

JAN 25 2006

S.B. NO. 2548

A BILL FOR AN ACT

RELATING TO THE SALE OF BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 39-5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 **"§39-5 Sale of bonds.** (a) The director of finance may
4 make [~~such~~] arrangements as may be necessary or proper for the
5 sale of each issue of bonds or part thereof as are issued
6 pursuant to this part, including, without limitation, arranging
7 for the preparation and printing of the bonds, the official
8 statement and any other documents or instruments deemed required
9 for the issuance and sale of bonds, and retaining financial,
10 accounting, and legal consultants, all upon [~~such~~] the terms and
11 conditions as the director of finance deems advisable and in the
12 best interest of the State[-]; provided that the selection and
13 retention of a private entity to sell the bonds shall be done in
14 accordance with chapter 103D. The director of finance may offer
15 the bonds at competitive sale [~~or may negotiate the sale of the~~
16 ~~bonds~~] to any person or group of persons, to the United States
17 of America, or any board, agency, instrumentality, or
18 corporation thereof, to the employees retirement system of the



1 State, to any political subdivision of the State, or to any
2 board, agency, instrumentality, public corporation, or other
3 governmental organization of the State or of any political
4 subdivision of the State.

5 ~~[(b) The sale of the bonds by the director of finance by~~
6 ~~negotiation shall be at such price or prices and upon such terms~~
7 ~~and conditions, and the bonds shall bear interest at such rate~~
8 ~~or rates or such varying rates determined from time to time in~~
9 ~~such manner, as the director of finance, with the approval of~~
10 ~~the governor, shall approve.~~

11 ~~(e)]~~ (b) The sale of the bonds by the director of finance
12 at competitive sale shall be at ~~[such]~~ the price or prices and
13 upon ~~[such]~~ the terms and conditions, and the bonds shall bear
14 interest at ~~[such]~~ the rate or rates or ~~[such]~~ varying rates
15 determined from time to time in the manner as specified by the
16 successful bidder, and the bonds shall be sold in accordance
17 with this subsection. The bonds offered at competitive sale
18 shall be sold only after published notice of sale advising
19 prospective purchasers of the proposed sale. The bonds offered
20 at competitive sale may be sold to the bidder offering to
21 purchase the bonds at the lowest interest cost. For the purpose
22 of this subsection, the lowest interest cost shall be determined



1 on any one of the following bases as selected by the director of
2 finance, with the approval of the governor:

3 (1) The figure obtained by adding together the amounts of
4 interest payable on the bonds from their date to their
5 respective maturity dates at the rate or rates
6 specified by the bidder and deducting from the sum
7 obtained the amount of any premium offered by the
8 bidder;

9 (2) Where the interest on the bonds is payable annually,
10 the annual interest rate (compounded annually), or,
11 where the interest on the bonds is payable
12 semiannually, the rate obtained by doubling the
13 semiannual interest rate (compounded semiannually),
14 necessary to discount the principal and interest
15 payments on the bonds from the dates of payment
16 thereof to the date of the bonds and to the price bid
17 (the price bid for the purpose of this paragraph shall
18 not include the amount of interest accrued on the
19 bonds from their date to the date of delivery and
20 payment); or

21 (3) Where the interest on the bonds is payable other than
22 annually or semiannually or will vary from time to



1 time, and which, in the opinion of the director of
2 finance, shall result in the lowest cost to the State;
3 provided that in any case the right shall be reserved to reject
4 any or all bids and waive any irregularity or informality in any
5 bid.

6 ~~(d)~~ (c) Bonds offered at competitive sale, without
7 further action, shall bear interest at the rate or rates
8 specified by the successful bidder or varying rates determined
9 from time to time in the manner specified by the successful
10 bidder with the consent of the director of finance. The notice
11 of sale required by this section shall be given at least once
12 and at least five days prior to the date of the sale in the
13 State and in a financial newspaper or newspapers published in
14 any of the cities of New York, Chicago, or San Francisco, and
15 shall be in a form and contain terms and conditions that the
16 director of finance shall determine. The notice of sale shall
17 comply with the requirements of this section if it merely
18 advises prospective purchasers of the proposed sale and makes
19 reference to a detailed notice of sale which is available to
20 prospective purchasers and ~~which~~ that sets forth the specific
21 details of the bonds and terms and conditions upon which the
22 bonds are to be offered. The notice of sale and any detailed



1 notice of sale may omit the date and time of sale, in which
2 event the date and time shall be either given in the same manner
3 and medium in which the original notice of sale was given or
4 transmitted via electronic communication systems deemed proper
5 by the director of finance [~~which~~] that are generally available
6 to the financial community, in either case at least twenty-four
7 hours prior to the time fixed for the sale."

