



IN REPLY REFER TO:  
CMS-AP00-00440

**HONOLULU AUTHORITY for RAPID TRANSPORTATION**

Daniel A. Grabauskas  
EXECUTIVE DIRECTOR AND CEO

BOARD OF DIRECTORS

Carrie K.S. Okinaga, Esq.  
CHAIR

Ivan M. Lui-Kwan, Esq.  
VICE CHAIR

April 29, 2013

The Honorable Ernest Y. Martin, Chair  
and Councilmembers  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

George I. Atta  
Robert Bunda  
Michael D. Formby  
William "Buzz" Hong  
Donald G. Horner  
Keslie W.K. Hui  
Damien T.K. Kim  
Glenn M. Okimoto, Ph.D.

Dear Chair Martin and Councilmembers:

Subject: Resolution 12-188, CD1, Requesting Information Relating to the Deposit and Short-Term Investment of General Excise Tax Surcharge Revenues.

Pursuant to City Council Resolution 12-188, CD1, the following is the Honolulu Authority for Rapid Transportation's (HART) quarterly report to the City Council:

1. Interest earned on deposits and investments of County Surcharge revenue (see Attachment A);
2. The total amount of County Surcharge revenue collected from January 2007 to date, the total amount of County Surcharge revenue expended to date, and the total County Surcharge cash balance on hand (see Attachment A); and
- 3 & 4. All of the County Surcharge revenue received by HART is commingled with the City's funds and are part of the City's investments. As such, the information requested in Items 3 and 4 of Resolution 12-188, CD1 (Attachment C), is included in the Cash Count Report for the Quarter Ended December 31, 2012, submitted by the City Auditor and the Director Budget and Fiscal Services. Please see Departmental Communications 219 (2013) (Attachment B).

If you have any questions regarding this matter, please do not hesitate to contact Ms. Diane Arakaki, HART Chief Financial Officer, at (808) 768-6156.

Sincerely,

Daniel A. Grabauskas  
Executive Director and CEO

**Attachments**

cc: HART Board of Directors  
Ms. Ember Lee Shinn, Managing Director

HONOLULU AUTHORITY FOR RAPID TRANSPORTION  
 QUARTERLY CASH AND COUNTY SURCHARGE REVENUE REPOT  
 AS OF DECEMBER 31, 2012  
 (Made Pursuant to City Council Resolution 12-188, CD1)

Interest Revenue

FY2007	\$	18,000
FY2008		3,724,229
FY2009		3,595,915
FY2010		246,603
FY2011		328,009
FY2012		240,270
FY2013, Q1 & Q2		76,664
	\$	<u><u>8,229,691</u></u>

GET Surcharge Revenue

FY2007	\$	48,424,590
FY2008		169,113,552
FY2009		160,855,726
FY2010		157,555,321
FY2011		179,108,573
FY2012		190,664,993
FY2013, Q1 & Q2		68,178,842
	\$	<u><u>973,901,598</u></u>

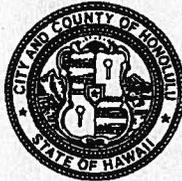
Expenditures to date

FY2007	\$	396,000
FY2008		25,962,676
FY2009		54,205,206
FY2010		99,126,584
FY2011		109,063,791
FY2012		257,297,030
FY2013, Q1 & Q2		118,846,401
	\$	<u><u>664,897,689</u></u>

Cash & cash equivalents on hand at December 31, 2012      \$ 358,652,666

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813  
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
ACTING DIRECTOR

GARY KUROKAWA  
DEPUTY DIRECTOR

April 9, 2013

The Honorable Ernest Y. Martin, Chair  
and Members  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

RECEIVED  
CITY CLERK  
& C OF HONOLULU  
2013 APR 12 AM 11:00

Dear Chair Martin and Councilmembers:

Subject: Cash Count Report for the Quarter Ended December 31, 2012

Attached are copies of joint statements of the City Auditor and the Director of Budget and Fiscal Services, prepared pursuant to City Charter Section 6-204 of the amount and kind of money in the Treasury as of December 31, 2012. Also attached is the distribution of demand and time deposits by banks as of December 31, 2012.

Should you have any questions concerning this matter, please contact me at 768-3901.

Sincerely,

A handwritten signature in black ink, appearing to read "Nelson H. Koyanagi, Jr.", is written over the typed name.

Nelson H. Koyanagi, Jr.  
Acting Director

NHK:ve

Enclosure

cc: Managing Director  
Internal Control Division

APPROVED:

A handwritten signature in black ink, appearing to read "Ember Lee Shinn", is written over a horizontal line.

