

**COUNCIL OF THE COUNTY OF MAUI**  
**BUDGET AND FINANCE COMMITTEE**

April 20, 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 March 28, 2018, makes reference to the following:

1. County Communication 17-430, from the Acting Director of Finance, transmitting a report of short-term investments for the quarter ended September 30, 2017 (Fiscal Year 2018 First Quarter).
2. County Communication 18-44, from the Director of Finance, transmitting a report of short-term investments for the quarter ended December 31, 2017 (Fiscal Year 2018 Second Quarter).

Your Committee notes Section 46-50, Hawaii Revised Statutes, provides parameters for investment of County money, including the types of securities that may be purchased as short-term investments.

A representative from the Department of Finance explained total book value is the amount the County paid for its investments. The total market value is the current value of the County's investments.

She said the ending balance for the County's investment portfolio as of December 31, 2017, was \$299,656,758. She said the County's investments are primarily in certificates of deposit earning monthly interest, Federal Home Loan Bank coupon notes, and Federal Home Loan Mortgage Corporation coupon notes. These investments generated more than 50 percent of the County's interest earnings.

The representative said the County's investment policy requires that no more than 30 percent of the County's portfolio be invested in a single

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security type. The security type with the most investments, certificates of deposit, make up 27 percent of the County's portfolio.

She said in calendar year 2017, the County's portfolio yield was among the best when compared with the portfolios of major United States West Coast municipalities such as Los Angeles and San Francisco. Out of the 15 municipalities used for comparison, 2 municipalities used third-party consultants to manage their short-term investments. One of these municipalities, Anaheim, had a better portfolio performance than the County.

Your Committee notes the County Auditor previously performed an audit of the Treasury Division and found that many crucial tasks in overseeing the County's investments are assigned to a single employee. The Director of Finance said the Department is requesting an additional position for its Treasury Division in the Fiscal Year 2019 Budget to address the auditor's finding. Your Committee expressed an intent to codify the use of a third-party administrator for the County's short-term investments to ensure there is appropriate investment oversight.

The representative said cash outflows from the County's First Hawaiian Bank account are for payroll expenses. Cash outflows from the County's investment portfolio are for expenditures relating to accounts payable and debt service, contributions to the Employees' Retirement System ("ERS"), and payments for the Employer-Union Health Benefits Trust Fund ("EUTF").

Your Committee questioned whether annual or quarterly payments are more beneficial to the ERS and the EUTF as they relate to interest earnings. The Director of Finance said payments to the ERS are based on actual payroll expenditures; therefore, payments are made on a monthly basis. The ERS does not accept prepayments for its unfunded liability. He added payments to the EUTF are based on actual enrollment of employees with health benefits, and the payments are remitted to the EUTF monthly. The County also remits a payment to the EUTF based on the Annually Required Contribution.

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Your Committee stressed the importance of making the payment for the Annual Required Contribution as early as possible in the fiscal year. Your Committee notes the appropriation for Post-Employment Obligations in the FY 2018 Budget includes a proviso that reads, "Provided, that the funds are paid to the State of Hawaii Employer-Union Health Benefits Trust Fund prior to September 30, 2017," to allow for maximum interest earnings.

Your Committee deferred action on County Communication 18-44 pending further discussion.

Your Committee voted 9-0 to recommend filing of County Communication 17-430. Committee Chair Hokama, Vice-Chair White, and members Atay, Carroll, Cochran, Crivello, Guzman, King, and Sugimura voted "aye."

Your Budget and Finance Committee RECOMMENDS that County Communication 17-430 be FILED.

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

  
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RIKI HOKAMA, Chair

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