NEW ISSUE
FULL BOOK-ENTRY

RATINGS:
Fitch: AA+
Moody's: Aa1
(See "Bond Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015A Bonds, the Series 2015B Bonds, the Series 2015C Bonds, and the Series 2015D Bonds (collectively, the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is of the opinion that the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel further observes that interest on the Series 2015E Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.

$888,635,000
CITY AND COUNTY OF HONOLULU
GENERAL OBLIGATION BONDS

$379,550,000	$210,480,000	$249,240,000	$27,305,000	$22,060,000
Series 2015A	Series 2015B	Series 2015C	Series 2015D	Series 2015E
(Tax Exempt)	(Tax Exempt)	(Tax Exempt)	(Tax Exempt)	(Taxable)

Dated: Date of Delivery **Due: October 1, as shown on inside cover**

The City and County of Honolulu General Obligation Bonds, Series 2015A (Tax Exempt), Series 2015B (Tax Exempt), Series 2015C (Tax Exempt), Series 2015D (Tax Exempt) and Series 2015E (Taxable) (the "Series 2015A Bonds," "Series 2015B Bonds," "Series 2015C Bonds," "Series 2015D Bonds" and "Series 2015E Bonds," respectively, and together, the "Bonds"), are being issued by the City and County of Honolulu (the "City and County") in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of certificates; payment of the principal of, and premium, if any, and interest on, the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may initially be made in the denomination of $5,000 or any integral multiple thereof.

The Bonds will be dated as of the date of delivery thereof and will bear interest at the rates shown on the inside cover, payable on April 1 and October 1 of each year, commencing October 1, 2015. The Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and Series 2015E are subject to redemption prior to the stated maturity thereof as described herein. The Series 2015D Bonds are not subject to redemption prior to maturity.

The Bonds are being issued for the purposes of (i) funding certain capital improvement projects of the City and County, (ii) refunding on a current basis certain general obligation commercial paper notes previously issued to fund such projects, and (iii) refunding certain outstanding general obligation bonds of the City and County.

The Bonds are the absolute and unconditional general obligations of the City and County. The principal and interest payments on the Bonds are a first charge on the general fund of the City and County, and the full faith and credit of the City and County are pledged to the punctual payment of such principal and interest. For the payment of the principal of and interest on the Bonds, the City and County has the power and is obligated to levy ad valorem taxes, without limitation as to rate or amount, on all real property subject to taxation by the City and County.

The Bonds are offered when, as and if issued and received by the Underwriters, and are subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County. Certain legal matters will be passed upon for the Underwriters by their counsel, McCorriston Miller Mukai MacKinnon LLP, Honolulu, Hawaii. It is expected that the Bonds in definitive form will be available for delivery to DTC, in New York, New York, on or about April 2, 2015.

BofA Merrill Lynch

Piper Jaffray & Co.

March 17, 2015

$888,635,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds

$379,550,000
Series 2015A Bonds
(Tax Exempt)

Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)†	Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)†
2015	$ 7,890,000	5.00%	0.08%	U41	2028	$15,015,000	5.00%	2.70%*	V99
2016	8,240,000	5.00	0.43	U58	2029	15,785,000	5.00	2.76*	W23
2017	8,665,000	5.00	0.77	U66	2030	16,595,000	5.00	2.82*	W31
2018	9,105,000	5.00	1.11	U74	2031	17,445,000	5.00	2.87*	W49
2019	9,575,000	5.00	1.40	U82	2032	18,340,000	5.00	2.91*	W56
2020	10,065,000	5.00	1.59	U90	2033	19,280,000	5.00	2.95*	W64
2021	10,580,000	5.00	1.80	V24	2034	20,170,000	4.00	3.38*	W72
2022	11,125,000	5.00	2.00	V32	2035	21,100,000	5.00	3.02*	W80
2023	11,695,000	5.00	2.19	V40	2036	22,180,000	5.00	3.06*	W98
2024	12,295,000	5.00	2.31	V57	2037	23,320,000	5.00	3.07*	X22
2025	12,925,000	5.00	2.41	V65	2038	24,515,000	5.00	3.08*	X30
2026	13,590,000	5.00	2.50*	V73	2039	25,770,000	5.00	3.09*	X48
2027	14,285,000	5.00	2.59*	V81					

$210,480,000
Series 2015B Bonds
(Tax Exempt)

Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)†	Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)†
2018	$10,645,000	5.00%	1.11%	X55	2025	$15,105,000	5.00%	2.41%	Y47
2019	11,190,000	5.00	1.40	X63	2026	15,880,000	5.00	2.50*	Y54
2020	11,765,000	5.00	1.59	X71	2027	16,695,000	5.00	2.59*	Y62
2021	12,370,000	5.00	1.80	X89	2028	17,550,000	5.00	2.70*	Y70
2022	13,000,000	5.00	2.00	X97	2029	18,450,000	5.00	2.76*	Y88
2023	13,670,000	5.00	2.19	Y21	2030	19,400,000	5.00	2.82*	Y96
2024	14,370,000	5.00	2.31	Y39	2031	20,390,000	5.00	2.87*	Z20

* *Priced to call at par on October 1, 2025.*

† *Copyright, American Bankers Association. CUSIP data provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the City and County nor the Underwriters take any responsibility for the accuracy of such numbers.*

$249,240,000
Series 2015C Bonds
(Tax Exempt)

Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)[†]	Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)[†]
2019	$ 1,000,000	1.375%	1.40%	2N0	2025	$ 1,000,000	4.000%	2.41%	Z95
2019	10,895,000	4.000	1.40	Z38	2025	14,605,000	5.000	2.41	2V2
2020	5,175,000	2.000	1.59	Z46	2026	1,000,000	4.000	2.50[*]	2A8
2020	7,175,000	5.000	1.59	2Q3	2026	15,395,000	5.000	2.50[*]	2W0
2021	350,000	4.000	1.80	Z53	2027	17,230,000	5.000	2.59[*]	2B6
2021	12,550,000	5.000	1.80	2R1	2028	10,000,000	3.000	3.12	2C4
2022	2,520,000	2.500	2.00	Z61	2028	8,010,000	5.000	2.70[*]	2J9
2022	1,550,000	3.000	2.00	2M2	2029	18,830,000	5.000	2.76[*]	2D2
2022	9,445,000	5.000	2.00	2S9	2030	19,695,000	4.000	3.17[*]	2E0
2023	250,000	2.125	2.19	2P5	2031	10,255,000	3.250	3.40	2F7
2023	500,000	4.000	2.19	Z79	2031	10,205,000	4.000	3.23[*]	2K6
2023	13,400,000	5.000	2.19	2T7	2032	21,255,000	4.000	3.30[*]	2G5
2024	1,225,000	3.000	2.31	Z87	2033	11,075,000	3.500	3.55	2H3
2024	13,635,000	5.000	2.31	2U4	2033	11,015,000	4.000	3.34[*]	2L4

$27,305,000
Series 2015D Bonds
(Tax Exempt)

Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)[†]
2016	$27,305,000	5.00%	0.43%	2X8

$22,060,000
Series 2015E Bonds
(Taxable)

Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)[†]	Year (October 1)	Principal Amount	Interest Rate	Yield	CUSIP (438670)[†]
2015	$640,000	0.35%	0.35%	R37	2028	$ 860,000	3.55%	3.55%	S85
2016	640,000	0.85	0.85	R45	2029	895,000	3.65	3.65	S93
2017	645,000	1.05	1.05	R52	2030	925,000	3.70	3.70	T27
2018	655,000	1.65	1.65	R60	2031	960,000	3.73	3.73	T35
2019	670,000	1.90	1.90	R78	2032	1,000,000	3.75	3.75	T43
2020	680,000	2.25	2.25	R86	2033	1,035,000	3.78	3.78	T50
2021	700,000	2.40	2.40	R94	2034	1,075,000	3.81	3.81	T68
2022	715,000	2.70	2.70	S28	2035	1,120,000	3.86	3.86	T76
2023	735,000	2.80	2.80	S36	2036	1,165,000	3.89	3.89	T84
2024	755,000	2.95	2.95	S44	2037	1,210,000	3.93	3.93	T92
2025	780,000	3.05	3.05	S51	2038	1,255,000	3.96	3.96	U25
2026	805,000	3.20	3.20	S69	2039	1,310,000	3.99	3.99	U33
2027	830,000	3.40	3.40	S77					

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[*] *Priced to call at par on October 1, 2025.*

[†] *Copyright, American Bankers Association. CUSIP data provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the City and County nor the Underwriters take any responsibility for the accuracy of such numbers.*

City and County of Honolulu

State of Hawaii

(Incorporated 1907)

MAYOR

Kirk Caldwell

CITY COUNCIL

Ernest Y. Martin
Chair and Presiding Officer

Ikaika Anderson
Vice Chair

Ron Menor
Floor Leader

Brandon J. C. Elefante

Carol Fukunaga

Ann H. Kobayashi

Joey Manahan

Trevor Ozawa

Kimberly Marcos Pine

DIRECTOR OF BUDGET AND FISCAL SERVICES

Nelson H. Koyanagi, Jr.

