

CHAPTER 2

Department of Budget and Fiscal Services

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The Department of Budget and Fiscal Services (BFS) 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.

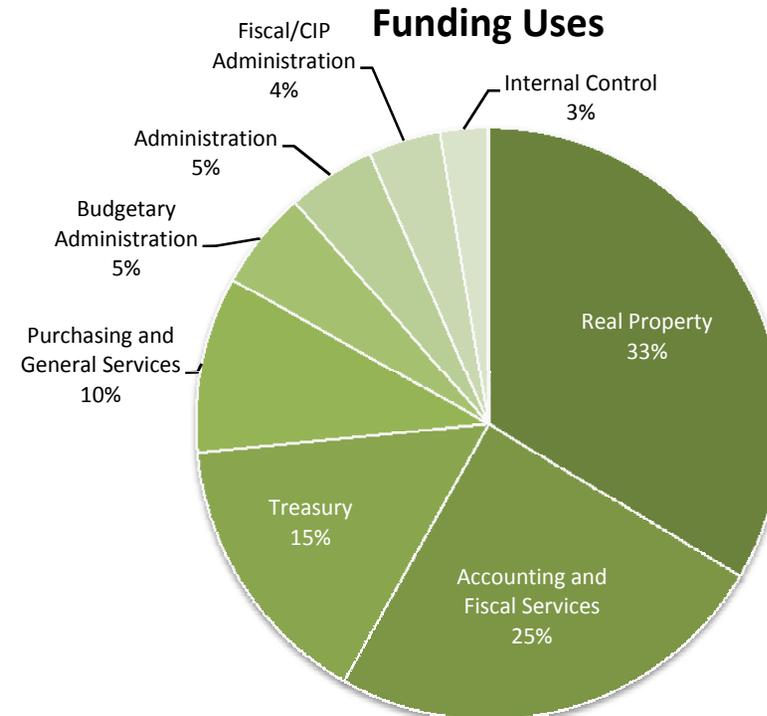
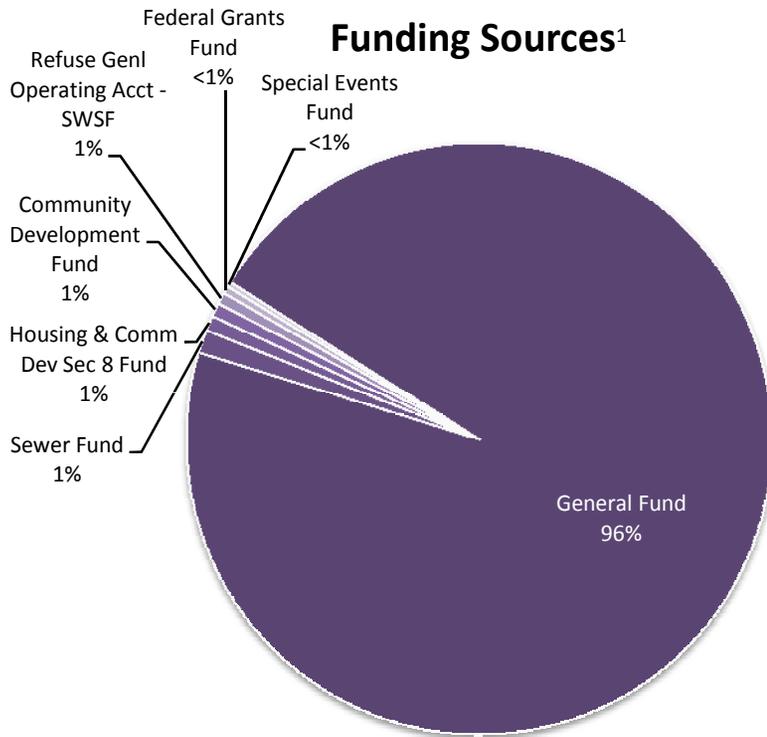
The department consists of eight divisions:

- Administration
- Budgetary Administration
- Internal Control
- Accounting and Fiscal Services
- Fiscal/Capital Improvement
- Purchasing and General Services
- Real Property Assessment
- Treasury

The city charter administratively attaches the Honolulu Liquor Commission to BFS. The commission is wholly funded through revenues from liquor licensees.

To protect the financial well-being of the City and County of Honolulu.

-Mission Statement



¹Percentages do not total to 100% due to rounding.

