

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

December 7, 2007

**Committee
Report No.**

07-143
As Amended

NOTE: This committee report was amended by the Council at its meeting of December 7, 2007, by deleting the bracketed material and underscoring the new material. This committee report was then adopted as amended.

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 [December 3, 2007] November 26, 2007, makes reference to the following:

1. County Communication No. 07-308, from the Director of Finance, transmitting a report on transfers from the General Fund and the Department of Water Supply's Revenue Fund to the Bond Fund as of October 31, 2007, as required by Section 17 of the Fiscal Year (FY) 2008 Budget; and
2. County Communication No. 07-309, from the Director of Finance, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING GENERAL BUDGET PROVISIONS 'FINANCIAL PROCEDURES – SECTION 17' OF THE FISCAL YEAR 2008 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO THE GENERAL OBLIGATION BONDS OR NOTES".

The purpose of the proposed bill is to amend Section 17 of the FY 2008 Budget by increasing the maximum aggregate amount of transfers or notes to the Bond Fund or the Housing Interim Financing and Buy-Back Revolving Fund from \$30,000,000 to \$35,000,000.

Your Committee notes that transfers or notes to the Bond Fund are necessary to allow for the execution of contracts for certain capital improvement projects prior to the actual issuance of General Obligation Bonds.

By correspondence dated November 21, 2007, the Chair of your Committee requested that the Budget Director make nonsubstantive revisions to the proposed bill.

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By correspondence dated November 23, 2007, the Budget Director transmitted a revised proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING GENERAL BUDGET PROVISIONS 'FINANCIAL PROCEDURES – SECTION 17' OF THE FISCAL YEAR 2008 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO THE GENERAL OBLIGATION BONDS OR NOTES", incorporating nonsubstantive revisions.

At its meeting, your Committee met with the Budget Director, the Director of Finance, the Director of Water Supply, the Director of Environmental Management, the Deputy Director of Public Works, the Corporation Counsel, and a Deputy Corporation Counsel.

There was no public testimony.

The Director of Finance provided a worksheet entitled "FY2007 CIP Appropriations". The worksheet identifies FY 2007 capital improvement projects and the amounts that the Administration hopes to encumber by contract, for each project, on or before December 31, 2007.

The Director of Finance stated that the FY 2008 Budget limits the amount of transfers to the Bond Fund to \$30,000,000. He further stated that \$28,347,195 had been transferred to the Bond Fund as of October 31, 2007, and an additional \$9,732,526 would need to be transferred to encumber FY 2007 Budget appropriations for capital improvement projects before the appropriations lapse on December 31, 2007.

The Director of Finance requested that your Committee consider amending the revised proposed bill by increasing the proposed limit to accommodate the \$38,079,721 of anticipated transfers.

The Director of Finance stated that no additional transfers were considered because of an anticipated General Obligation Bond sale in late December 2007 or early January 2008. Once these bonds are sold, the proceeds will be used to repay the transfers to the Bond Fund, thereby significantly reducing the outstanding transfers.

The Director of Finance further stated that to encumber a contract, the entire amount of the contract must be transferred to the Bond Fund. The actual amount of cash expended by the County for work performed under the contract is significantly less. Of the \$28,347,195 transferred as of October 31, 2007, approximately \$12,000,000 has been actually paid to the vendor.

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Your Committee questioned whether a budget amendment to fund certain projects with cash instead of bonds was considered since the County has a significant amount of cash reserves.

The Director of Finance stated that no consideration was given due to the limited amount of time available prior to the lapsing of FY 2007 Budget appropriations for capital improvement projects.

The Corporation Counsel stated that as the County increases the annual amount of bond-funded capital improvement projects, there is a need to increase the maximum amount of transfers to the Bond Fund to allow the Administration time to evaluate the bond market before moving forward with a bond sale.

Your Committee voted to revise the proposed bill to establish the aggregate amount of transfers and loans, which shall be unreimbursed, to no more than \$40,000,000.

Your Committee voted to recommend passage of the revised proposed bill and filing of the communications.

Your Committee is in receipt of a revised proposed bill incorporating your Committee's recommendations.

Your Budget and Finance Committee **RECOMMENDS** the following:

1. That Bill No. _____ (2007), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING GENERAL BUDGET PROVISIONS 'FINANCIAL PROCEDURES – SECTION 17' OF THE FISCAL YEAR 2008 BUDGET FOR THE COUNTY OF MAUI AS IT PERTAINS TO THE GENERAL OBLIGATION BONDS OR NOTES", be PASSED ON FIRST READING and be ORDERED TO PRINT;
2. That County Communication No. 07-308 be FILED; and
3. That County Communication No. 07-309 be FILED.

Adoption of this report is respectfully requested.

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JOSEPH PONTANILLA **Chair**

DANNY A. MATEO **Member**

G. RIKI HOKAMA **Vice-Chair**

BILL KAUAKEA MEDEIROS **Member**

MICHELLE ANDERSON **Member**

MICHAEL J. MOLINA **Member**

GLADYS C. BAISA **Member**

MICHAEL P. VICTORINO **Member**

JO ANNE JOHNSON **Member**