,530	\$160,368
FY 2018	\$18.70	\$2,468.17	307	41	\$60,920	\$108,396	\$106,509
FY 2019	\$19.51	\$2,481.76	311	38	\$62,734	\$129,108	\$124,799
Change from last year	4%	1%	1%	-7%	3%	19%	17%
Change over last 5 years	9%	17%	3%	6%	7%	-13%	-15%

Source: Department of Budget and Fiscal Services. ¹Percentages do not total 100% due to rounding. ²Cost Per FTE = Total Operating Expenditures/Total Authorized FTE. ³Overtime pay is established by bargaining unit agreement as applicable.

Spending and Staffing



Operating Expenditures

\$19.51 M ▲ **4%**

The department's operating expenditures increased 4% over the last year due to the transfer of the O'ahu Workforce Development Board (OWDB) from the Department of Community Services and increased overtime expenditures.



Overtime Expenditures

\$129,108 ▲ **19%**

Total overtime expenditures increased 19% over the last year. According to the department, staffing shortages caused the increase in overtime expenditures.

Five Year Trends



- The department's operating expenditures increased 9% from \$17.83 million to \$19.51 million over the last five years. The department attributes the increase to collective bargaining agreements.



- The department's revenues increased 17% from \$2,112 million to \$2,481 million over the last five years.

FY 2019 ACCOMPLISHMENTS

- Received the Government Finance Association Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for the Fiscal Year Ended 6/30/2018
- Government Finance Officers Association Distinguished Budget Presentation Award for FY 2019

CHALLENGES MOVING FORWARD — FY 2020

- *Upgrading the city's accounting and payroll ERP systems from 3.10 to 3.11*

Administration, Budgetary Administration and Internal Control

Budgetary Administration

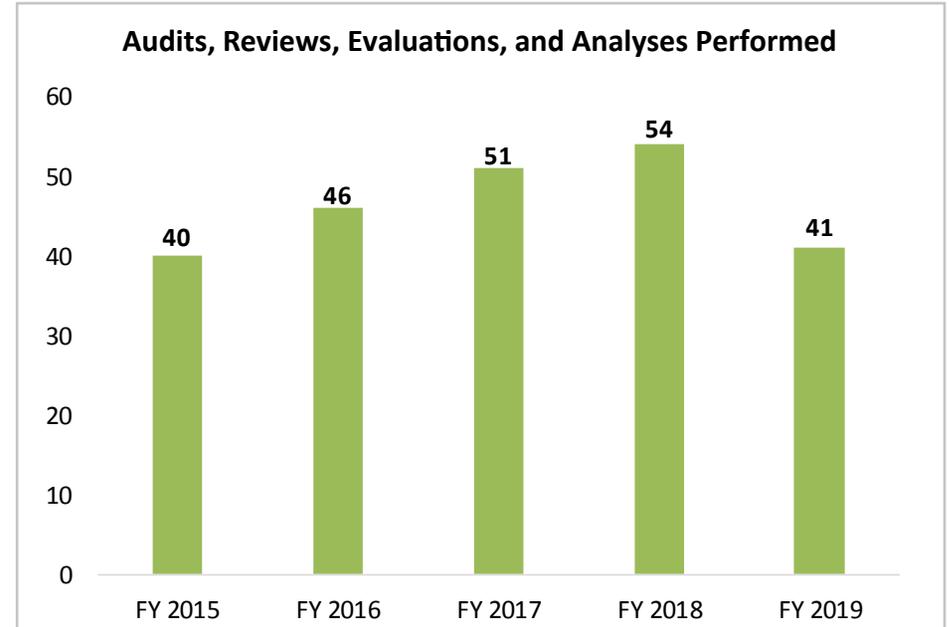
The Budgetary Administration Division oversees the city's annual operating budget and formulates and administers the city's budgetary policies under the direction of the mayor. It also reviews operating and capital budget program schedules, makes budgetary allotments, and reviews requests for new agency positions with the mayor's approval. The primary goal of the division is achieved with the adoption of the city's annual operating budget.

Over the past year, the number of communications reviewed and processed increased 3% from 2,187 in FY 2018 to 2,244 in FY 2019.

Internal Control

The mission of the Internal Control Division is to safeguard city assets. Internal control performs examinations of the city's financial activities, audits, and reviews; monitors controls and processes; and recommends practical changes and cost effective improvements.

