

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

August 24, 2018

**Committee
Report No. _____**

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 July 31, 2018, makes reference to the following:

1. Miscellaneous Communication dated July 20, 2018, from the County Clerk, referring Contract C6480, between the County of Maui and First Hawaiian Leasing, Inc., relating to the establishment of a Lease Line of Credit for the County of Maui, Department of Finance.
2. Miscellaneous Communication dated July 20, 2018, from the County Clerk, referring Contract C6480-1 (amendment 1 to contract), between the County of Maui and First Hawaiian Leasing, Inc., for use of the Lease Line of Credit, by adding to the scope of work equipment for the Waiehu Golf Course, Department of Parks and Recreation, in the amount of \$20,000.

The Director of Finance said a Request for Proposals was issued to obtain a lease line of credit as a financing option for large equipment. He said there were eight proposals received through the process. Effective June 2018, First Hawaiian Leasing, Inc. was issued the notice to proceed for a two-year contract with three one-year extension options. The County's lease line of credit is \$2,500,000.

The Director said the interest rate is based on one-half percent over the index amount and fixed for the term of the lease. He said the lease is paid on an annual basis.

He said the contract is for a Municipal Tax Exempt Lease. The terms of the lease are based on a two- to ten-year period depending on the

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 2

Committee
Report No. _____

depreciable life of the equipment. The Director noted the buy-out amount at the end of the lease is \$1.

The Budget Director said there are three options available when acquiring equipment: 1) cash purchase; 2) bond financing, if the equipment meets the criteria; and 3) leasing. He added both bond financing and leasing options have an additional cost, whereas cash purchases are the most advantageous option. He said from a budgetary aspect, the options need to be evaluated in terms of affordability for the County.

A representative from the Department of Parks and Recreation said a rough mower for the Waiehu Golf Course was leased using the credit line. She said the mower is used approximately 35 hours per week, resulting in a shorter useful life and, in the long run, a lower efficiency of the equipment. She estimated the useful life of the equipment to be five years.

The representative stated because of the number of hours of use and the conditions under which the mower is operated, it was more beneficial for the County to lease the equipment rather than making an outright purchase. She added repair and maintenance costs are also realized from leasing the equipment.

The representative explained once the determination was made to lease, the Department solicited bids for the equipment. If the lease line of credit was not established, the Department would have needed to solicit bids for a lease.

Your Committee voted 6-0 to recommend filing of the communications. Committee Chair Hokama and members Atay, Carroll, Cochran, Crivello, and Sugimura voted "aye." Committee Vice-Chair White and members Guzman and King were excused.

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

Page 3

**Committee
Report No.** _____

Your Budget and Finance Committee RECOMMENDS the following:

1. That the Miscellaneous Communication referring Contract C6480 be FILED; and
2. That the Miscellaneous Communication referring Contract C6480-1 be FILED.

This report is submitted in accordance with Rule 8 of the Rules of the Council.



RIKI HOKAMA, Chair

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