CORPORATION COUNSEL

Donna Y. L. Leong

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

The information contained in this Official Statement has been obtained from the City and County of Honolulu and other sources deemed reliable. No guaranty is made, however, as to the accuracy or completeness of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell the Bonds in any state to any person to whom it is unlawful to make such offer in such state. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon. The information contained herein is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder at any time implies that the information contained herein is correct as of any time subsequent to its date.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$888,635,000
City and County of Honolulu
General Obligation Bonds

$379,550,000	$210,480,000	$249,240,000	$27,305,000	$22,060,000
Series 2015A	Series 2015B	Series 2015C	Series 2015D	Series 2015E
(Tax Exempt)	(Tax Exempt)	(Tax Exempt)	(Tax Exempt)	(Taxable)

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, is provided for the purpose of presenting certain information relating to the City and County of Honolulu (the "City and County," the "City," "Honolulu" or "Oahu"), and its $888,635,000 aggregate principal amount of General Obligation Bonds, Series 2015A, Series 2015B, Series 2015C, Series 2015D and Series 2015E (the "Series 2015A Bonds," "Series 2015B Bonds," "Series 2015C Bonds," "Series 2015D Bonds" and "Series 2015E Bonds," respectively, and together, the "Bonds").

AUTHORITY FOR AND PURPOSE OF ISSUANCE

Authority for Issuance

The Bonds are being issued pursuant to and in full compliance with Ordinance Nos. 98-29, 00-24, 01-27, 02-27, 03-08, 04-15, 05-15, 06-34, 07-26, 08-14, 09-13, 10-13, 11-12, 12-21, 13-21, 14-16 and 99-11 of the City and County, Resolution No. 15-21, CD1 of the City and County, the Constitution and laws of the State of Hawaii, including Chapter 47, Hawaii Revised Statutes, and the Revised Charter of the City and County. The Bonds are being issued pursuant to a Certificate of the Director of Budget and Fiscal Services of the City and County.

Purpose of Issuance

The proceeds of the Bonds will be used (i) to fund certain capital improvement projects of the City and County, (ii) to refund currently certain general obligation commercial paper notes previously issued to fund such projects, (iii) to refund certain general obligation bonds previously issued by the City and County, and (iii) to pay certain costs of issuance relating to the Bonds.

The Refunding Plan

The Series 2015A Bonds are being issued in part to effect the current refunding of $100 million* principal amount of the City and County's General Obligation Commercial Paper Notes, Issue D (the "Refunded Notes"). The Series 2015B Bonds, Series 2015C Bonds and Series 2015D Bonds are being issued to refund certain of the City and County's outstanding General Obligation Bonds. The General Obligation Bonds to be refunded, as selected by the City and County (the "Refunded Bonds"), are identified in Appendix E hereto.

Upon issuance of the Bonds, a portion of the proceeds of such Bonds will be deposited into an escrow fund or funds (collectively, the "Escrow Fund") to be established with U.S. Bank National Association, as escrow agent (the "Escrow Agent"), for the purpose of effecting the refunding of the Refunded Notes and Refunded Bonds. The moneys and securities held in the Escrow Fund are to be applied to the payment of principal of, premium, if any, and interest on the Refunded Notes and Refunded Bonds. Pending application, moneys deposited in the Escrow Fund will be invested in noncallable direct obligations of the United States (the "Escrow Securities") which, together with cash held uninvested in the Escrow Fund, will be sufficient, without reinvestment, and will be applied to pay the principal or redemption price of and interest on the Refunded Notes and Refunded Bonds to and including their respective maturity dates or redemption dates. The maturing principal of and interest on the Escrow Securities and cash held in the Escrow Fund, in the amounts needed to pay the principal or redemption price of and interest on the Refunded Notes and Refunded Bonds, are pledged solely for the benefit of the holders of the Refunded Notes and

Refunded Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein for a discussion of certain mathematical computations relating to the Escrow Fund and the Bonds.

SOURCES AND USES OF PROCEEDS

The estimated sources and uses of the proceeds of the Bonds are set forth below:

Sources of Funds:	**Series 2015A**	**Series 2015B**	**Series 2015C**	**Series 2015D**	**Series 2015E**	**Total**
Par Amount of Bonds	$379,550,000.00	$210,480,000.00	$249,240,000.00	$27,305,000.00	$22,060,000.00	$ 888,635,000.00
Plus Net Original Issue Premium	66,451,007.25	42,708,185.20	33,732,028.15	1,860,289.65	0.00	144,751,510.25
Total Sources of Funds	**$446,001,007.25**	**$253,188,185.20**	**$282,972,028.15**	**$29,165,289.65**	**$22,060,000.00**	**$1,033,386,510.25**
Uses of Funds:						
Bond Improvement Funds ...	$345,000,000.00	$ 0.00	$ 0.00	$ 0.00	$22,000,000.00	$ 367,000,000.00
Deposit to Escrow Fund	100,000,000.00	252,647,896.45	282,325,656.22	29,110,631.33	0.00	664,084,184.00
Costs of Issuance*	1,001,007.25	540,288.75	646,371.93	54,658.32	60,000.00	2,302,326.25
Total Uses of Funds	**$446,001,007.25**	**$253,188,185.20**	**$282,972,028.15**	**$29,165,289.65**	**$22,060,000.00**	**$1,033,386,510.25**

* *Includes Underwriter’s discount and other legal and financial costs incurred in connection with the issuance and delivery of the Bonds.*

THE BONDS

Description of the Bonds

The Bonds will be dated as of the date of delivery thereof; will mature serially on October 1 of the years and in the principal amounts shown on the inside cover page hereof; will bear interest at the rates per annum shown on the inside cover hereof (computed on the basis of a 360-day year) payable April 1 and October 1 of each year, commencing October 1, 2015; and will be subject to redemption as described herein.

The Bonds are expected to be available for delivery to The Depository Trust Company (“DTC”), in New York, New York, on or about April 2, 2015. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds (together with its successors, if any, in such capacity, the “Securities Depository”). So long as the Securities Depository or its nominee is the registered owner of the Bonds, individual purchases of the Bonds will be made in book-entry form only (the “Book-Entry System”), in authorized denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. Principal of and interest on the Bonds will be paid to the Securities Depository, which will in turn remit such principal and interest to its Participants (as defined in Appendix D), for subsequent distribution to the Beneficial Owners (as defined in Appendix D) of the Bonds. The Bonds may be transferred or exchanged in the manner described in the Bonds and as referenced in accompanying proceedings of the City and County. See Appendix D, “Book-Entry System.”

Payment of Bonds

The principal of and interest on the Bonds will be payable in lawful money of the United States of America. The principal of all Bonds shall be payable only at the principal office of the Paying Agent (initially, the Director of Budget and Fiscal Services of the City and County), and the payment of the interest on each Bond shall be made by the Paying Agent on each interest payment date to the person appearing on the Bond Register of the City and County as the registered owner thereof on the applicable record date, by check or draft mailed or otherwise delivered to such registered owner at its address as it appears on such Bond Register. The record date is the fifteenth day before an interest payment date. Payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable. The person in whose name any Bond is registered at the close of business on any record date with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to the record date and prior to such interest payment date. So long as the Book-Entry System for the Bonds is in effect, principal of and interest on such Bonds will be paid to the Securities Depository as the registered owner of the Bonds. See Appendix D, "Book-Entry System."

Optional Redemption

The Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and Series 2015E Bonds maturing on and after October 1, 2026 are subject to redemption prior to the stated maturity thereof at the option of the City and County on or after October 1, 2025, in whole or in part at any time, from any maturities selected by the City and County (in its sole discretion), at a redemption price equal to 100% of the principal amount of the Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption. The Series 2015D Bonds are not subject to redemption prior to maturity.

The Series 2015E Bonds maturing on or before October 1, 2025 are subject to redemption prior to their stated maturities at the option of the City and County, in whole or in part (and if in part on a pro rata basis), on any date, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series 2015E Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2015E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2015E Bonds are to be redeemed, discounted to the date on which such Series 2015E Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined below) plus 30 basis points;

plus, in each case, accrued interest on such Series 2015E Bonds to be redeemed to the redemption date.

For purposes of the foregoing provisions concerning redemptions of the Series 2015E Bonds, the following terms shall have the meanings set forth below:

"Calculation Agent" means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the City and County (which may be one of the institutions that served as underwriters for the Series 2015E Bonds).

"Comparable Treasury Issue" means the United State Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Series 2015E Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2015E Bonds being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a Series 2015E Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on the third business day preceding the date fixed for redemption.

"Comparable Treasury Yield" means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2015E Bonds being redeemed. The Comparable Treasury Yield will be determined as of the third business day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2015E Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2015E Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2015E Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

"Reference Treasury Dealer" means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as underwriters for the Series 2015E Bonds) appointed by the City and County and reasonably acceptable to the Calculation Agent.

Selection for Redemption

If fewer than all of the Bonds of a series are called for redemption, the City and County will designate the maturities from which the Bonds of such series are to be redeemed. For so long as the Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected (i) by lot, in the case of the Series 2015A Bonds, Series 2015B Bonds or Series 2015C Bonds, and (ii) on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, in the case of the Series 2015E Bonds; provided that, so long as the Bonds are held in book-entry form, the selection for redemption of the Bonds will be made in accordance with the operational arrangements of DTC then in effect, and if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Bonds will be selected for redemption in accordance with DTC procedures by lot; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See Appendix D, "Book-Entry System."

In connection with any repayment of principal of the Series 2015E Bonds, including payments of scheduled mandatory sinking fund payments, the Registrar will direct DTC to make a pass-through distribution of principal to the owners of the Series 2015E Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Registrar that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC's currently applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator is equal to the amount due to the owners of the Series 2015E Bonds on a payment date and (b) the denominator is equal to the total original par amount of the Series 2015E Bonds.

It is the City and County's intent that redemption allocations made by DTC with respect to the Series 2015E Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the City and County nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of these Bonds on such basis.