Audits, reviews, evaluations, and analyses decreased 24% from 54 in FY 2018 to 41 in FY 2019 and increased 3% over the last five fiscal years. The department explained that the number of reports completed each year is dependent on the scope and complexity of the assignments.



Source: Department of Budget and Fiscal Services

	Administration	Budgetary Administration		Internal Control	
	Operating Expenditures	Operating Expenditures	Communications Reviewed and Processed	Operating Expenditures	Audits, Reviews, Evaluations, and Analyses Performed
FY 2015	\$907,420	\$878,909	2,171	\$566,513	40
FY 2016	\$904,376	\$977,639	2,007	\$574,812	46
FY 2017	\$849,133	\$837,238	2,660	\$481,025	51
FY 2018	\$887,692	\$909,026	2,187	\$505,854	54
FY 2019	\$1,494,748	\$888,287	2,244	\$496,696	41
Change from last year	68%	-2%	3%	-2%	-24%
Change over last 5 years	65%	1%	3%	-12%	3%

Source: Department of Budget and Fiscal Services

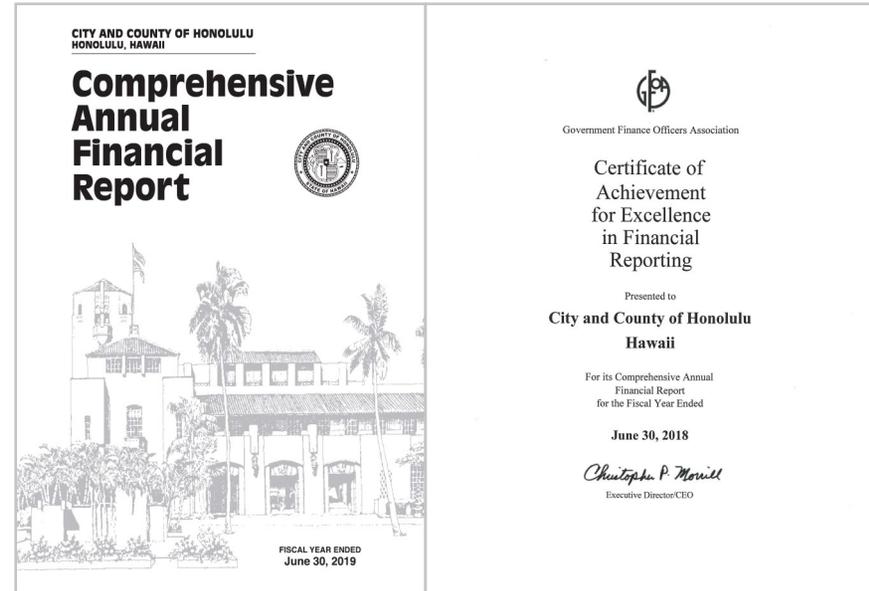
Accounting and Fiscal Services Division

The Accounting and Fiscal Services Division plans, develops, and provides financial services to departments and agencies. It accounts for all city funds and the manner in which public funds are received and expended.

The division's goals are to: (1) ensure that expenditures are proper and comply with applicable laws and grant agreements; (2) meet all federal grant financial reporting requirements; and (3) provide financial services to city agencies needed to achieve their goals and objectives. The division is responsible for central accounting services, including all payments and payroll functions.

The division issues the city's Comprehensive Annual Financial Report (CAFR) and received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

Operating expenditures decreased 2% over the last five years from \$4.37 million in FY 2015 to \$4.27 million in FY 2019.



Source: FY 2019 Honolulu Comprehensive Annual Financial Report

	Operating Expenditures (\$ millions)	Accounting and Fiscal Services		
		Payroll-Wage Related Payments Processed	Non-Payroll Documents Payments Processed	Total Payments Processed
FY 2015	\$4.37	236,000	61,000	297,000
FY 2016	\$4.38	236,000	59,000	295,000
FY 2017	\$4.32	235,751	55,672	291,423
FY 2018	\$4.40	235,572	54,095	289,667
FY 2019	\$4.27	235,631	55,682	291,313
Change from last year	-3%	<1%	3%	1%
Change over last 5 years	-2%	<-1%	-9%	-2%