Ember Lee Shinn  
Managing Director

DEPT. COM. 219

**City and County of Honolulu**

**Agreed-Upon Procedures**

**Quarterly Cash Count**

**December 31, 2012**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
Relating to the Quarterly Cash Count**

To the Chair and Members of the City Council  
City and County of Honolulu

We have performed the procedures enumerated below, which were agreed to by the City Council and the City's management in our contract agreement (Contract No. CT-CCL-1300001), solely to assist you with respect to management's assertion that the City and County of Honolulu complied with the Revised Charter Section 6-204, including, but not limited to, quarterly cash counts of money that ought to be in the City Treasury and the amount and kind of money actually therein (as reported in the accompanying Certified Report of Amount and Kind of Money in the Treasury and Statement of Bank Deposits and Collateral, both as of December 31, 2012). The City's management is responsible for the accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- We agreed the amount that ought to be reported in the City Treasury for each fund to the Treasurer's Cash Balances by Fund report. The total amount that ought to be in the City Treasury was \$2,391,858,514 as of December 31, 2012.

No exceptions were noted.

- We agreed the respective amount and kind of cash and investments actually in the City Treasury to the Summary of Treasurer's Cash by Institution, bank reconciliations and the register of investments. We also agreed bank deposits, investments and balances with paying agents to confirmations sent to and received from the financial institutions or statements received from financial institutions by the Internal Control Division. The total amount and kind actually in the City Treasury was \$2,391,858,514 as of December 31, 2012.

We noted that the City's reported balance for one of its investment accounts was \$33,029 less than the balance confirmed by the financial institution. The net understatement was due to unrecorded interest and dividends, gains and losses, and fees and other charges for the month of December 2012.

- We agreed the securities pledged as collateral for bank deposits, time certificates of deposit and long-term repurchase agreements totaling \$1,011,374,828, at face value, to the reconciliations prepared by the Internal Control Division and agreed the description and face value of the securities to the City Treasury's Recap of Securities Pledged as Collateral. Confirmations sent to and received from the financial institutions or statements received from financial institutions were agreed to those reconciliations prepared by the Internal Control Division. Total collateral for bank deposits, time certificates of deposit, long-term repurchase agreements and investments, at face value, was \$1,479,611,939 as of December 31, 2012.

We noted that the face value of securities pledged as collateral for bank deposits per the City Treasury's Recap of Securities Pledged as Collateral was greater than the confirmed face value by \$26,955. The overstatement was due to the timing of information received by the City Treasury from financial institutions.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Council and the City's management and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Accuity LLP*

Honolulu, Hawaii  
April 3, 2013

CITY AND COUNTY OF HONOLULU  
 CERTIFIED REPORT OF  
 AMOUNT AND KIND OF MONEY IN THE TREASURY  
 AS OF DECEMBER 31, 2012  
 (Made Pursuant to City Charter Sec. 6-204)

AMOUNT THAT OUGHT TO BE IN THE TREASURY

Operating Funds .....	\$1,127,881,161
Capital Project Funds .....	627,879,434
Revolving Funds .....	2,344,558
Debt Service Funds .....	760,818
Trust and Agency Funds .....	69,529,022
Board of Water Supply Funds .....	204,810,855
Honolulu Authority for Rapid Transportation Funds.....	<u>358,652,666</u>

TOTAL AMOUNT THAT OUGHT TO BE IN THE TREASURY ..... \$2,391,858,514

AMOUNT AND KIND ACTUALLY IN THE TREASURY

Cash

Demand Deposits in Banks .....	<u>\$ 126,630,582</u>
Total Cash .....	<u>\$ 126,630,582</u>

Investments

Bank Repurchase Agreements.....	\$ 325,000,000	Note 1
Certificate of Deposits.....	559,744,248	
BWS Managed Account .....	189,647,357	
FSA Capital Management Services.....	12,707,171	
U.S. Government Securities .....	<u>1,178,129,158</u>	

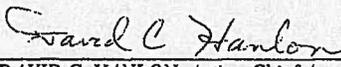
Total Investments .....

\$2,265,227,932

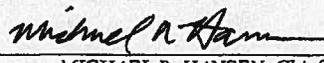
TOTAL AMOUNT AND KIND ACTUALLY IN THE TREASURY ..... \$2,391,858,514

Note 1: The bank will repurchase the securities at cost plus interest.