If the Bonds are not registered in book-entry form and if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2015E Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, and the particular Series 2015A Bonds, Series 2015B Bonds or Series 2015C Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

Notice of redemption of any Bond will be mailed, at least once not less than thirty (30) days prior to the date fixed for redemption, to the holder in whose name the Bond is registered upon the Bond Register. The failure of the registered holder to receive such notice by mail or any defect in such notice shall not affect the sufficiency of the proceedings for the redemption of any Bond. If a Bond is of a denomination in excess of $5,000, portions of the principal sum thereof in amounts of $5,000 or any integral multiple thereof may be redeemed, and if less than all of the principal sum thereof is to be redeemed, in such case, upon the surrender of such Bond to the Paying Agent, there shall be issued to the registered holder thereof, without charge therefor, for the then unredeemed balance of the principal sum thereof, Bonds of like series, maturity and interest rate in any of the authorized denominations.

Any notice of optional redemption may state that such redemption may be conditional upon the receipt by the City and County on the date fixed for redemption of moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed. If the notice contains such condition, and moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed are not received on or prior to the date fixed for redemption, such notice of redemption shall be null and void and of no force and effect, the City and County shall not redeem or be obligated to redeem any Bonds, and the Paying Agent at the City and County's direction shall give notice, in the same manner as notice of redemption is given, that moneys sufficient to pay in full the redemption price of the Bonds proposed to be redeemed were not received on or prior to the date fixed for redemption and such redemption did not occur. In the event of any such failure to redeem, all Bonds surrendered for redemption shall be promptly returned to the holder or holders by the Paying Agent.

If notice of redemption of any Bond (or any portion of the principal sum thereof) has been duly given, and if on or before the date fixed for such redemption the City and County has duly made or provided for the payment of the principal sum to be redeemed to the date fixed for such redemption, then such Bond (or the portion of the principal sum thereof to be redeemed) shall become due and payable upon such date fixed for redemption and interest thereon shall cease to accrue and become payable from and after the date fixed for such redemption on the principal sum thereof to be redeemed. See Appendix D, "Book-Entry System," for a discussion of the notice of redemption to be given to Beneficial Owners of the Bonds when the Book-Entry System for the Bonds is in effect.

Debt Service on the Bonds

Set forth below is a schedule of debt service payments required for the Bonds for each Fiscal Year of the City and County, beginning with the Fiscal Year ending June 30, 2015:

CITY AND COUNTY OF HONOLULU
General Obligation Bonds,
Series 2015A, Series 2015B, Series 2015C, Series 2015D and Series 2015E
Debt Service Requirements

FY Ending June 30	Principal	Interest	Total
2016	$ 8,530,000	$ 41,888,420.60	$ 50,418,420.60
2017	36,185,000	40,915,939.00	77,100,939.00
2018	9,310,000	39,804,582.75	49,114,582.75
2019	20,405,000	39,085,417.75	59,490,417.75
2020	33,330,000	37,835,999.00	71,165,999.00
2021	34,860,000	36,301,209.00	71,161,209.00
2022	36,550,000	34,613,784.00	71,163,784.00
2023	38,355,000	32,807,231.50	71,162,231.50
2024	40,250,000	30,911,507.75	71,161,507.75
2025	42,280,000	28,882,425.25	71,162,425.25
2026	44,415,000	26,747,644.00	71,162,644.00
2027	46,670,000	24,495,369.00	71,165,369.00
2028	49,040,000	22,121,504.00	71,161,504.00
2029	51,435,000	19,722,504.00	71,157,504.00

FY Ending June 30	Principal	Interest	Total
2030	53,960,000	17,199,905.25	71,159,905.25
2031	56,615,000	14,546,059.00	71,161,059.00
2032	59,255,000	11,900,648.75	71,155,648.75
2033	40,595,000	9,663,776.00	50,258,776.00
2034	42,405,000	7,845,752.00	50,250,752.00
2035	21,245,000	6,506,199.25	27,751,199.25
2036	22,220,000	5,533,204.50	27,753,204.50
2037	23,345,000	4,406,929.25	27,751,929.25
2038	24,530,000	3,222,993.50	27,752,993.50
2039	25,770,000	1,978,493.00	27,748,493.00
2040	27,080,000	670,384.50	27,750,384.50
Total:	$888,635,000	$539,607,882.60	$1,428,242,882.60

SECURITY FOR THE BONDS

Security Provisions

The Constitution and other laws of the State of Hawaii provide that the interest and principal payments on the Bonds shall be a first charge on the General Fund of the City and County. Under such laws, the full faith and credit of the City and County are pledged to the payment of such principal and interest, and for such payment the City Council has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount on all the real property subject to taxation by the City and County.

Outstanding and Expected General Obligation Bonds

The capital improvement budgets for the Fiscal Years ended June 30, 1999 through 2014 and for the Fiscal Year ending June 30, 2015, authorized and appropriated a total of $6,478,806,316 for public improvements to be financed from the proceeds of general obligation bonds or notes. As of December 31, 2014, $2,705,430,387 of general obligation bonds and notes (including reimbursable general obligation bonds) had been issued to finance appropriations for such Fiscal Years, and $2,109,577,222 of such appropriations had lapsed pursuant to the terms of the Revised Charter of the City and County. It is expected that $1,663,798,707, the balance of such appropriations, will be funded from the proceeds of the Bonds or of other general obligation bond or note issues to be issued in the future.

See “BUDGET PROCESS AND FINANCIAL MANAGEMENT – Budgets and Expenditures” for more information relating to lapsing of capital budget appropriations. See also “DEBT STRUCTURE – Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)” for a discussion of the City and County’s fixed guideway mass transit project to be funded in part through the future issuance of general obligation bonds.

THE CITY AND COUNTY OF HONOLULU

Introduction

Honolulu, the capital and principal city of the State of Hawaii, is located on the Island of Oahu. The City and County of Honolulu includes the entire Island of Oahu and a number of outlying islands. Of the eight major islands that constitute the State of Hawaii, Oahu, with an area of 597 square miles, is smaller than the Islands of Hawaii and Maui but larger than the Islands of Kauai, Molokai, Lanai, Niihau and Kahoolawe.

With slightly less than a tenth of the land area in the entire State, Oahu contains nearly three-fourths of the State’s resident population. According to the U.S. Census Bureau, as of July 1, 2013, the resident population of the State was 1,404,054, and that of Oahu was 983,429, approximately 70% of the total State population.

Honolulu is the seat of the State Government and is the State's trade, finance, communication, and transportation center. Most federal establishments and personnel (both civilian and military, including substantial army, navy, air force, marine and coast guard installations), manufacturing, major educational and scientific, and significant agricultural activities are located on Oahu.

Reference is made to Appendix A hereto for certain additional demographic and economic information with respect to the State and the City and County.

Government and Organization

Introduction. Government in the State of Hawaii is highly centralized, with the State assuming several major functions usually performed by local governments in other jurisdictions. Foremost among these, in terms of cost, are health, education, welfare and judicial functions. For example, the public schools and public medical facilities in the City and County are administered and funded by the State. The State is also responsible for the operation and maintenance of all airports and harbors. See Appendix A for certain information relating to the State. The City and County does provide a broad range of municipal services. These include public safety (police and fire protection and public prosecutor), highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, water supply and general administrative services.

Because there are no separate city or township governments or any special districts in the City and County with taxing powers, there are no overlapping taxes at the local government level. With the exception of real property taxes, the public service company tax on certain public utilities, the public utility franchise tax on electric power and light companies and vehicle weight taxes, the State collects all taxes for both itself and the counties. Under the State Constitution, the power to impose real property taxes is reserved exclusively to the counties. The principal taxes imposed by the State are the general excise tax and use taxes (including the excise tax surcharge collected by the State on behalf of the City and County as described under "CITY AND COUNTY REVENUES – General Fund – *Excise and Use Tax*), the transient accommodations tax (a portion which is allocated to the counties as mentioned under "CITY AND COUNTY REVENUES – General Fund – *Allocation of State Transient Accommodation Tax*") and the personal and corporate income taxes. In addition, the State imposes taxes on liquor, tobacco, insurance premiums, banks and other financial corporations, inheritances, estates and real property transfers.

The City and County of Honolulu was incorporated in 1907. The City and County is governed by the provisions of its Charter and applicable State law.

Mayor and Executive Branch. Under the provisions of and except as otherwise provided in the Charter of the City and County, the executive power of the City and County is vested in and exercised by the Mayor, as chief executive officer. The Department of the Corporation Counsel reports directly to the Mayor, and all other executive departments and agencies of the City and County (excepting the Mayor's office staff and the Board of Water Supply and other semi-autonomous agencies) are supervised by and report directly to the Managing Director as principal administrative aide to the Mayor. The Mayor serves a four-year term. The next regular mayoral election will take place in November 2016. No person may be elected to the office of the Mayor for more than two consecutive full terms. Pursuant to the Charter of the City and County, the Department of Budget and Fiscal Services manages the budget and the finances of the City and County, including debt management.

City Council. Under the provisions of and except as otherwise provided in the Charter of the City and County, the legislative power of the City and County is vested in and exercised by the City Council. The City Council is the policy-making body of the City and County. Its major functions include approval of the budget, establishment of all fees and rates (other than those under the jurisdiction of semi-autonomous agencies) and taxes, appropriation of funds, approval of indebtedness and establishment of community plans and zoning. The City Council is comprised of nine members, each of whom represents a separate council district. Pursuant to Section 16-122 of the City Charter, the staggering of the terms of councilmembers commenced on January 2, 2003. The councilmembers for council districts I, III, V, VII and IX were elected to four-year regular terms expiring on January 2, 2017, while the councilmembers for council districts II, IV, VI and VIII were elected to four-year regular terms expiring on January 2, 2019. Section 3-102 of the City Charter provides that "No person shall be elected to the office of councilmember for more than two consecutive four-year terms."