Source: Department of Budget and Fiscal Services

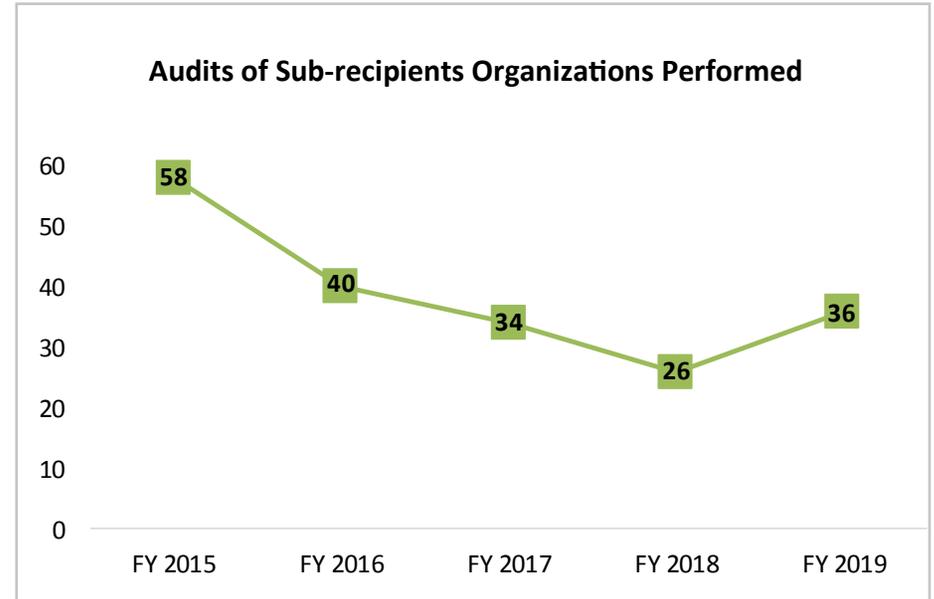
Fiscal/CIP Administration

The Fiscal/Capital Improvement Program Administration Division's mission is to formulate, review, prepare, and implement the city's annual capital improvement program and budget. The division prepares ordinances and resolutions, performs ongoing reviews of capital budget allotments, and enforces the capital budget ordinance. It also analyzes and develops debt service programs for the city.

The number of independent services contracts increased 16% over the last five fiscal years from 419 to 484 and 17% over the last fiscal year. The department explained that the increase is due to the administration's focus on completing certain projects quickly. Projects included reducing homelessness and important emergency projects.

In FY 2019, there were zero sub-recipient agreements. The department notes that with the emphasis on city projects, there are fewer projects with sub-recipients. In addition, with the change in responsibilities between the Department of Community Services (DCS) and the Federal Grants Unit (FGU), the FGU no longer reviews sub-recipient agreements.

The audits of sub-recipient organizations performed decreased 38% over the last five fiscal years but increased 38% over the last fiscal year. The department explained that the change in responsibilities from DCS to FGU is the reason for the increase.



Source: Department of Budget and Fiscal Services

	Reviewed and Processed					Audits of Sub-recipient Organizations Performed
	Operating Expenditures (\$ millions)	Independent Services Contracts	Appropriation and Allotment Vouchers	Application for HUD Funds	Sub-recipient Agreements	
FY 2015	\$1.30	419	495	44	114	58
FY 2016	\$1.17	336	474	69	121	40
FY 2017	\$1.25	425	509	45	80	34
FY 2018	\$1.23	414	494	21	33	26
FY 2019	\$1.54	484	543	22	0	36
Change from last year	25%	17%	10%	5%	-100%	38%
Change over last 5 years	19%	16%	10%	-50%	-100%	-38%