	Total Operating Expenditures (\$ million)	Total Revenues (\$ million)	Staffing		Cost Per FTE¹	Overtime Expenditures²	
			Total Authorized FTE	Total Vacant FTE		Total	Non-Holiday
FY 2009	\$17.5	--	318	51	\$55,070	\$294,773	\$282,000
FY 2010	\$17.7	\$1,972.3	320	50	\$55,313	\$161,132	\$159,435
FY 2011	\$16.0	\$1,750.9	323	67	\$49,559	\$194,729	\$193,872
FY 2012	\$15.3	\$1,781.8	323	63	\$47,463	\$96,340	\$95,005
FY 2013	\$15.0	\$1,909.5	320	71	\$46,930	\$138,982	\$135,444
Change from last year	-2%	7%	-1%	13%	-1%	44%	43%
Change over last 5 years	-14%	--	1%	39%	-15%	-53%	-52%

Source: Executive Operating Program and Budget (FY 2010-FY 2015) and Department of Budget and Fiscal Services. ¹Cost Per FTE = Total Operating Expenditures/Total Authorized FTE. ²Overtime pay is established by bargaining unit agreement, as applicable.

The Divisions

Over the last five years, BFS operating expenditures decreased 14% from \$17.5 million in FY 2009 to \$15.0 million in FY 2013. During the same period, total authorized staffing increased 1% and vacancies increased by 39%. Overtime expenditures decreased 53% from \$294,773 in FY 2009 to \$138,982 in FY 2013.

In the 2013 National Citizen Survey, Honolulu residents were asked to rate the value of services for taxes paid. About 24% rated the value of services for taxes paid as *excellent* or *good*. This percentage is *lower* than ratings reported nationwide and among cities with populations over 300,000. Among large cities, Honolulu ranked last out of 28 cities for the value of services for taxes paid.

Administration

Administration provides department-wide leadership, coordination and ensures that the department's mission, goals and objectives are achieved. The division supports the department's mission through administration of the city's risk management program which covers all city departments except the Honolulu Board of Water Supply, O`ahu Transit Services, and HART, and excludes workers' compensation and employee benefits. The program focuses on minimizing the adverse financial impact of losses through self-insurance and the purchase of additional insurance.

BFS reported that in FY 2013 the insurance market was unexpectedly stable and the city was able to enhance and expand terms and conditions of the commercial insurance without any significant increase in premiums.

	Administration		Budgetary Administration		The National Citizen Survey (% <i>Excellent</i> or <i>Good</i>)	
	Operating Expenditures (\$ million)	Risk Management Reported Liability Losses (\$ million)	Operating Expenditures (\$ million)	Communications Reviewed and Processed		Value of Services for Taxes Paid
FY2009	\$1.0	\$1.7	\$0.8	1,830	FY 2009	-
FY2010	\$1.1	\$1.6	\$0.9	1,934	FY 2010	33%
FY2011	\$1.0	\$0.5	\$0.9	2,139	FY 2011	35%
FY2012	\$0.9	\$1.4	\$0.8	2,164	FY 2012	33%
FY2013	\$0.7	\$1.5	\$0.8	2,175	FY 2013	24%
Change from last year	-22%	7%	0%	1%	Change from last year	-9%
Change over last 5 years	-30%	-12%	0%	19%	Change over last 4 years	-9%

Source: Department of Budget and Fiscal Services, 2013 National Citizen Survey (Honolulu)

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 annually with the adoption of the city’s annual operating budget.

Internal Control

Consistent with the department’s mission for the city’s financial health, 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.

complaints of alleged fraud and maintains the internal control website. In FY 2013, some of the division’s accomplishments are as follows:

- Reviewed the independent auditor’s financial and single-audit comments, and the city’s response to the independent auditors;
- Completed quarterly cash audits and prepared statement of the amount and kind of funds in the city’s Treasury;
- Providing on-going citywide and departmental reviews through the purchasing card program; monitored city agency compliance with petty cash and change funds policies and procedures;
- Audited the annual H-POWER true-up billing; prepared the city’s consolidated local central service cost allocation plan and indirect cost rates;
- Monitored the low income housing compliance requirements in the Multi-Family Housing program;
- Reviewed and provided updates to the budget and fiscal services’ policies and procedures manual;
- Updated and developed new policies for the Administrative Directives Manual; and
- Performed a review of relocation transactions.