*I certify that the recorded amount that ought to be in the Treasury is correct.*

  
 \_\_\_\_\_  
 DAVID C. HANLON, Acting Chief Accountant  
 Accounting & Fiscal Services Division

*I certify that the items and the amounts in the Statement were verified.*

  
 \_\_\_\_\_  
 MICHAEL R. HANSEN, Chief  
 Internal Control Division

**CITY AND COUNTY OF HONOLULU  
STATEMENT OF BANK DEPOSITS AND COLLATERAL  
AS OF DECEMBER 31, 2012**

<u>Depository</u>	<u>Demand Deposits</u>	<u>Time Deposits</u>	<u>Bank Repurchase Agreements</u>	<u>Total Deposits</u>	<u>Collateral (at Par Value)</u>
Bank of Hawaii	\$ 100,855,059	\$ 407,620,000	--	\$ 508,475,059	\$ 773,551,223
First Hawaiian Bank	25,775,523	152,124,246	\$ 325,000,000	502,898,769	645,177,942
Central Pacific Bank	--	Note 2 --	--	--	<u>60,882,774</u>
<b>TOTAL</b>	<u>\$ 126,630,582</u>	<u>\$ 559,744,246</u>	<u>\$ 325,000,000</u>	<u>\$ 1,011,374,828</u>	<u>\$ 1,479,611,939</u>

Note 2: The time deposits matured in October 2012.



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## RESOLUTION

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REQUESTING INFORMATION RELATING TO THE DEPOSIT AND SHORT-TERM INVESTMENT OF GENERAL EXCISE TAX SURCHARGE REVENUES.

WHEREAS, pursuant to Section 237-8.6 of the Hawaii Revised Statutes ("HRS"), counties are permitted to establish a 0.5% surcharge ("County Surcharge") on the existing 4.0% State general excise tax ("State GET") in order to fund public transportation projects; and

WHEREAS, on August 15, 2005, the Council of the City and County of Honolulu ("Council") adopted Ordinance 05-27 establishing the County Surcharge, the receipts of which must be spent on either operating or capital costs of a locally preferred alternative ("LPA") for a mass transit project, or expenses in complying with the Americans with Disabilities Act of 1990 ("ADA") with respect to the LPA; and

WHEREAS, on June 7, 2006, the Council adopted Ordinance 06-37 creating the transit fund ("Transit Fund") to receive transfers of all monies collected from the County Surcharge and to provide budgetary control and accountability; and

WHEREAS, on December 22, 2006, the Council adopted Ordinance 07-1 selecting a grade-separated fixed-guideway system between Kapolei and the University of Hawaii at Manoa as the LPA for the Honolulu high capacity transit project ("Transit Project"); and

WHEREAS, the County Surcharge, which commenced on January 1, 2007, is collected and distributed on a quarterly basis by the State, which retains 10% of the County Surcharge collections to cover administrative expenses; and

WHEREAS, on December 16, 2009, the Council adopted Resolution 09-252, CD1 to initiate amendments to the Revised Charter of the City and County of Honolulu 1973, as amended ("Charter"), to create the Honolulu Authority for Rapid Transportation ("HART"), a public transit authority responsible for the planning, construction, operation, maintenance and expansion of the Transit Project; and

WHEREAS, such amendments to the Charter provided, among other things, for the establishment of a special Transit Fund, into which shall be transferred the County Surcharge, and all revenues generated by the fixed guideway system, including interest earned on the deposits and other receipts dedicated for the Transit Project; and



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## RESOLUTION

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WHEREAS, the cash inflow of County Surcharge revenue is expected to exceed the outflow in the early years of the Transit Project because planning and design work must be completed before large expenditures for construction are necessary; and

WHEREAS, a news article reported that the total amount of County Surcharge revenue collected from the period January 2007 through March 31, 2012 is \$858.73 million; and

WHEREAS, in a letter dated December 29, 2011, Toru Hamayasu, Interim Executive Director and Chief Executive Officer ("CEO") of HART indicated that as of December 2011, \$330 million in County Surcharge revenue had been spent on the Transit Project; and

WHEREAS, the unexpended County Surcharge revenue amount is substantial, and this unexpended revenue should be deposited and invested with the best interest of the residents and businesses of the City in mind; and

WHEREAS, State law regulates the manner in which counties may make deposits and short-term investments of county funds in HRS Sections 46-48 and 46-50, respectively, which provides, among other things, that due regard shall be given to the beneficial effects of using a depository doing business in the State, and that counties may, with the approval of the legislative body, make short-term investments of county monies that are in excess of the amounts needed to meet immediate requirements; and