Source: Department of Budget and Fiscal Services

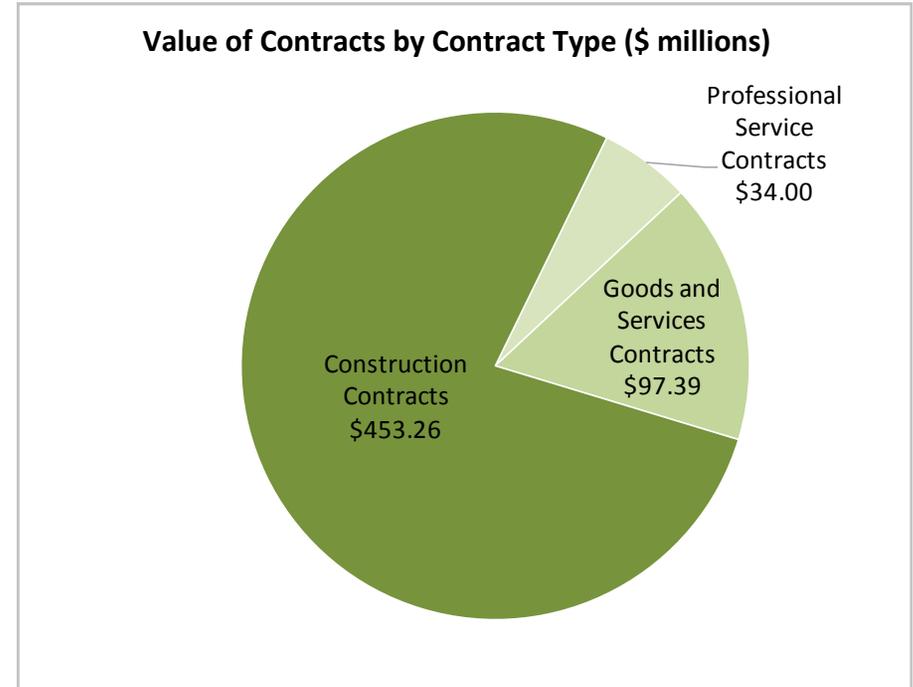
Purchasing and General Services Division

The mission of the Purchasing and General Services Division is to assure quality purchases at reasonable prices for the city in accordance with the law.

The division supports the department’s mission to maintain the city’s financial health and conserve its resources through cost-efficient purchases of goods through the use of price-list contract awards for commonly purchased items by city departments. In the past fiscal year, the total goods and services contracts increased 43% from 141 to 201 and the dollar value of those contracts increased 102% from \$48.17 million to \$97.39 million.

The division is responsible for procuring all materials, supplies, equipment, and services for city departments and agencies, which include construction, consultant, and personal services contracts. It is also responsible for the city’s assets, including real property, rentals, leases, and concessions, and administers housing relocation functions.

The construction contracts dollar value increased 99% in the last fiscal year from \$228 million to \$453 million and increased 143%, from \$186 million to \$453 million over the last five fiscal years. The department explained that In recent years, there have been major procurement requests such as road paving and wastewater projects.



Source: Budget and Fiscal Services

	Goods and Services Purchases							New Contracts FY 2019						
	Operating Expenditures (\$ millions)	Total Active Price Lists	Total Price List Purchase Orders ¹	Price List Purchase Order Value (\$ millions)	Total Direct Purchase Orders ²	Direct Purchase Order Value (\$ millions)	Total Purchase Orders ³	Purchase Order Value (\$ millions)	Total Professional Service Contracts	Professional Service Dollar Value (\$ millions)	Total Goods and Services Contracts	Goods and Services Dollar Value (\$ millions)	Total Construction Contracts	Construction Dollar Value (\$ millions)
FY 2015	\$1.71	263	2,502	\$65.91	3,544	\$7.52	768	\$26.36	93	\$44.69	185	\$67.27	92	\$186.42
FY 2016	\$1.72	272	2,672	\$113.52	3,719	\$8.35	664	\$26.55	86	\$26.55	158	\$73.50	73	\$311.11
FY 2017	\$1.81	297	2,567	\$101.22	4,319	\$16.92	249	\$25.88	80	\$31.65	133	\$52.49	57	\$164.83
FY 2018	\$1.86	344	2,554	\$121.76	4,073	\$16.22	231	\$39.71	82	\$38.31	141	\$48.17	95	\$227.75
FY 2019	\$1.81	364	2,599	\$114.67	4,008	\$16.66	228	\$38.18	73	\$34.00	201	\$97.39	81	\$453.26
Change from last year	-2%	6%	2%	-6%	-2%	3%	-1%	-4%	-11%	-11%	43%	102%	-15%	99%
Change over last 5 years	6%	38%	4%	74%	13%	122%	-70%	45%	-22%	-24%	9%	45%	-12%	143%

Source: Department of Budget and Fiscal Services ¹Total Price Purchase Orders are purchase orders that are associated with a master agreement (MA in C2HERPS). These purchases are known as delivery orders (DO in C2HERPS). ²Total Direct Purchase Orders are purchase orders initiated by city agencies. These purchases are designated as small purchase orders (SP in C2HERPS). ³ Total Purchase orders are purchase orders issued by the BFS Division of Purchasing. These are designated as purchase orders (PO in C2HERPS).