Semi-Autonomous Agencies. The City and County may create, by Charter or ordinance, semi-autonomous agencies with such powers as are granted by the applicable Charter provision or ordinance. Two semi-autonomous agencies have been created by Charter:

- The Board of Water Supply maintains exclusive management and control over the public water system servicing the Island of Oahu. The Board consists of seven members, of which the Chief Engineer of the City Department of Facilities Maintenance and the Director of the State Department of Transportation are ex-officio members, with five other members appointed by the Mayor and confirmed by the City Council.

- The Honolulu Authority for Rapid Transportation was created effective July 1, 2011 to develop, operate, maintain and expand a fixed guideway mass transit system for the City and County. The Authority is under the direction of a ten-member policy making board of directors consisting of seven appointed voting members, two ex officio voting members (the Director of the State Department of Transportation and the City and County's Director of Transportation Services) and one ex officio nonvoting member (the City and County's Director of Planning and Permitting). See "DEBT STRUCTURE – Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)" for certain information regarding the proposed transit system.

Recalls, Initiatives and Charter Amendments. The Mayor and any member of the City Council may be recalled pursuant to petition initiated by the voters in accordance with procedures provided in the Charter of the City and County. Also, voters may propose and adopt ordinances by initiative powers in accordance with procedures set forth in the Charter. Such initiative powers do not extend to any ordinance authorizing or repealing the levy of taxes, the appropriation of moneys, the issuance of bonds, the salaries of City and County employees and officers, or any matters governed by collective bargaining contracts.

Amendments or revisions to the Charter may be initiated by resolution of the City Council or by petition of the voters presented to the City Council. In addition, under the Charter of the City and County, after November 1 of every year ending in "4", there is a mandatory review of the Charter by a charter commission, six members of which are appointed by the Mayor and six members of which are appointed by the presiding officer of the Council, with one member appointed by the Mayor and confirmed by the City Council. The charter commission has commenced the mandatory review, and any amendments or draft revised charter to be proposed by the charter commission shall be submitted to the electors of the city at the next general election in November 2016. No amendments or revisions to the Charter become effective unless approved by a majority of the voters voting thereon at a duly called election.

CITY AND COUNTY REVENUES

The taxes and other revenues discussed below account for substantially all the tax receipts and other revenues of the City and County. All tax receipts are credited to either the General Fund or the Special Revenue Funds of the City and County (the "Special Revenue Funds"). The audited financial statements of the revenues and expenditures of these funds for the Fiscal Year ended June 30, 2014, are accessible from the City and County's website at http://www.honolulu.gov/budget/budget-cafr.html, or may be obtained from the City and County by request to the attention of the Director of Budget and Fiscal Services, City and County of Honolulu, 530 South King Street, Honolulu, Hawaii 96813. Information on the City and County's website other than the audited financial statements is not part of this Official Statement. See "FINANCIAL INFORMATION AND ACCOUNTING – Financial Statements" herein for certain financial information based on the City and County's audited financial statements. See also Appendix A hereto for a discussion of certain economic conditions that could potentially impact the City and County's revenues, including conditions relating to the current national and international economic environment.

General Fund

The General Fund is utilized to account for all financial resources except those required to be accounted for in another fund. The sources of revenues of the General Fund are (i) real property taxation; (ii) licenses and permits; (iii) intergovernmental revenues (including the allocation of the State transient accommodation tax); (iv) charges for services; (v) fines and forfeits; and (vi) miscellaneous revenues. Real property taxes, which generally account for approximately 81% of General Fund revenues, and the allocation of the State transient accommodation tax are described below. See also Table 13 under "FINANCIAL INFORMATION AND ACCOUNTING."

Real Property Taxation. Under the State Constitution, all functions, powers and duties relating to taxation of real property reside in the counties. In the case of the City and County of Honolulu, Chapter 8, Revised Ordinances of Honolulu 1990 (the "Tax Ordinance") governs administration, setting of tax rates, assessment and collection of real property tax, including exemption therefrom, dedication of land and appeals. While each county has exclusive authority over real property tax within its jurisdiction, the Hawaii State Association of Counties has recommended uniformity in the methods of assessing real property. In support of such recommendation, the City Council adopted Resolution No. 89-509 on November 8, 1989, but recognized that other provisions of real property tax law need not be uniform.

Under the Tax Ordinance, all real property in the City and County, except as exempted or otherwise taxed, is subject each year to a tax upon the fair market value thereof. Real property in the City and County is classified and taxed as (1) residential, (2) commercial, (3) industrial, (4) agricultural, (5) vacant agricultural, (6) preservation, (7) hotel and resort, (8) public service, and (9) residential A. In determining the value of land consideration is given to its highest and best use, selling prices and income, productivity, actual and potential use, advantage or disadvantage of factors such as location, accessibility, transportation facilities, availability of water and its cost, easements, zoning, dedication as to usage, and other influences which fairly and reasonably bear upon the question of value. Real property owned by the governments of the United States, the State of Hawaii or the several counties of the State is excluded from taxation, but is taxable when leased to or occupied by a private entity under certain conditions described in the Tax Ordinance. Real property owned and actually and exclusively used for an exempt purpose by hospitals and religious, educational, community and charitable organizations is exempt from taxation under certain conditions described in the Tax Ordinance. In addition, real property owned and occupied as a home is exempt from taxation to the extent of $80,000 ($120,000 for persons age 65 and over). In lieu of taxing the real property of public service companies, the City and County collects a public service company tax on the gross income of such companies allocable to operations within the City and County, as discussed below under "Public Service Company Tax."

Under the Tax Ordinance, real property tax relief is provided in the form of a real property tax credit to homeowners whose combined income of all title holders of the property does not exceed $60,000. Qualified homeowners' taxes are limited to 4% of the combined income of all title holders of the property. Homeowners must apply for the tax credit by September 30 preceding the tax year in which a credit is being sought thereby providing the City and County time to make allowances for it in its budget. Beginning July 1, 2008, the Tax Ordinance provides additional relief to homeowners 75 years of age or over by reducing the percentage of combined income of all title holders from 4% to 3%.

As noted above, real property owned by the federal government generally is excluded from taxation. This exclusion applies to all military housing located within a military base. In lieu of taxing such property, the City and County collects an annual contribution of approximately $50 for each dwelling located on a military base. The City and County also applies a 20% discount to the assessed fair market value of military housing situated on federal property located outside a military base and subject to government-imposed restrictions on the use of the property.

Additionally, to encourage agriculture, land dedicated to a specific agricultural use or as vacant agricultural land is classified as agricultural or vacant agricultural, respectively. Dedicated land is assessed based on the term of the dedication period. Land dedicated for a specific agricultural use for one year is assessed at 5% of its fair market value, for five years at 3% and for ten years at 1%. Land dedicated for pasture use for a period of one, five or ten years is assessed at 1% of its fair market value. Vacant agricultural land dedications must be for ten years and are assessed at 50% of their fair market value.

Under the State Constitution, the City and County is permitted to adjust its real property tax rates upward or downward annually with Council approval. In the past, the City and County has at times increased the tax rates applicable to certain classes of real property when needed to produce sufficient revenues to support its budgeted expenditures.

From time to time, proposed ordinances to amend the City and County's real property tax laws are introduced in Council for consideration. Certain of these proposed amendments, if enacted, could have the effect of reducing the real property tax revenues of the City and County. It is not possible to predict whether or in what form any such proposals may be enacted, or the potential effects of such proposals, if enacted, on the real property tax revenues of the City and County.

The assessed valuation of real property in the City and County for Fiscal Years 2015 and 2016 is shown in Table 1 below, with the valuation of governmentally owned real property excluded from both the gross assessed valuation and the exemption valuation. Table 2 shows the net taxable values and applicable tax rates for each class of property for Fiscal Years 2012 through 2016.

Table 1

ASSESSED VALUATION OF REAL PROPERTY [1]
Fiscal Years 2015 and 2016
(values in thousands)

	2015	2016
Gross assessed valuation	$200,736,608	$214,888,197
Less exemption valuation	(25,240,105)	(26,253,925)
Assessor's net taxable value	$175,496,503	$188,634,272
Less 50% of valuations on appeal	(1,160,953)	(915,438)
Net assessed valuation for rate purposes	$174,335,550	$187,718,834

[1] *At 100% of fair market value.*

Table 2

REAL PROPERTY NET ASSESSED VALUES BY CLASSIFICATION AND TAX RATES
Fiscal Years 2012–2016
(values in thousands)

Classification	2012 Value	2012 Rate	2013 Value	2013 Rate	2014 Value	2014 Rate	2015 Value	2015 Rate	2016 Value	2016 Rate[1]
Residential [2]	$123,324,298	$3.50	$124,425,238	$3.50	$127,060,389	$3.50	$127,980,612	$3.50	$137,435,628	$3.50
Homeowner [2]	--	--	--	--	--	--	--	--	--	--
Non-Homeowner [2]	--	--	--	--	--	--	--	--	--	--
Hotel/Resort	7,102,339	12.40	7,354,673	12.40	7,848,202	12.40	8,193,857	12.90	9,841,920	12.90
Commercial	13,938,863	12.40	14,336,676	12.40	14,696,801	12.40	15,150,419	12.40	15,778,813	12.40
Industrial	7,685,514	12.40	7,757,463	12.40	8,005,590	12.40	8,153,174	12.40	8,521,155	12.40
Agricultural	1,004,163	5.70	929,718	5.70	932,333	5.70	1,130,465	5.70	989,887	5.70
Vacant Agricultural	112,244	8.50	92,350	8.50	92,805	8.50	79,546	8.50	60,689	8.50
Preservation	421,553	5.70	435,353	5.70	457,307	5.70	445,037	5.70	455,825	5.70
Public Service [3]	3,644	--	2,283	--	2,300	--	--	--	1	--
Residential A [4]	--	--	--	--	--	--	13,202,440	6.00	14,634,916	6.00
Total All Classes	$153,592,618		$155,333,754		$159,095,726		$174,335,550		$187,718,834	