	Internal Control	
	Operating Expenditures (\$ million)	Audits, Reviews, Evaluations, and Analyses Performed
FY2009	\$0.8	32
FY2010	\$0.7	43
FY2011	\$0.5	39
FY2012	\$0.4	35
FY2013	\$0.4	34
Change from last year	-0%	-3%
Change over last 5 years	-50%	6%

Source: Department of Budget and Fiscal Services

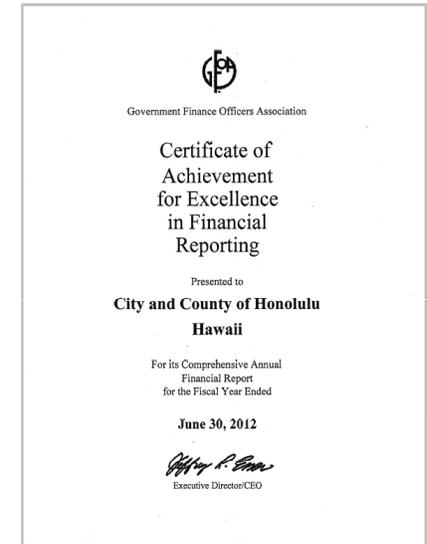
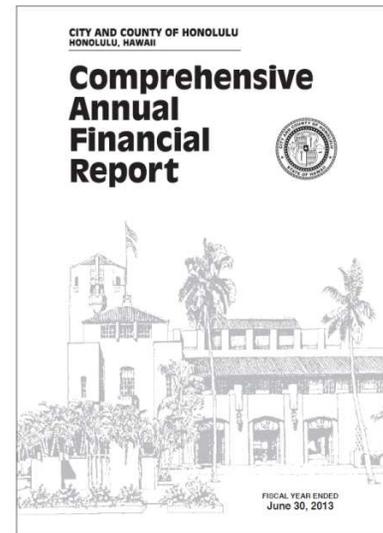
The Divisions

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 include: (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 has received the Certificate in Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for 26 of the last 27 years. The division also continued to assist in refining the city's enterprise resource management system for the implementation of new provisions of HGEA and UPW union contracts.



Source: FY 2013 Comprehensive Annual Financial Report

Accounting and Fiscal Services

	Operating Expenditures (\$ million)	Payroll-Wage Related Payments Processed	Non-Payroll Documents Payments Processed	Total Payments Processed
FY2009	\$4.3	245,000	33,220	278,220
FY2010	\$4.2	245,000	48,000	293,000
FY2011	\$4.1	247,000	50,000	297,000
FY2012	\$3.7	245,000	60,745	305,745
FY2013	\$3.7	234,338	58,000	292,338
Change from last year	0%	-4%	-5%	-4%
Change over last 5 years	-14%	-4%	75%	5%

Source: Department of Budget and Fiscal Services

Fiscal/Capital Improvement Program Administration

The Fiscal/Capital Improvement Program (CIP) 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 division’s Fiscal/Long-Range Planning Branch develops revenue estimates, central accounts, and long-range financial planning programs needed to implement the mayor’s strategic goals.

A goal of the division’s Federal Grants Unit is to ensure the effective administration of all of the city’s Housing and Urban Development (HUD) federal grant programs. This unit is the city’s entity for financial management, reporting, and monitoring of entitlement programs.

During FY 2013, these included:

- Implementation and administration of the request for proposals (RFP) for FY 2014 Community Development Block Grant (CDBG)/HOME projects;
- Completion of the Consolidated Annual Performance and Evaluation Report (CAPER);
- Completion of the 19th Year Action Plan, detailing FY 2014 projects to be undertaken by the city for federal grant programs; and
- Ongoing monitoring of program operations to ensure compliance with legal requirements.

The city was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association (GFOA) for the division’s work on the 2012 budget. The city has received this prestigious award for the last 14 years.