WHEREAS, on December 2, 1998, the Council adopted Resolution 98-295, CD1, which requires the Director of the Department of Budget and Fiscal Services ("BFS") to obtain Council approval before investing City funds in bank savings accounts, or time certificates of deposit, or certificates of deposit open account, if such investments are not made with banks located within the State; and

WHEREAS, depositing or investing City funds with Honolulu-based depositories or financial institutions benefit the local people that are hired by these institutions, contribute towards the strengthening of the local business economy, and insure that any profits are retained within the City; and

WHEREAS, on June 6, 2007, the Council adopted Resolution 07-51, CD1, which established a policy whereby unexpended County Surcharge revenue shall be deposited, to the extent possible and all factors being equal, in Honolulu-based depositories or financial institutions (defined as depositories or financial institutions with offices in Honolulu that furnish security as provided in HRS Section 38-2), or invested



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## RESOLUTION

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exclusively in short-term instruments of financial institutions doing business in the City, in accordance with Resolution 98-295, CD1; and

WHEREAS, Resolution 07-51, CD1 also requested that the BFS Director submit to the Council a report on the amount of interest earned on deposits and short-term investments of County Surcharge revenue upon request by any member of the Council; and

WHEREAS, in order to evaluate whether unexpended County Surcharge revenue is being deposited and invested in a manner that is in the best interest of City taxpayers, and in accordance with State law and City policy, the Council requires additional information regarding County Surcharge revenue deposits and investments; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it requests the BFS Director and the Executive Director and CEO of HART to submit to the Council a quarterly report containing the following information:

1. Interest earned on deposits and investments of County Surcharge revenue;
2. The total amount of County Surcharge revenue collected from January 2007 to date, the total amount of County Surcharge revenue expended to date, and the total County Surcharge cash balance on hand;
3. The names of the depositories and financial institutions in which unexpended County Surcharge revenue is deposited or invested, the amount held, class of security offered or type of short-term investments held by each, and whether the depository or financial institution maintains offices in Honolulu; and
4. The amount of unexpended County Surcharge revenue deposited or invested with depositories or financial institutions located outside the State;

and

BE IT FURTHER RESOLVED that the Council requests the BFS Director to establish a written strategy for the deposit and investment of County Surcharge revenue, which complies with the requirements and policies set forth in HRS Sections



**RESOLUTION**

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46-48 and 46-50, Resolution 98-295, CD1, and Resolution 07-51, CD1, and to submit such strategy to the Council within 60 days after the adoption of this resolution; and

BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to the Director of the Department of Budget and Fiscal Services, the Executive Director and CEO of the Honolulu Authority for Rapid Transportation, the Mayor, and the Managing Director.

INTRODUCED BY:

Romy M. Cachola

Ann Kobayashi

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DATE OF INTRODUCTION:

July 18, 2012  
Honolulu, Hawaii

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Councilmembers

CITY COUNCIL  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII  
CERTIFICATE

**RESOLUTION 12-188, CD1**

Introduced: 07/18/12 By: ROMY CACHOLA

Committee: BUDGET

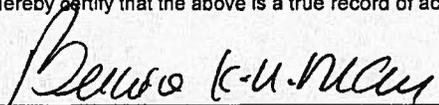
Title: RESOLUTION REQUESTING INFORMATION RELATING TO THE DEPOSIT AND SHORT-TERM INVESTMENT OF GENERAL EXCISE TAX SURCHARGE REVENUES.

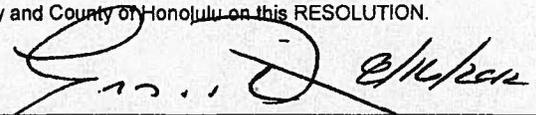
Links: [RES12-188](#)  
[RES12-188\\_CD1](#)  
[CR-263](#)

Voting Legend: Y= Aye, Y\* = Aye w/Reservations, N = No, A = Absent, ABN = Abstain

BUDGET	07/25/12	CR-263 -- RESOLUTION REPORTED OUT OF COMMITTEE FOR ADOPTION AS AMENDED IN <u>CD1</u> FORM.							
COUNCIL	08/15/12	CR-263 AND RESOLUTION 12-188, CD1 WERE ADOPTED.							
ANDERSON	Y	BERG	Y	CACHOLA	Y	CHANG	Y	GABBARD	Y
GARCIA	Y	HARIMOTO	A	KOBAYASHI	Y	MARTIN	Y		

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.

  
BERNICE K. N. MAU, CITY CLERK

  
ERNEST Y. MARTIN, CHAIR AND PRESIDING OFFICER