

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

July 1, 2016

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 21, 2015, August 18, 2015, and June 14, 2016, makes reference to the following:

1. County Communication 14-266, from the Director of Finance, transmitting a report of short-term investments for the quarter ended September 30, 2014;
2. County Communication 15-44, from the Director of Finance, transmitting a report of short-term investments for the quarter ended December 31, 2014;
3. County Communication 15-123, from the Director of Finance, transmitting a report of short-term investments for the quarter ended March 31, 2015; and
4. County Communication 15-211, from the Director of Finance, transmitting a report of short-term investments for the quarter ended June 30, 2015.

Your Committee notes it also received correspondence dated August 25, 2015, from the Director of Finance, providing information on the amount of the County's short-term investments at the start of Fiscal Year 2015, the amount of interest earned on short-term investments during Fiscal Year 2015, and the balance of short-term investments as of June 30, 2015.

Your Committee also notes Section 46-50, Hawaii Revised Statutes, grants the Director of Finance of each county the authority to invest county funds in short-term investments such as bonds or interest-bearing

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notes or obligations, Federal National Mortgage Association notes and bonds, and certificates of deposit.

Your Committee further notes the County's Investment Committee consists of the Director of Finance, who chairs the Committee; the Deputy Director of Finance; the Managing Director; the Budget Director; and the Accounting System Administrator, Department of Finance. The Committee is responsible for determining investment strategies, monitoring investments, and reviewing quarterly financial reports.

The Budget Director said HRS Section 46-50 limits the type of investments the counties can purchase. Investments such as certificates of deposit are considered "safe" and "liquid," and are of primary focus.

The Budget Director said the County's Investment Policy was revised in March 2016, to increase the percentage of certificates of deposit allowed in the investment portfolio to take advantage of higher interest rates.

He further said the County currently has approximately \$54.5 million in Fannie Mae mortgage bonds and \$19.1 million in Freddie Mac mortgage bonds.

The Director of Finance informed your Committee the County has earned interest income of approximately \$2.0 million in Fiscal Year 2016, as of the end of the third quarter.

He said a measure to expand the County's investment options to include those currently available to the State was unsuccessful during the 2016 Legislative Session.

Your Committee notes the Legislature must be made aware that counties are adept enough to manage a percentage of their cash portfolio with a higher level of managed risk. A statutory amendment to allow the counties to consider other types of investments would increase the counties' potential to earn larger returns on their investments.

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Your Committee voted 6-0 to recommend filing of the communications. Committee Chair Hokama, Vice-Chair White, and members Baisa, Carroll, Couch, and Crivello voted “aye.” Committee members Cochran, Guzman, and Victorino were excused.

Your Budget and Finance Committee RECOMMENDS the following:

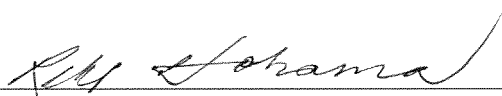
1. That County Communication 14-266 be FILED;
2. That County Communication 15-44 be FILED;
3. That County Communication 15-123 be FILED; and
4. That County Communication 15-211 be FILED.

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



RIKI HOKAMA, Chair

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