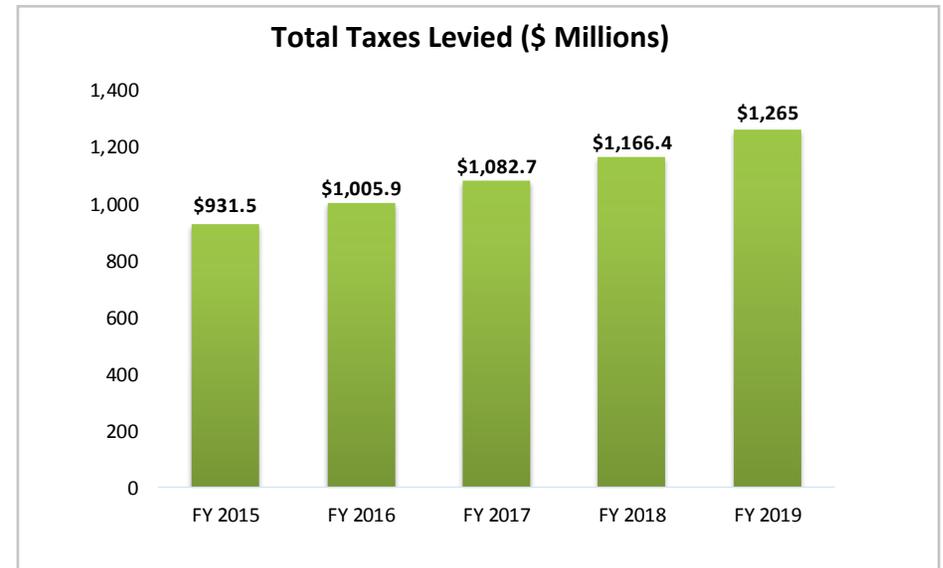
Real Property Assessment Division

The mission of the Real Property Assessment Division (RPAD) is to annually prepare a certified assessment roll of property taxes for the city council as required by ordinance. It ensures that real property assessment values are fair, equitable, and based on market value and applicable standards and laws. The certified assessment roll is used by the city council to set the property tax rates for the city.

To achieve its mission, RPAD annually identifies all real property parcels, respective owners, appraises parcels, and processes exemption and dedication claims. It sends assessment notices to owners, resolves tax appeals, and maintains and updates information (including maps, ownership and valuation records, etc.).

Total assessment value increased 7% over the last fiscal year and 30% over the last five fiscal years. The department explained the total assessment value increase is due to the overall increase in market values, increased inventory (including developer projects, such as those in Kaka`ako), and renovations (including larger renovations to hotels and major shopping centers).

Total appeals filed decreased 34% from 2,141 in FY 2015 to 1,413 in FY 2019. The department noted the decrease was primarily due to the large number of pending developer sales closing (e.g. Kaka`ako area). As sales close, developer or condo project appeals decrease.