[1] *Rates estimated for Fiscal Year 2016.*

[2] *Effective with the Fiscal Year ended June 30, 2011, Ordinance 09-32 divided the Residential classification into two new classifications—Homeowner and Non-Homeowner. Ordinance 10-31 replaced these two classifications with the single Residential classification, effective with the Fiscal Year ending June 30, 2012.*

[3] *As discussed above and under "Public Service Company Tax" below, the public service classification of property was established in the Fiscal Year ended June 30, 2002, but the City does not currently tax property in this category. In lieu of taxing such property, the City receives a portion of the public service tax imposed by the State on the gross income of public service companies.*

[4] *Effective with the Fiscal Year ending June 30, 2015, Ordinance 13-33 created a new classification, Residential A, which applies to certain residential property valued at $1 million or more which is not subject to a current home exemption.*

Assessments are determined as of October 1 of each year. Notices of assessments are sent to taxpayers on or prior to December 15 of each year. Prior to the following January 15, taxpayers may appeal such assessments on the grounds that the assessed value of the property in question exceeds its market value by more than 10%, that an exemption was improperly denied or that the assessment was otherwise contrary to law. Appeals are heard by the City and County's Board of Review or the State Tax Appeals Court.

Subject to the foregoing right to appeal, real property taxes are levied on July 1 and a lien for real property taxes attaches on that date. Real property taxes are billed on July 20 of each year based on assessed valuations as of October 1, and are due in two equal installments on the following August 20 and February 20. Real property taxes receivable as of June 30 of each year are deemed delinquent and amounts which are not collected within sixty days of the end of the Fiscal Year are reported as deferred revenue.

Annual assessments, levies and average tax rates and collection percentages for the Fiscal Years ending June 30, 2012 to 2016 are shown in the table below.

Table 3

STATEMENT OF REAL PROPERTY TAX LEVIES AND COLLECTIONS SHOWING ASSESSED VALUATIONS AND TAX RATES
Fiscal Years 2012–2016
(values in thousands)

Fiscal Year	Net Valuation for Tax Rate Purposes (1)	Weighted Average Tax Rate Per $1,000	Amount of Levies	Percent of Collections to Levy
2012	$153,592,618	$5.20	$796,927	100.1%
2013	155,333,754	5.21	809,220	101.7
2014	159,095,726	5.24	832,248	101.2
2015	174,335,550	5.87	931,469	N/A
2016	187,718,834	6.33 (2)	1,005,871 (2)	N/A

(1) *At 100% of fair market value.*

(2) *Rates estimated for Fiscal Year 2016.*

In the Fiscal Year ended June 30, 2014, real property tax revenues (excluding $53.1 million of public service company tax collections) totaled $841.9 million, accounting for 81.0% of the General Fund revenues for the year. The following two tables identify the ten largest real property taxpayers in the City and County for the Fiscal Year ending June 30, 2015 (the latest period for which such information is currently available). Table 4 lists the taxpayers according to the assessed value of their real property, and Table 5 lists the taxpayers according to the amount of tax levied on such property.

Table 4

TEN LARGEST REAL PROPERTY TAXPAYERS (1)
BY ASSESSED VALUE
Fiscal Year ending June 30, 2015

Taxpayer (2)	Type of Business	Gross Assessed Valuation (3)	% of Total Assessed Valuation
Bishop Estate (4)	Educational Trust Estate	$1,733,571,800	0.86%
General Growth Properties (5)	Real Estate Investment	1,294,203,500	0.64
Kyo-Ya Company (6)	Hotel/Resort	1,170,156,500	0.58
Hilton Hawaiian Village	Hotel/Resort	1,064,287,300	0.53
Disney	Hotel/Resort	936,803,300	0.47
Outrigger Hotels Hawaii	Hotel/Resort	674,790,100	0.34
DEG, LLC	Real Estate	589,330,100	0.29
First Hawaiian Bank	Financial Services	500,985,200	0.25
Marriott Ownership Resorts	Hotel/Resort	474,662,300	0.24
Ko'Olina Hotel	Hotel/Resort	426,922,900	0.21
		$8,865,713,000	4.41%

(1) *Excludes property owned by governmental entities.*

(2) *Taxpayer's name as recorded on real property tax records*

(3) *Assessed valuation as of October 1, 2013 at 100% of market value.*

(4) *Now known as Kamehameha Schools.*

(5) *General Growth Properties was restructured in bankruptcy in November 2010, resulting in the company's properties being divided between itself and a new entity known as The Howard Hughes Corporation. Amount shown includes properties operated by The Howard Hughes Corporation.*

(6) *Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Sheraton Princess Kaiulani, Westin Moana Surfrider and other Starwood properties.*

Table 5

TEN LARGEST REAL PROPERTY TAXPAYERS (1)
BY AMOUNT OF TAX LEVIED
Fiscal Year ending June 30, 2015

Taxpayer (2)	Type of Business	Amount of Tax Levied	% of Total Amount Levied
General Growth Properties (3)	Real Estate Investment	$16,040,097	1.72%
Kyo-Ya Company (4)	Hotel/Resort	15,089,169	1.62
Hilton Hawaiian Village	Hotel/Resort	13,730,144	1.47
Bishop Estate (5)	Educational Trust Estate	13,183,337	1.42
Outrigger Hotels Hawaii	Hotel/Resort	8,572,862	0.92
First Hawaiian Bank	Financial Services	6,205,593	0.67
Marriott Ownership Resorts	Hotel/Resort	6,116,755	0.66
Disney	Hotel/Resort	6,039,194	0.65
Ko'Olina Hotel	Hotel/Resort	5,351,676	0.57
DEG, LLC	Real Estate	4,815,883	0.52
		$95,144,710	10.22%

(1) *Excludes property owned by governmental entities.*

(2) *Taxpayer's name as recorded on real property tax records.*

(3) *General Growth Properties was restructured in bankruptcy in November 2010, resulting in the company's properties being divided between itself and a new entity known as The Howard Hughes Corporation. Amount shown includes properties operated by The Howard Hughes Corporation.*

(4) *Includes The Royal Hawaiian Hotel, Sheraton Waikiki, Sheraton Princess Kaiulani, Westin Moana Surfrider and other Starwood properties.*

(5) *Now known as Kamehameha Schools.*

Allocation of State Transient Accommodation Tax. The transient accommodations tax ("TAT") is levied on the furnishing of a room, apartment, suite or the like customarily occupied by the transient for less than 180 consecutive days for each letting by a hotel, apartment, motel, condominium property regime or cooperative apartment, rooming house or other place in which lodgings are regularly furnished to transients for consideration, including the fair market rental value of time share vacation units. The TAT rate is 9.25%, except that time share vacation rentals are taxed at 7.25%. Of the annual TAT revenues, $93 million is distributed to the counties, $33 million is distributed to the convention center enterprise special fund and $82 million is distributed to the tourism special fund. Act 174, SLH 2014, raises the allocation to the counties from $93 million to $103 million for Fiscal Years 2015 and 2016. Effective July 1, 2014, Act 81, SLH 2014, reduces the annual allocation to the convention center enterprise special fund from $33 million to $26.5 million, authorizes the Hawaii Tourism Authority to issue $40 million of revenue bonds to purchase a conservation easement from the Turtle Bay Resort and allocates $3 million annually to the Turtle Bay conservation easement special fund to pay the debt service on these bonds. The City and County receives 44.1% of the revenues distributed to the counties, or 19.8% of the total.

The following presents the City and County's allocable share of the transient accommodations tax and the percentage of General Fund revenues represented by this tax for the five Fiscal Years ended June 30, 2010 through 2014:

Fiscal Year (Ended June 30)	Allocable Share [1] (Dollars in Millions)	Percent of General Fund Revenues [2]
2010	$40.6	3.4%
2011	45.4	3.9
2012	44.3	4.4
2013	41.0	4.1
2014	41.0	4.0

[1] *Represents the City and County's share of total transient accommodations tax revenues collected by the State.*

[2] *Represents the City and County's share of total transient accommodations tax revenues as a percentage of its General Fund revenues.*

Excise and Use Tax. Under Chapter 237, Hawaii Revised Statutes, the State imposes on businesses a general excise and use tax equal to 4.0% of their gross income derived from business activity in the State. Section 46-16.8, Hawaii Revised Statutes, permits counties with a population greater than five hundred thousand to impose a 0.5% surcharge (to be collected and distributed by the State) on the base State general excise and use tax to fund a locally preferred alternative for a mass transit project. Effective January 1, 2007, the City and County imposed this surcharge on all Oahu business activity subject to general excise and use tax. This surcharge expires on December 31, 2022. For the Fiscal Years ended June 30, 2013 and June 30, 2014, the City and County received $173.8 million and $218.4 million, respectively, from the general excise and use tax surcharge, net of the 10% administrative fee charged by the State. The City and County will apply proceeds of the surcharge to build a new fixed guideway mass transit system for Oahu. If proceeds of the surcharge are insufficient to pay the costs of building the system in combination with federal transit funding, or if the surcharge is not extended beyond 2022, any resulting deficiencies in construction and operational funding may have to be reviewed by the City and County. In January 2015, the City and County asked the State Legislature to make the 0.5% surcharge permanent to provide financing for the City and County's rail transit project. Bills to extend the surcharge permanently were introduced in both houses of the State legislature in the 2015 legislative session, and certain bills are currently pending in amended form. An amended Senate bill (passed by the Senate and transmitted to the House for action) would extend the surcharge for five years through December 31, 2027. An amended House bill (passed by the House and transmitted to the Senate for action) would terminate the existing surcharge on January 1, 2016 and authorize a new surcharge, beginning on January 1, 2017 for a period to be specified in the final bill, at the reduced rate of .25%. Following a joint hearing on the amended House bill, the Senate Committees on Transportation and Public Safety, Intergovernmental and Military Affairs voted to recommend further amendments to the bill to extend the existing surcharge at the current rate through December 31, 2027, subject to up to two ten-year extensions at the same rate for the purpose of funding two potential extensions to the rail system if approved by concurrent resolution of the House and Senate. No assurance can be given as to whether, or in what form, either bill may be enacted into law. See "DEBT STRUCTURE – Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)" for additional information concerning the proposed transit system.