	Fiscal/CIP Administration Operating Expenditures (\$ million)	Reviewed and Processed				Audits of Sub-recipients Performed
		Independent Services Contracts	Appropriation and Allotment Vouchers	Application for HUD Funds	Sub-recipient Agreements	
FY 2009	\$1.2	434	578	79	128	51
FY 2010	\$1.2	443	527	90	138	48
FY 2011	\$1.2	469	646	56	132	37
FY 2012	\$0.6	457	506	60	133	62
FY 2013	\$0.6	357	455	69	99	67
Change from last year	-0%	-22%	-10%	15%	-26%	8%
Change over last 5 years	-5%	-18%	-21%	-13%	-23%	31%

Source: Department of Budget and Fiscal Services

The Divisions

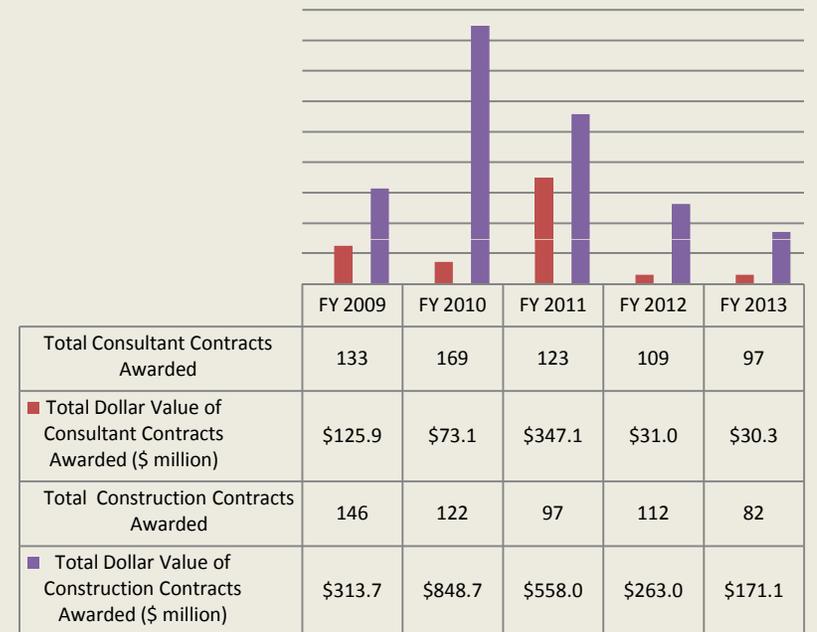
Purchasing and General Services Division

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

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.

The division's Purchasing Branch processes the city's public works construction, consultant, and personal services contracts. In FY 2013, the city awarded 82 construction contracts, excluding the Board of Water Supply and HART that totaled \$171.1 million. The largest construction contract, totaling 39% of all construction contracts was for the Sand Island Waste Water Treatment Plant, Primary Expansion, Phase 2 Reconstruction.

Number and Value of Consultant and Construction Contracts Awarded in FY 2013



Source: Department of Budget and Fiscal Services

Goods and Services

	Purchasing and General Services Operating Expenditures (\$ million)	Number of Price lists	Number of Price List Purchase Orders	Total Price List Purchases (\$ million)	Number of Direct Purchases	Direct Purchase Orders (\$ million)
FY 2009	\$1.6	154	2,114	\$44.1	4,339	\$5.2
FY 2010	\$1.6	122	2,028	\$71.2	3,017	\$3.0
FY 2011	\$1.5	168	3,404	\$73.3	2,967	\$3.2
FY 2012	\$1.5	161	3,876	\$46.3	4,279	\$6.8
FY 2013	\$1.4	159	3,333	\$61.9	3,982	\$7.5
Change from last year	-7%	-1%	-14%	34%	-7%	10%
Change over last 5 years	-13%	3%	58%	40%	-8%	44%

Source: Department of Budget and Fiscal Services

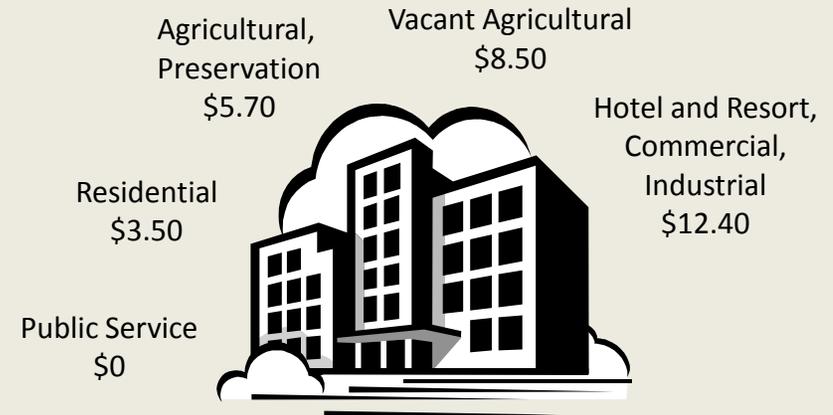
Real Property Assessment

The mission of the Real Property Assessment Division (RPAD) is to annually prepare a certified assessment roll of property taxes to 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.).