8 SECTION 2. Section 39-55, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§39-55 Sale of revenue bonds.** (a) The director of
11 finance may make [~~such~~] arrangements as may be necessary or
12 proper for the sale of each issue of revenue bonds or part
13 thereof as are issued pursuant to this part, including, without
14 limitation, arranging for the preparation and printing of the
15 revenue bonds, the official statement and any other documents or
16 instruments deemed required for the issuance and sale of revenue
17 bonds and retaining [~~such~~] financial, accounting and legal
18 consultants, all upon [~~such~~] the terms and conditions as the
19 director of finance deems advisable and in the best interest of
20 the State[-]; provided that the selection and retention of a
21 private entity to sell the bonds shall be done in accordance
22 with chapter 103D. The department head or the governing body



1 may offer the revenue bonds at competitive sale [~~or may~~
2 ~~negotiate the sale of the revenue bonds~~] to any person or group
3 of persons, to the United States of America, or any board,
4 agency, instrumentality, or corporation thereof, to the
5 employees retirement system of the State, to any political
6 subdivision of the State, or to any board, agency,
7 instrumentality, public corporation, or other governmental
8 organization of the State or of any political subdivision of the
9 State.

10 [~~(b) The sale of the revenue bonds by the department head~~
11 ~~or the governing body by negotiation shall be at such price or~~
12 ~~prices, and upon such terms and conditions, and the revenue~~
13 ~~bonds shall bear interest at such rate or rates or such varying~~
14 ~~rates determined from time to time in the manner as the~~
15 ~~department head or the governing body, with the approval of the~~
16 ~~governor, shall approve.~~

17 ~~(e)]~~ (b) The sale of the revenue bonds by the department
18 head or the governing body at competitive sale shall be at
19 [~~such~~] the price or prices and upon [~~such~~] the terms and
20 conditions, and the revenue bonds shall bear interest at [~~such~~]
21 the rate or rates or [~~such~~] varying rates determined from time
22 to time in the manner as specified by the successful bidder, and



1 the revenue bonds shall be sold in accordance with this
2 subsection. The revenue bonds offered at competitive sale shall
3 be sold only after published notice of sale advising prospective
4 purchasers of the proposed sale. The revenue bonds offered at
5 competitive sale may be sold to the bidder offering to purchase
6 the revenue bonds at the lowest interest cost, the interest
7 cost, for the purpose of this subsection, being determined on
8 any one of the following bases as selected by the department
9 head or the governing body, with the approval of the governor:

10 (1) The figure obtained by adding together the amounts of
11 interest payable on the revenue bonds from their date
12 to their respective maturity dates at the rate or
13 rates specified by the bidder and deducting from the
14 sum obtained the amount of any premium offered by the
15 bidder;

16 (2) Where the interest on the revenue bonds is payable
17 annually, the annual interest rate (compounded
18 annually), or where the interest on the revenue bonds
19 is payable semiannually, the rate obtained by doubling
20 the semiannual interest rate (compounded
21 semiannually), necessary to discount the principal and
22 interest payments on the revenue bonds from the dates



1 of payment thereof to the date of the revenue bonds
 2 and to the price bid (the price bid for the purpose of
 3 this paragraph shall not include the amount of
 4 interest accrued on the revenue bonds from their date
 5 to the date of delivery and payment); or

6 (3) Where the interest on the revenue bonds is payable
 7 other than annually or semiannually or will vary from
 8 time to time upon [~~such~~] a basis as, in the opinion of
 9 the department head or the governing body, shall
 10 result in the lowest cost to the State;

11 provided that in any case the right shall be reserved to reject
 12 any or all bids and waive any irregularity or informality in any
 13 bid.

14 [~~(d)~~] (c) Revenue bonds offered at competitive sale,
 15 without further action, shall bear interest at the rate or rates
 16 specified by the successful bidder or the varying rates
 17 determined from time to time in the manner specified by the
 18 successful bidder with the consent of the department head or the
 19 governing body. The notice of sale required by this section
 20 shall be given at least once and at least five days prior to the
 21 date of the sale in the State and in a financial newspaper or
 22 newspapers published in any of the cities of New York, Chicago,

1 or San Francisco, and shall be in a form and contain terms and
2 conditions that the department head or the governing body shall
3 determine. The notice of sale shall comply with the
4 requirements of this section if it merely advises prospective
5 purchasers of the proposed sale and makes reference to a
6 detailed notice of sale [~~which~~] that is available to prospective
7 purchasers and [~~which~~] that sets forth the specific details of
8 the revenue bonds and terms and conditions upon which any
9 revenue bonds are to be offered. The notice of sale and any
10 detailed notice of sale may omit the date and time of sale, in
11 which event the date and time shall be either given in the same
12 manner and medium in which the original notice of sale was given
13 or transmitted via electronic communication systems deemed
14 proper by the department head or the governing body, which are
15 generally available to the financial community, in either case
16 at least twenty-four hours prior to the time fixed for the sale.

17 [~~(e)~~] (d) A governing body may delegate the responsibility
18 for any or all of the determinations or actions to the member
19 who is the presiding officer or to the executive director or
20 other officer of the board, commission, agency, authority or
21 public corporation, instrumentality, or other body."