Public Service Company Tax. Under Chapter 239, Hawaii Revised Statutes, if a county exempts real property owned or leased (if the lessee is required to pay any real property taxes) by a public service company from real property taxes, the county is entitled to collect a public service company tax on the gross income of the company allocable to operations within that county. The public service company tax is imposed at rates between 1.885% and 4.2%, based on the ratio between each company's net income and gross income. Currently, the City and County does not tax the real property of public service companies, and it received approximately $53.1 million of public service company tax revenues in the Fiscal Year ended June 30, 2014.

Other Revenues. In addition to the real property tax revenues, revenues from the allocation of the State transient accommodation tax, the excise and use tax surcharge and the public service company tax, the City and County receives revenues from State and federal grants, sales of licenses and permits, rentals of City and County-owned property and charges for services.

Special Revenue Funds

The Special Revenue Funds are utilized to account for the revenues derived from a specific source (other than special assessments) or which are applied to finance specified activities as required by law or administrative regulation. The primary sources of revenues of the Special Revenue Funds are outlined below.

***Vehicle Weight Tax**.* Under Section 249-2, Hawaii Revised Statutes, the counties are authorized to impose an annual tax on the net weight of all vehicles used on the public highways. In accordance with Section 249-13, Hawaii Revised Statutes, the City and County currently imposes taxes between 5.0 cents per pound and 5.5 cents per pound, depending on the type of vehicle, with a minimum tax of $12.00 per vehicle. Under State law, the counties collect the vehicle weight tax in connection with their vehicle registration and licensing function. The proceeds from the county vehicle weight tax are restricted by Section 249-18, Hawaii Revised Statutes, to highway and related expenditures in the City and County, including $500,000 for police purposes. In Fiscal Year 2014, the City and County collected $122.1 million of vehicle weight taxes.

County Fuel Tax. The City and County fuel tax, authorized by Sections 243-4 and 243-5, Hawaii Revised Statutes, is imposed on liquid fuels sold or used within its jurisdiction, except that it does not apply to aviation fuel; and it is imposed only on that portion of diesel fuel used on the public highways. Pursuant to Resolution No. 89-92, adopted by the City Council on May 24, 1989, the fuel tax for the City and County was increased from 11.5 cents per gallon to 16.5 cents per gallon, effective July 1, 1989. The proceeds from the fuel tax are limited by Section 243-6, Hawaii Revised Statutes, to expenditures for such purposes as designing, constructing, repairing and maintaining highways, roads and streets, highway tunnel and bridges, street lights and storm drains, and for functions connected with county traffic control and safety. In Fiscal Year 2014, the City and County collected $51.4 million of fuel taxes.

Public Utilities Franchise Tax. Section 240-1, Hawaii Revised Statutes, requires all electric power companies and gas companies operating as public utilities to pay the county in which business is conducted a tax equal to 2½% of the companies' gross receipts for sales in such county, unless such county in its charters with such utilities has agreed to a lower rate of tax. The rate for such tax in the City and County is the full 2½% for all such utilities. In Fiscal Year 2014, the City and County collected $56.3 million of such taxes.

Certain Recent or Pending Legislative Proposals

In recent years, certain legislative proposals have been introduced in the State Legislature to reduce projected shortfalls in the State's operating budget by requiring that collections of taxes otherwise due to the City and County be retained by or transferred to the State. As discussed above under "CITY AND COUNTY REVENUES – General Fund – *Allocation of State Transient Accommodations Tax,*" one such measure enacted into law in 2013 removed the expiration date of a $93 million annual limit on transient accommodations tax revenues allocated to the counties, and another measure enacted into law the following year increased the $93 million limit to $103 million for Fiscal Years 2014–2016. Also, as discussed above under "CITY AND COUNTY REVENUES – General Fund – *Excise and Use Tax*," two bills are currently pending in the State legislature that would extend and/or potentially reduce the rate of the City's general excise and use tax surcharge. The City and County cannot predict whether or in what form any legislative proposals affecting the City and County's tax revenues may be enacted into law in the future. The enactment of any such legislation could have a material adverse impact on the

City and County's future receipt of tax revenues affected thereby. However, the power to levy and collect real property taxes (which generally account for approximately 81% of the City and County's General Fund revenues annually) is conferred on the counties by the State Constitution and, as a result, would not be subject to such actions by the State Legislature.

Revenues and Expenditures

The following table presents the General Fund revenues and expenditures, including transfers out for debt service, mass transit subsidy and other purposes, and transfers in for recovery of debt service and other purposes, in Fiscal Years 2010 through 2014. Table column headings have changed from prior presentations.

Table 6

GENERAL FUND REVENUES AND EXPENDITURES, INCLUDING TRANSFERS (Dollars in Millions)

Fiscal Year	Revenues	Expenditures
2010	$1,288.1	$1,254.8
2011	1,255.2	1,194.6
2012	1,110.4	1,103.7
2013 (as restated)	1,130.5	1,068.6
2014	1,166.3	1,196.4

DEBT STRUCTURE

Legal Requirements

Debt Limit. The creation of general debt by the counties in the State of Hawaii is governed by the State Constitution, applicable provisions of the Hawaii Revised Statutes, and further in the case of the City and County, by the Revised Charter of the City and County.

The State Constitution provides that the funded debt of each county that is outstanding and unpaid at any time may not exceed 15% of the net assessed valuation for tax rate purposes of real property in such county, as determined by the last tax assessment rolls pursuant to law.

Pursuant to a resolution enacted by the City Council in 1996, the City and County has adopted debt and financial policies, which have been amended periodically, including the establishment of a contingency reserve, a limitation on debt service as a percentage of General Fund revenues and a limitation on variable rate debt. The most recent amendment, Resolution 06-222, replaced the long-term contingency reserve "rainy day fund" with a reserve for fiscal stability fund that more clearly defines the permitted uses of the fund. See "BUDGET PROCESS AND FINANCIAL MANAGEMENT – Reserve for Fiscal Stability Fund" herein.

Debt Structure and Security. The State Constitution provides that all general obligation bonds with a term of more than two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest, the first installment of principal to mature not later than five years from the date of issue of such series, and the last installment not later than twenty-five years from the date of such issue; provided that the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds, and on bonds constituting instruments of indebtedness under which a county incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of issue of such bonds.

Chapter 47, Hawaii Revised Statutes, is the general law for the issuance of general obligation bonds of the counties, and sets forth the provisions relating to the issuance and sale of general obligation bonds, including details such as method of authorization, maximum maturities, maximum interest rates, denominations, method of sale, form and execution of such bonds and terms of redemptions and refundings.

The Revised Charter of the City and County provides that the City Council, by the affirmative vote of at least two-thirds of its entire membership, may authorize the issuance of general obligation bonds not to exceed the amount and only for the purposes prescribed by the State Constitution. The authorization is enacted in the form of an ordinance.

The State Constitution provides that the interest and principal payments on general obligation bonds shall be a first charge on the general fund of the county issuing such bonds.

Exclusions. In determining the funded debt of a county, the Constitution provides for the following exclusions:

1. Bonds that have matured, or that mature in the then current Fiscal Year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then Fiscal Year, or for the full payment of which moneys or securities have been irrevocably set aside.

2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax or a combination of both into a special fund and apply the same to such payments in the amount necessary therefor.

3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.

4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.

5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding Fiscal Year.

7. Reimbursable general obligation bonds issued by the State for a county, whether issued before or after November 7, 1978 (the date of ratification of the Constitutional amendments), but only for as long as reimbursement by the county to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the aforementioned date, the consent of the governing body of the county has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such county.

8. Bonds constituting instruments of indebtedness under which the county incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed 7% of the principal amount of outstanding general obligation bonds not otherwise excluded herein; provided that the county shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the county as provided by law.

9. Bonds issued by the county to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year.

Funded Debt and Debt Margin

Under State law, a political subdivision (such as the City and County) is required annually, as of each July 1, and upon each issuance to determine and certify the amount of its funded debt and exclusions therefrom. Table 7 sets forth the City and County's most recent summary statement of funded debt and exclusions as of December 16, 2014. Set forth in Table 8 is a detailed schedule of all outstanding general obligation funded debt of the City and County as of December 16, 2014. Table 9 provides debt service charges on outstanding general long-term debt of the City and County as of December 16, 2014.

