

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

June 1, 2001

Committee
Report No.

01-93

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget and Finance Committee, having met on May 15, 2001, makes reference to County Communication No. 01-105, from the Director of Finance, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE AND SPECIFYING CERTAIN TERMS OF NOT TO EXCEED \$30,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION REFUNDING BONDS OF THE COUNTY OF MAUI FOR THE PURPOSE OF REFUNDING ALL OR A PART OF THE OUTSTANDING GENERAL OBLIGATION BONDS, 1995 SERIES A, AND GENERAL OBLIGATION BONDS, 2000 SERIES A, OF THE COUNTY; AUTHORIZING THE DIRECTOR OF FINANCE TO DETERMINE CERTAIN TERMS OF SUCH BONDS; PROVIDING FOR THE RETIREMENT OF THE BONDS TO BE REFUNDED; AND PROVIDING FOR OTHER ACTIONS RELATED TO THE ISSUANCE, SALE AND DELIVERY OF SUCH BONDS".

The purpose of the proposed bill is to authorize refunding of the County's 1995 and 2000 outstanding bonds.

At its meeting, your Committee met with the Budget Director, the Director of Finance, and a Deputy Corporation Counsel.

The Director of Finance informed your Committee that interest rates are declining and that the County has an opportunity to save future interest costs by authorizing this refunding. He informed your Committee that the minimum requirement for refunding is a 3 percent present value savings over the life of the bonds. He stated that the 1995 and the 2000 Series A bonds are close to that level of savings. Passage of the proposed bill will provide the flexibility to refund these two bond series providing that the interest rates are low enough to meet the savings requirement.

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

June 1, 2001
Page 2

Committee
Report No. 01-93

Your Committee discussed ways to expedite the processing of future requests of a similar nature. Your Committee suggested the possibility of (1) setting up a mechanism for making direct referrals to the Committee to enable the Administration to act in a more expeditious manner whenever interest rates change; or (2) providing the Administration with blanket authority to proceed with refunding County bonds with a requirement to submit a report to Council.

Your Committee raised concerns in regards to providing the Administration with preauthorization authority for bond refunding; however, your Committee recognized that there is a need to balance this concern in order to save money. Therefore, your Committee requested that a standing item be established to enable the direct referral of these requests to your Committee so that action can be taken in a timely manner.

The Director of Finance agreed to submit a quarterly report on interest rates to provide your Committee with additional information in order to make informed decisions.

Your Committee voted to recommend passage of the proposed bill on first reading and filing of the communication.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill No. _____ (2001), attached hereto, entitled "A BILL FOR AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE AND SPECIFYING CERTAIN TERMS OF NOT TO EXCEED \$30,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION REFUNDING BONDS OF THE COUNTY OF MAUI FOR THE PURPOSE OF REFUNDING ALL OR A PART OF THE OUTSTANDING GENERAL OBLIGATION BONDS, 1995 SERIES A, AND GENERAL OBLIGATION BONDS, 2000 SERIES A, OF THE COUNTY; AUTHORIZING THE DIRECTOR OF FINANCE TO DETERMINE CERTAIN TERMS OF SUCH BONDS; PROVIDING FOR THE RETIREMENT OF THE BONDS TO BE REFUNDED; AND PROVIDING FOR OTHER ACTIONS RELATED TO THE ISSUANCE, SALE AND DELIVERY OF SUCH BONDS" PASS FIRST READING and BE ORDERED TO PRINT; and

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

June 1, 2001
Page 3

Committee
Report No. 01-93

2. That County Communication No. 01-105 be FILED.

Adoption of this report is respectfully requested.

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COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

June 1, 2001
Page 4

Committee
Report No. 01-93

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