



COUNCILMEMBER IKAIKA ANDERSON DISTRICT 3 UPDATE MAY 2011

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Aloha,

General Obligation Bonds

Bonds: we've all heard of them, most of us have an idea of what they are and some of us understand how it all works. The last several weeks, as the Council has continued to wade its way through the City's Fiscal Year 2012 (FY-12) budget, a lot of attention has been given to the General Obligation (G.O.) bond requests and the procedures which lead up to their sale. As many of the recent hearings on the G.O. bonds for FY-12 have involved some very complex discussions about a relatively simple process, it seems that now is a good time to provide you with an overview of what's going on and where I stand on the issue, as it relates to the Transit project.

CITY COUNCIL COMMITTEE MEETING SCHEDULE

Monday, June 20

SEDGA	9 am
Public Works	10 ³⁰ am
Executive Matters	1pm

Tuesday, June 21

Zoning	9am
Parks & Human Svcs	10 ³⁰ am
Planning	1pm

Wednesday, June 22

Budget	9 am
Transportation	1 pm

Bonds are essentially City-issued I.O.U.'s and fall into two basic categories: G.O. bonds and revenue bonds. G.O. bonds can be repaid from any funding source available to the borrower whereas revenue bonds are repaid from a specific, contractually agreed-upon, source. Virtually all major construction projects that are carried out by the City are funded through the annual Capital Improvement Program (CIP) budget. Unlike the regular CIP budget, which includes countless projects ranging from the hundreds of thousands of dollars to tens of millions, the money being sought for the transit project is in the hundreds of millions and the City has already authorized appropriations nearing \$1.8 billion in bond monies. With such large amounts being discussed there is good reason for concern with the potential impact of authorizing these bonds in anticipation of Federal monies and ultimately not receiving these monies.

"Sale" vs. Sale

Many people get confused because the first step in the process is the passage of a bill, by the City Council, which authorizes the "issuance and sale" of various bonds in the amounts necessary to fund the CIP budget. On its face authorizing the "issuance and sale" of something seems to clearly imply that all necessary approval has been granted and the administration can go and sell bonds as they see fit – which has led to some confusion as to what exactly the Council is authorizing. In the simplest terms, the bill is creating an appropriation of monies that may be realized from future bond sales. This allows the respective City agency to begin the process of soliciting and reviewing bids and awarding contracts for projects. In order for a payment to be made to a contractor the City must actually sell the bond and this requires separate approval from the City Council. This approval is in the form of a resolution and it must be passed by a super-majority vote. But it is not until such time as the monies are actually needed that the administration will come to the Council for approval, via resolution, to sell the bond.

District 3 Staff

Paulyne Anakalea
Executive Secretary

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Senior Advisor

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Legislative Aide

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Legislative Aide

District 3 Events

3TALKS

“3Talks” are held throughout the district every month. All 3Talks start at 7pm and the public is encouraged to come and meet with their Councilmember and staff.

Tuesday, May 17
Waimanalo Public Library
41-1320 Kalanianaʻole Hwy.

Tuesday, June 7
**Kaneohe Community &
Senior Center**
45-613 Puohala Street

TBA
St. John Lutheran Church
1004 Kailua Road

What has made the situation with the G.O. bonds for the transit project exceptionally difficult is the fact that although the City administration has committed to not using debt to finance the project prior to the committal of Federal monies via a Full Funding Grant Agreement (FFGA), they continue to seek authorization for additional bond sales for the transit project. This year’s request for Transit Improvement Bond funds is presented in Bill 40 (2011) but, as mentioned above, passage of this bill would simply allow the administration to begin the contracting process. In order to actually obtain the money or, put another way, begin financing the project the Council would have to make a separate approval via a resolution. The bottom line is that if the Council approves issuance of Transit Improvement Bonds via a bill, the administration must still get a separate approval from the Council to sell the bonds.

My position has always been that while I am generally supportive of the transit project, I will not abandon my fiscal duty to the taxpayer of Honolulu. More specifically, I will not support the sale of any bonds prior to the signing of a FFGA that includes a federal commitment. That being said, I also recognize the need to ensure that when such Federal commitment is made, the City can move quickly to expedite construction and such expediency relies on the City being able to start the bidding process in advance. State law prohibits even the solicitation of bids without the appropriation – which, in essence, is what Bill 40 does. In this context alone, I’m inclined to support Bill 40 for advance planning purposes but unless we get a commitment from the Federal government I, like many of my colleagues, would be hard pressed to approve the actual sale of bonds.

Mahalo,
Ikaika

!!WEEKLY EMAIL UPDATES!!

In an on-going effort to improve communication with constituents and citizens, I have begun providing near-weekly updates via email. These updates are items of interest before the Council, district meetings and other general items of City interest. If you would like to be included in these updates, just call my office or email me and we’ll include you on our list.

COMMUNITY PROJECTS

Over the past few months my office, in conjunction with other area elected officials and various local groups, have organized and participated in several community projects. Ranging from simple area clean-ups to more demanding labor-intensive projects, it is a great way to meet people and get involved in our community.

We are always looking for **volunteers** so if you, or anyone you know, is interested in participating in future projects please contact my office!