Table 7

STATEMENT OF FUNDED DEBT
As of December 16, 2014

1.	Gross assessed valuation of real property as of January 29, 2015			$ 214,888,196,600
2.	Less exempt valuation			26,253,925,100
3.	Assessor's net taxable value			188,634,271,500
4.	Less valuations on appeal			1,830,874,700
5.	Taxpayers' valuation			186,803,396,800
6.	Add 50% of valuation on appeal			915,437,350
7.	Net assessed valuation of real property for rate purposes			$ 187,718,834,150
8.	Limit of funded debt as set by the Constitution of the State of Hawaii			$ 28,157,825,123 (1)
9.	Funded debt:			
	a. General obligation bonds		$ 2,620,475,000	
	b. Revenue bonds		1,871,826,296 (2)	
	c. Notes payable:			
	Federal Government		666,842	
	State of Hawaii		312,400,698	
	d. Gross funded indebtedness		$ 4,805,368,836	
	Less exclusions:			
	e. Revenue bonds			
	Self-supporting waterworks	$ 239,150,000		
	Self-supporting wastewater	1,632,676,296		
	f. General obligation bonds issued for H-Power waste disposal facility	352,635,000		
	g. General obligation bonds issued for Housing	44,157,180		
	h. General obligation bonds issued for solid waste	152,572,774		
	i. General obligation bonds issued for wastewater system	803,180		
	j. State of Hawaii Revolving Fund loans payable for wastewater system	255,529,635		
	k. State of Hawaii Revolving Fund loans payable for waterworks	55,169,348	2,732,693,413	
	l. Net funded debt			2,072,675,423
10.	Gross limit of additional funded debt			$ 26,085,149,700
11.	Less general obligation bonds authorized and unissued: (3)			

Authorizing Ordinance	Total Authorized (4)	Amount Issued	Amount Unissued	
Ordinance No. 98-29	$ 178,425,865	$ 177,199,935	$ 1,225,930	
Ordinance No. 00-24	197,424,165	197,401,602	22,563	
Ordinance No. 01-27	230,379,441	230,258,536	120,905	
Ordinance No. 02-27	156,452,981	156,230,300	222,681	
Ordinance No. 03-08	119,740,813	119,538,671	202,142	
Ordinance No. 04-15	113,290,941	113,267,451	23,490	
Ordinance No. 05-15	141,189,317	140,442,581	746,736	
Ordinance No. 06-34	156,412,992	156,268,148	144,844	
Ordinance No. 07-26	214,245,917	211,415,527	2,830,390	
Ordinance No. 08-14	298,314,248	289,765,331	8,548,917	
Ordinance No. 09-13	919,401,278	307,558,920	611,842,358	
Ordinance No. 10-13	436,947,317	334,609,353	102,337,964	
Ordinance No. 11-12	190,613,946	113,950,620	76,663,326	
Ordinance No. 11-21 (5)	34,921,681	--	34,921,681	
Ordinance No. 12-21	221,793,398	22,750,000	199,043,398	
Ordinance No. 12-24 (5)	291,584,960	--	291,584,960	
Ordinance No. 13-21	313,317,300	--	313,317,300	
Ordinance No. 13-24 (5)	789,527,800	--	789,527,800	
Ordinance No. 14-16	346,505,763	--	346,505,763	
Ordinance No. 14-22 (5)	786,741,929	--	786,741,929	
	$ 6,137,232,052	$ 2,570,656,975	$ 3,566,575,077	3,566,575,077

12.	Net limit of additional funded debt	$ 22,518,574,623

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(1) *The limit of the funded debt is set at a sum equal to 15% of the net assessed valuation for tax rate purposes of real property.*

(2) *Does not include revenue bonds issued as a conduit issuer for housing.*

(3) *Amounts shown are as of December 31, 2014.*

(4) *After deducting authorized amounts which have lapsed pursuant to the Charter of the City and County.*

(5) *Includes authorizations for the City and County's proposed rail transit system. See "—Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)" herein.*

Table 8

GENERAL OBLIGATION FUNDED DEBT
OF THE CITY AND COUNTY OF HONOLULU
As of December 16, 2014

Direct Debt	Effective Interest Rate	Original Amount of Issue	Maturing Serially From/To	Optional Call Dates	Outstanding
General Obligation Bonds:					
September 1, 1993 Series C	4.85624%	$ 28,000,000	9/1/98-18	Non-callable	$ 2,040,000
May 26, 2005 Series 2005A	3.99266%	186,470,000	7/1/09-29	7/1/2015	7,340,000
May 26, 2005 Series 2005B	3.99266%	27,315,000	7/1/09-19	7/1/2015	5,195,000
May 26, 2005 Series 2005C	3.99266%	76,770,000	7/1/09-21	7/1/2015	11,895,000
May 26, 2005 Series 2005D	3.99266%	81,215,000	7/1/09-23	7/1/2015	10,300,000
November 22, 2005 Series E	4.40023%	247,015,000	7/1/06-23	7/1/2015	28,065,000
November 22, 2005 Series F	4.62695%	149,150,000	7/1/10-29	7/1/2015	5,665,000
November 29, 2007 Series A	4.62201%	268,630,000	7/1/12-31	7/1/2017	242,445,000
April 6, 2009 Series 2007B	4.37937%	152,840,000	7/1/13-19	Non-callable	114,695,000
April 28, 2009 Series A	4.68168%	292,045,000	4/1/14-34	4/1/2019	283,505,000
April 28, 2009 Series B	4.96192%	33,980,000	4/1/12-17	Non-callable	18,215,000
November 19, 2009 Series D	4.39363%	141,950,000	9/1/14-34	9/1/2019	137,750,000
November 19, 2009 Series E [(1)]	3.89828%	50,415,000	9/1/14-34	Non-callable	49,030,000
November 19, 2009 Series F	3.25649%	49,500,000	9/1/14-20	9/1/2019	43,445,000
December 15, 2010 Series A [(1)]	3.72842%	151,100,000	12/1/2015-35	Non-callable	151,100,000
December 15, 2010 Series B	4.34416%	196,670,000	12/1/2015-35	12/1/2020	196,670,000
August 4, 2011 Series A	4.18832%	141,235,000	8/1/2016-36	8/1/2021	141,235,000
August 4, 2011 Series B	3.41586%	163,110,000	8/1/2016-27	8/1/2021	163,110,000
May 14, 2012 CP Issue D [(2)]	Variable	100,000,000	Not Applicable	Non-callable	100,000,000
November 20, 2012 Series A	3.19593%	255,050,000	11/1/2017-37	11/1/2022	255,050,000
November 20, 2012 Series B	2.43342%	290,735,000	11/1/2016-29	11/1/2022	290,735,000
November 20, 2012 Series D	2.79934%	17,880,000	11/1/2017-28	Non-callable	17,880,000
November 20, 2012 Series E	1.13351%	74,835,000	11/1/2015-17	Non-callable	74,835,000
November 20, 2012 Series F	1.97868%	50,605,000	11/1/2017-21	Non-callable	50,605,000
November 20, 2012 Series G	2.25624%	191,230,000	11/1/2017-23	Non-callable	191,230,000
December 4, 2012 Series C	2.06925%	32,145,000	11/1/2013-27	11/1/2022	28,440,000
		$ 3,449,890,000			$ 2,620,475,000
Notes Payable - Federal Government	5.11600%	$ 5,668,313	6/20/84-16	Non-callable	$ 666,842
Notes Payable - State of Hawaii	Various	462,301,205	Various	Non-callable	312,400,698
		$ 467,969,518			$ 313,067,540
Total Gross Direct Debt		$ 3,917,859,518			$ 2,933,542,540
Less exclusions:					
Bonds issued for solid waste				$ 152,572,774	
Bonds issued for housing				44,157,180	
Bonds issued for H-Power waste disposal facility				352,635,000	
Bonds issued for wastewater system				803,180	
State of Hawaii Revolving Fund loans payable for wastewater system				255,529,635	
State of Hawaii Revolving Fund loans payable for Board of Water Supply				55,169,348	
					$ 860,867,117
Net Funded Debt					$ 2,072,675,423

(1) *Issued as Build America Bonds (BABs). For purposes of this table, the effective interest rate on BABs is shown net of the 35% interest subsidy payable by the U.S. Treasury under the American Recovery and Reinvestment Act of 2009. Beginning on March 1, 2013, federal spending cuts resulting from budget sequestration reduced the BABs interest subsidy by 5.1%. The sequestration rate for federal fiscal year 2015 is 7.3%. BABs subsidy payments are subject to sequestration through federal fiscal year 2024 unless Congress takes action to modify or eliminate the sequester. For budgetary purposes, interest on BABs is included in the City and County's operating budget without deduction of the federal interest subsidy.*

(2) *The maximum authorized outstanding principal amount of notes under the City and County's commercial paper program is $450,000,000.*

Table 9

CITY AND COUNTY OF HONOLULU
DEBT SERVICE CHARGES ON OUTSTANDING GENERAL LONG-TERM DEBT
December 16, 2014 to Maturity (1)

