

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

July 27, 2004

Committee
Report No.

04-111

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 June 29, 2004, makes reference to the following:

1. County Communication No. 03-206, from the Director of Finance, transmitting a report of short-term investments for the quarter ended June 30, 2003; and
2. County Communication No. 04-118, from the Director of Finance, transmitting a report of short-term investments for the quarter ended March 31, 2004.

Your Committee notes that Resolution No. 99-26 requires the Director of Finance to submit to the Council, within 30 days after the end of each quarter of the fiscal year, a quarterly report identifying short-term investments made, the interest income therefrom, and any expenses or penalties incurred with regard to the investments.

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

There was no public testimony.

Your Committee focused its discussion on the report of short-term investments for the quarter ended March 31, 2004 (the Report).

The Director of Finance provided your Committee with a brief overview of the Report. He explained that the County has \$119,181,691 in investments, and the income earned on these investments was \$567,504.

Your Committee notes that the investment strategy for the County is twofold. First, the County solicits bids from a variety of investment houses to

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obtain the maximum yield. Second, the County selects two investment houses to manage the investments and diversify the holdings. The County selected Salomon Smith Barney, Inc. to manage \$15 million in investments, and First Hawaiian Bank to manage \$5 million in investments. Investment management fees for the period of the Report are \$8,332 and \$5,338, respectively. The remaining investments, approximately \$99 million, are managed by the County's in-house Investment Review Committee, which is comprised of the Managing Director, the Director of Finance, the Deputy Director of Finance, and the Treasurer.

The Director stated that as of March 31, 2004, the average yield on investments was 1.44 percent. The Director noted that the low yield is a result of the decline in interest rates. He further noted that due to the low yield, the County's in-house Investment Review Committee has recommended closing the accounts with the two investment houses and reinvesting internally. As the market adjusts, the Director stated the investment pattern would also be adjusted.

The Director further stated that the County's approach to investments is conservative rather than aggressive, which is due in part to the restrictions established by Hawaii Revised Statutes. Investments are limited by duration (five years or less), and are restricted to U. S. government securities or agencies of the U. S. government. In addition, the Director stated that the priority is to ensure liquidity before yields.

Your Committee voted to recommend filing the communications.

Your Budget and Finance Committee RECOMMENDS the following:

1. That County Communication No. 03-206 be FILED; and
2. That County Communication No. 04-118 be FILED.

Adoption of this report is respectfully requested.

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