Over the last five years, the number of real property exemptions/dedications processed decreased by 20%. The division reported that this declining trend is due to the continued use of online services. Walk-in counter assistance for all public service decreased 54% from 10,563 in FY 2009 to 4,900 in FY 2013.

**Real Property Tax Rates By Classification
Per \$1,000 Net Taxable for FY 2013**



Source: Department of Budget and Fiscal Services

	Real Property Tax Assessments			Exemptions / Dedications Processed				
	Operating Expenditures (\$ million)	Total Assessment Value ¹ (\$ billion)	Total Taxes Levied (\$ million)	Assessment Parcels	Total	Walk-In Counter Service	Appeals Filed	Building Inspections
FY 2009	\$5.8	\$166.3	\$798.0	286,106	55,304	10,563	3,042	9,290
FY 2010	\$5.6	\$165.8	\$849.1	287,564	63,045	9,188	1,642	7,047
FY 2011	\$5.0	\$153.1	\$804.3	287,611	52,440	5,254	2,447	5,774
FY 2012	\$5.2	\$153.6	\$812.5	288,615	53,350	5,100	1,264	6,782
FY 2013	\$5.0	\$155.3	\$841.3	290,290	44,143	4,900	1,514	7,585
Change from last year	-4%	1%	4%	1%	-17%	-4%	20%	12%
Change over last 5 years	-14%	-7%	5%	1%	-20%	-54%	-50%	-18%

Source: Department of Budget and Fiscal Services. ¹Real property assessed values reflect total assessed values less exemptions less 50% of value on appeal.

The Divisions

Real property tax is the primary revenue source for the General Fund. Real property assessed values¹ decreased 7% over the past 5 years from \$166.3 billion in FY 2009 to \$155.3 billion in FY 2013, due to a downturn in the real estate market because of the financial crisis. During this same period, real property taxes levied increased 5% from \$798.0 million in FY 2009 to \$841.3 million in FY 2013.

However, FY 2013 real property assessments increased slightly from the year before, reflecting the real estate market's slow recovery from the unstable mortgage loan market. Tax rates for all property classes were maintained at the FY 2013 levels.

RPAD conducts inspections that are prompted by complaints, appeals, and planning document changes. Building inspections decreased 18% from 9,290 in FY 2009 to 7,585 in FY 2013.

Treasury

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.

Over the last five years, the division's operating expenditures increased 10% from \$2.1 million in FY 2009 to \$2.3 million in FY 2013.

In FY 2013, the division billed 278,839 accounts for property taxes valued at \$841.3 million. This accounts for approximately two-thirds of the city's general fund revenues. In FY 2013, the division collected \$813.7 million in property taxes or approximately 97% of the total amount billed.

Delinquent property taxes at the beginning of FY 2013 were \$12.7 million. During FY 2013, the division collected \$19.7 million, or 60.5% of its delinquencies. The division reported that delinquent property taxes, consisting of outstanding FY 2013 taxes plus prior year uncollected delinquencies totaled \$13.4 million or a 16% decrease from FY 2009.

	Real Property Taxes						
	Treasury Operating Expenditures (\$ million)	Total Taxes Levied (\$ million)	Collections to Date (\$ million)	Outstanding Delinquent Taxes (\$ million)	Delinquency Rate	Delinquent Tax Collections (\$ million)	Delinquent Real Property Tax Accounts
FY 2009	\$2.1	\$798.0	\$794.7	\$16.0	2.0%	\$7.0	7,355
FY 2010	\$2.2	\$849.1	\$843.0	\$16.8	1.8%	\$7.9	7,517
FY 2011	\$2.1	\$804.3	\$795.5	\$17.2	2.2%	\$8.6	7,133
FY 2012	\$2.2	\$812.5	\$800.1	\$12.7	1.6%	\$10.5	7,278
FY 2013	\$2.3	\$841.3	\$813.7	\$13.4	1.6%	\$19.7	6,588
Change from last year	5%	4%	2%	6%	3%	88%	-9%
Change over last 5 years	10%	5%	2%	-16%	-18%	181%	-10%

Source: Department of Budget and Fiscal Services.