Source: Budget and Fiscal Services

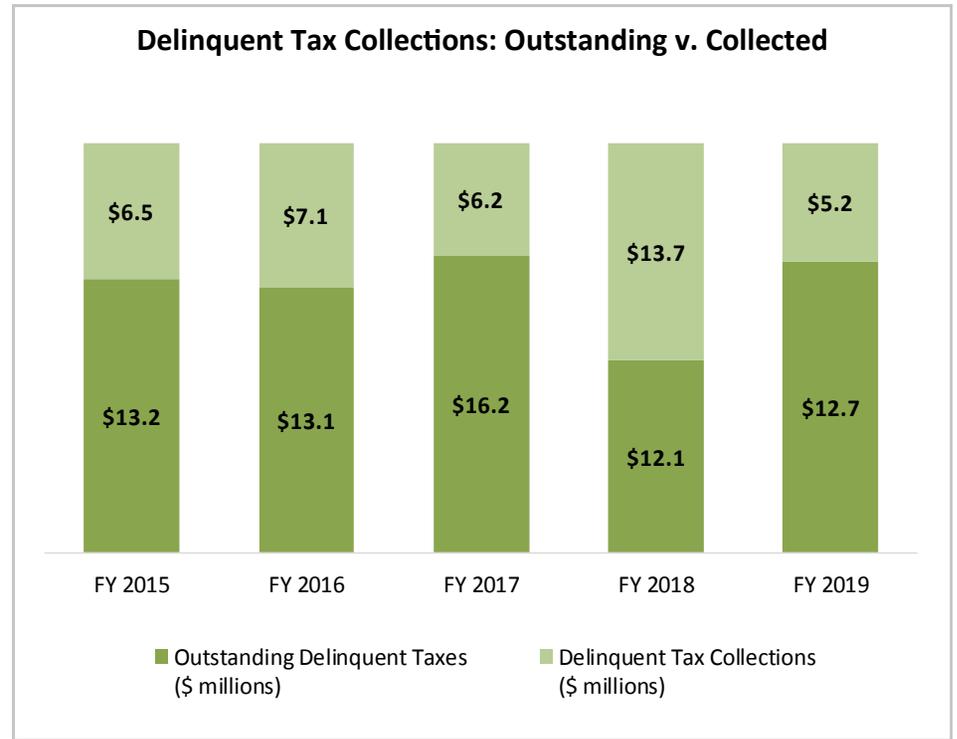
	Operating Expenditures (\$ millions)	Real Property Tax Assessments		Exemptions / Dedications Processed				
		Total Assessment Value ¹ (\$ billions)	Total Taxes Levied ¹ (\$ millions)	Assessment Parcels	Total	Walk-In Counter Service	Appeals Filed	Building Inspections
FY 2015	\$5.79	\$174.34	\$931.47	293,852	51,531	4,600	2,141	7,202
FY 2016	\$5.70	\$187.72	\$1005.87	295,651	49,105	5,000	2,071	7,119
FY 2017	\$5.94	\$199.63	\$1082.73	298,149	63,182	5,200	3,112	6,538
FY 2018	\$6.10	\$211.57	\$1166.39	299,647	65,202	6,000	2,429	6,660
FY 2019	\$6.08	\$226.64	\$1265.02	301,381	59,724	5,900	1,413	6,354
Change from last year	<-1%	7%	8%	1%	-8%	-2%	-42%	-5%
Change over last 5 years	5%	30%	36%	3%	16%	28%	-34%	-12%

Source: Department of Budget and Fiscal Services. ¹Rounded totals.

The Treasury Division is responsible for the city’s cash management, debt, and selected accounts receivable. The division maintains the city’s treasury, deposits monies, and invests funds as authorized by law. It also issues, sells, pays interest, and redeems bonds. Treasury is responsible for billing and collecting various revenues and assessments including real property taxes, improvement and business improvement districts, refuse disposal and collection fees, real property rentals, and concessions contracts. Treasury’s goals include the effective, timely, and cost efficient collection of real property taxes, assessments, and various city fees; and effective management of the city’s debts and obligations.

Real property tax is the primary revenue source for the General Fund. In FY 2019, the city collected \$1.28 billion in real property tax, which was a 9% increase from \$1.17 billion collected last year and a 36% increase from the \$935.80 million collected five years ago.

According to the department, in 2018, there was improved collection effectiveness which reduced the foreclosure process from three years to two years and resulted in a one-time acceleration of delinquencies. In FY 2019, this resulted in a decrease of delinquency tax collections from \$13.65 million in FY 2018 to \$5.15 million in 2019, which represents a 62% decline.



Source: Department of Budget and Fiscal Services

	Real Property Taxes						
	Operating Expenditures (\$ millions)	Total Taxes Levied (\$ millions)	Collections to Date (\$ millions)	Outstanding Delinquent Taxes (\$ millions)	Delinquency Rate	Delinquent Tax Collections (\$ millions)	Delinquent Real Property Tax Accounts ¹
FY 2015	\$2.31	\$966.10	\$935.80	\$13.20	1.4%	\$6.50	6,241
FY 2016	\$2.64	\$1039.00	\$1010.50	\$13.10	1.0%	\$7.10	6,115
FY 2017	\$2.88	\$1113.97	\$1087.38	\$16.24	1.0%	\$6.15	5,651
FY 2018	\$2.81	\$1183.31	\$1173.88	\$12.13	1.0%	\$13.65	5,574
FY 2019	\$2.91	\$1437.13	\$1276.10	\$12.67	0.9%	\$5.15	5,843
Change from last year	4%	21%	9%	4%	-10%	-62%	5%
Change over last 5 years	26%	49%	36%	-4%	-36%	-21%	-6%

Source: Department of Budget and Fiscal Services. ¹Property tax installment payments are due on August 20th (first installment) and February 20th (second installment).

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