1 SECTION 3. Section 47-8, Hawaii Revised Statutes, is
2 amended to read as follows:

3 **"§47-8 Sale of bonds.** (a) The director of finance may
4 make [~~such~~] arrangements as may be necessary or proper for the
5 sale of each issue of bonds or part thereof as are issued under
6 this chapter, including, without limitation, arranging for the
7 preparation and printing of the bonds, the official statement
8 and any other documents or instruments deemed required for the
9 issuance and sale of bonds and retaining those financial,
10 accounting, and legal consultants, all upon [~~such~~] the terms and
11 conditions as the director of finance deems advisable and in the
12 best interest of the county[-]; provided that the selection and
13 retention of a private entity to sell the bonds shall be done in
14 accordance with chapter 103D. The governing body may authorize
15 the director of finance to offer the bonds at competitive sale
16 [~~or to negotiate the sale of the bonds~~] to:

- 17 (1) Any person or group of persons;
- 18 (2) The United States of America, or any board, agency,
19 instrumentality, or corporation thereof;
- 20 (3) The employees retirement system of the State;
- 21 (4) Any political subdivision of the State;

1 (5) Any board, agency, instrumentality, public
2 corporation, or other governmental organization of the
3 State; or of any political subdivision of the State.

4 ~~[(b) Subject to any limitation imposed by the governing
5 body by the ordinance or resolution authorizing the bonds, the
6 sale of the bonds by the director of finance by negotiation
7 shall be at such price or prices and upon such terms and
8 conditions, and the bonds shall bear interest at such rate or
9 rates or such varying rates determined from time to time in such
10 manner, as the director of finance shall approve.~~

11 ~~(e)]~~ (b) Subject to any limitation imposed by the
12 governing body by the ordinance or resolution authorizing the
13 bonds, the sale of the bonds by the director of finance at
14 competitive sale shall be at a price or prices and upon terms
15 and conditions, and the bonds shall bear interest at a rate or
16 rates or varying rates determined from time to time in the
17 manner, as specified by the successful bidder, and the bonds
18 shall be sold in accordance with this subsection. The bonds
19 offered at competitive sale shall be sold only after public
20 notice of sale advising prospective purchasers of the proposed
21 sale. The bonds offered at competitive sale may be sold to the
22 bidder offering to purchase the bonds at the lowest interest



1 cost, the interest cost, for the purpose of this subsection,
2 being determined on one of the following bases as selected by
3 the director of finance:

4 (1) The figure obtained by adding together the amounts of
5 interest payable on the bonds from their date to their
6 respective maturity dates at the rate or rates
7 specified by the bidder and deducting from the sum
8 obtained the amount of any premium offered by the
9 bidder;

10 (2) Where the interest on the bonds is payable annually,
11 the annual interest rate (compounded annually), or,
12 where the interest on the bonds is payable
13 semiannually, the rate obtained by doubling the
14 semiannual interest rate (compounded semiannually),
15 necessary to discount the principal and interest
16 payments on the bonds from the dates of payment
17 thereof to the date of the bonds and to the price bid
18 (the price bid for the purpose of this paragraph shall
19 not include the amount of interest accrued on the
20 bonds from their date to the date of delivery and
21 payment); or



1 (3) Where the interest on the bonds is payable other than
2 annually or semiannually or will vary from time to
3 time, upon a basis that, in the opinion of the
4 director of finance, shall result in the lowest cost
5 to the county;

6 provided that in any case the right shall be reserved to reject
7 any or all bids and waive any irregularity or informality in any
8 bid.

9 [~~(d)~~] (c) Bonds offered at competitive sale, without
10 further action of the governing body, shall bear interest at the
11 rate or rates specified by the successful bidder or varying rate
12 or rates determined from time to time in the manner specified by
13 the successful bidder with the consent of the director of
14 finance. The notice of sale required by this section shall be
15 given at least once and at least five days prior to the date of
16 the sale in the county and in a financial newspaper or
17 newspapers published in any of the cities of New York, Chicago,
18 or San Francisco, and shall be in a form and contain terms and
19 conditions that the director of finance shall determine. The
20 notice of sale shall comply with the requirements of this
21 section if it merely advises prospective purchasers of the
22 proposed sale and makes reference to a detailed notice of sale



1 [~~which~~] that is available to the prospective purchasers and
2 [~~which~~] that sets forth the specific details of the bonds and
3 terms and conditions upon which the bonds are to be offered.
4 The notice of sale and any detailed notice of sale may omit the
5 date and time of sale, in which event the date and time shall be
6 either given in the same manner and medium in which the original
7 notice of sale was given, or transmitted via electronic
8 communication systems deemed proper by the director of finance
9 [~~which~~] that is generally available to the financial community,
10 in either case at least forty-eight hours prior to the time
11 fixed for the sale."

12 SECTION 4. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 5. This Act shall take effect upon its approval.

15

INTRODUCED BY: Carol Fulkerson



SB. NO. 2548

Report Title:

State and County Bond Sales; Competitive Sale of Bonds; Required

Description:

Requires that businesses that are retained by the State and counties to sell its bonds be hired through a competitive process. Requires that state and county bonds be sold through a competitive sale process.