FY Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest (3)	Other Debt (2) Principal	Other Debt (2) Interest (4)	Gross Debt Service Charges	Reimbursable Debt Principal	Reimbursable Debt Interest	Net Debt Service Charges
2015	$ 14,520,000	$ 55,562,463	$ 10,946,545	$ 1,289,740	$ 82,318,748	$ 17,585,472	$ 26,108,851	$ 38,624,425
2016	133,450,000	108,303,012	20,875,388	2,235,368	264,863,768	46,446,318	27,255,797	191,161,653
2017	155,340,000	102,461,437	20,532,858	1,952,293	280,286,588	49,219,720	25,734,495	205,332,373
2018	169,610,000	96,131,524	20,380,293	1,696,958	287,818,775	45,360,538	24,153,919	218,304,318
2019	152,065,000	90,299,964	19,471,877	1,458,267	263,295,108	46,329,605	22,879,146	194,086,357
2020	156,120,000	84,154,420	17,985,944	1,259,052	259,519,416	43,867,435	21,567,543	194,084,438
2021	135,715,000	78,479,161	17,654,725	1,101,119	232,950,005	42,091,352	20,353,585	170,505,068
2022	132,510,000	73,300,249	17,570,276	956,324	224,336,849	41,574,139	19,205,087	163,557,623
2023	127,250,000	67,904,333	16,807,723	816,803	212,778,859	41,237,398	18,011,692	153,529,769
2024	132,895,000	62,257,425	16,797,368	689,883	212,639,676	42,378,447	16,734,775	153,526,454
2025	108,855,000	56,633,859	16,882,267	562,937	182,934,063	39,893,176	15,437,477	127,603,410
2026	114,350,000	51,188,766	16,966,309	436,535	182,941,610	41,103,741	14,188,134	127,649,735
2027	119,765,000	45,708,690	14,514,101	313,906	180,301,697	39,806,255	12,906,595	127,588,847
2028	125,325,000	40,144,512	7,693,396	214,678	173,377,586	34,240,852	11,553,962	127,582,772
2029	110,250,000	34,687,328	5,970,998	163,222	151,071,548	32,230,456	10,202,606	108,638,486
2030	114,005,000	29,465,271	6,000,754	118,521	149,589,546	33,107,325	8,838,322	107,643,899
2031	91,560,000	24,486,494	6,030,795	73,459	122,150,748	32,938,516	7,442,258	81,769,974
2032	96,415,000	19,627,878	5,265,447	28,137	121,336,462	33,573,943	5,993,176	81,769,343
2033	79,985,000	15,024,144	--	--	95,009,144	26,983,614	4,561,169	63,464,361
2034	84,240,000	10,767,693	--	--	95,007,693	28,375,161	3,172,154	63,460,378
2035	65,780,000	6,324,368	--	--	72,104,368	27,484,404	1,724,144	42,895,820
2036	53,695,000	3,338,492	--	--	57,033,492	17,697,504	629,948	38,706,040
2037	28,200,000	1,389,425	--	--	29,589,425	3,132,307	145,970	26,311,148
2038	18,575,000	371,500	--	--	18,946,500	1,857,520	37,149	17,051,831
Totals: *	$ 2,520,475,000	$ 1,158,012,408	$ 258,347,064	$ 15,367,202	$ 3,952,201,674	$ 808,515,198	$ 318,837,954	$ 2,824,848,522

(1) *Excludes commercial paper dated May 14, 2012, self-supporting revenue bonds and State revolving fund notes payable.*

(2) *Includes:*

$	*666,842*	*U.S. Government note payable for City and County's share of Kaneohe Reservoir Recreation & Fish and Wildlife Development.*
	257,231,350	*State of Hawaii notes payable for various sewer projects, storm dewatering facility and storm water equipment.*
	448,872	*Installment purchase contracts for various fixed assets.*
$	*258,347,064*	

(3) *Interest on Build America Bonds is shown above on the same basis as in the City and County's operating budget; i.e., interest figures are shown above without deduction for expected federal interest subsidy payments, which are subject to sequestration.*

(4) *Includes loan fees charged to interest for State of Hawaii notes payable.*

* *Totals may not add due to rounding.*

In connection with its $100 million general obligation commercial paper program, the City and County has entered into a revolving credit agreement with MUFG Union Bank, N.A. (the "Bank"), pursuant to which the Bank has established a revolving line of credit for the benefit of the City and County to fund the payment of principal and interest on commercial paper notes issued under the program that are not remarketed. To the extent the City and County's commercial paper notes cannot be remarketed over an extended period and the Bank is obligated to purchase the notes, interest payable by the City and County pursuant to the credit agreement would generally increase over current market levels relating to the notes, and the principal repayment period would generally be shorter than the repayment period otherwise applicable to the notes. In addition, after the occurrence of certain events of default specified in the credit agreement, payment of the commercial paper notes may be further accelerated. In addition to this existing commercial paper program, as noted under "DEBT STRUCTURE – Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)" herein, the City and County anticipates that interim financing for its ongoing fixed guideway mass transit system project will be obtained through a combination of funding sources, including additional general obligation commercial paper notes which may also be subject to comparable terms.

Trend of General Obligation Indebtedness

The following table sets forth the outstanding general obligation indebtedness of the City and County as of June 30 of each of the Fiscal Years ended June 30, 2010 through 2014.

Table 10

GENERAL OBLIGATION INDEBTEDNESS
Fiscal Years 2010–2014

	General Obligation Bonds				
FY Ended June 30	Non-Reimbursable [(1)]	Reimbursable for Other Purposes [(2)]	Total General Obligation Bonds	Notes Payable	Total General Obligation Debt
2010	$1,899,459,975	$389,725,789	$2,289,185,764	$1,816,547	$2,291,002,311
2011	1,961,201,362	572,195,147	2,533,396,509	1,550,262	2,534,946,771
2012	1,993,835,489	573,905,940	2,567,741,429	1,270,353	2,569,011,782
2013	2,164,181,120	589,534,971	2,753,716,091	976,124	2,754,692,215
2014	2,060,209,432	562,575,356	2,622,784,788	666,842	2,623,451,630

(1) *Direct debt.*

(2) *Pursuant to the State Constitution, the general obligation bonds issued to finance the H-Power waste disposal facilities, water facilities, sewer treatment facilities, the West Loch Subdivision and other low income housing projects may be classified as reimbursable general obligation bonds based on reimbursements having actually been made to the General Fund of the City and County for payment of the principal of and interest on such bonds from the revenues of such undertakings, as determined for the immediately preceding Fiscal Year.*

All of the City and County's outstanding long term general obligation indebtedness has been issued as fixed rate obligations. The City and County has never entered into any derivative product contracts with respect to its general obligation indebtedness and has no outstanding private placements of general obligation indebtedness other than State revolving fund loans.

Reimbursement to General Fund for Debt Service

All general obligation bonds of the City and County are payable as to principal and interest from the General Fund of the City and County. The City Council for certain purposes may require that the General Fund be reimbursed for the payment from such fund of the debt service on certain general obligation bonds, such reimbursement to be made from any revenues, user taxes, assessments or other income derived from the facilities or systems funded by the bonds. To the extent that reimbursements are not made, the City and County would be required to apply other money in the General Fund, including receipts from taxes, to pay debt service on general obligation bonds. As noted in footnote 2 to Table 10 above, reimbursable general obligation bonds have been issued to finance capital projects for water facilities, assessable public improvements, H-Power waste disposal facility, wastewater treatment facilities, the West Loch Subdivision and other low income housing projects. As shown in the Statement of Funded Debt in Table 7, reimbursable general obligation bonds issued for assessable public improvements, housing projects, H-Power waste disposal facility and wastewater treatment facilities are excluded in determining the funded debt of the City and County beginning in the Fiscal Year when reimbursements are, in fact, made to the General Fund. It is the current policy of the City and County to finance water and sewer improvements with revenue bonds instead of reimbursable general obligation bonds.

Pension and Other Post-Employment Benefits Liability

The City and County provides retirement, disability and death benefits for all regular employees of the City and County through the Employees' Retirement System of the State. See "EMPLOYEE RELATIONS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS" herein for a discussion of the City and County's liability under the Employee's Retirement System of the State for the payment of such benefits.

Leases

The City and County has entered into various capital and operating leases expiring at various dates through 2044. The leases are financed from general resources. Expenditures for such leases approximated $0.7 million for the Fiscal Year ended June 30, 2014, and future expenditures for such leases are projected to be $22.3 million in the aggregate through 2044.

Revenue Indebtedness

As of December 16, 2014, the Board of Water Supply of the City and County had $239,150,000 of outstanding revenue bonds to finance capital improvements for the water system of the Board of Water Supply. Such revenue bonds are payable solely out of the water system revenues, assets and funds pledged under the applicable security documents. Such revenue bonds are limited obligations of the City and County, are excluded for purposes of determining the funded indebtedness of the City and County, and do not constitute a general or moral obligation or a pledge of the full faith and credit or taxing power of the City and County or the State.

The City and County has issued senior and junior lien revenue bonds to finance improvements to the City and County's wastewater system and to refund certain reimbursable general obligation bonds of the City and County issued to finance the wastewater system. As of December 16, 2014, the outstanding amounts of senior and junior revenue bonds were $1,251,325,000 and $378,733,270, respectively. In addition, the City and County has obtained loans from the U.S. Department of Agriculture, outstanding in the amount of $2,618,026 as of December 16, 2014, which is secured by a pledge of revenues of the City and County's wastewater system. Such revenue bond and loan obligations are limited obligations of the City and County, are excluded for purposes of determining the funded indebtedness of the City and County, and do not constitute a general or moral obligation or a pledge of the full faith and credit or taxing power of the City and County or the State. The City and County has adopted a $1.7 billion (in inflated dollars), five-year capital improvement program (Fiscal Year 2013 to Fiscal Year 2017) to upgrade its wastewater treatment plant and collection system facilities and anticipates issuing additional revenue bonds to finance a portion of the costs associated with the program. See also "PENDING LITIGATION" herein for a discussion of the consent decree pertaining to the wastewater system.

The City and County has issued and has outstanding private activity revenue bonds for housing purposes for which it served as conduit issuer.

All of the City and County's outstanding revenue indebtedness has been issued as fixed rate obligations. The City and County has never entered into any derivative product contracts with respect to its revenue bond indebtedness and has no outstanding private placements of revenue bond indebtedness other than State revolving fund loans.

H-Power Waste Disposal Facility

In 1985 and 1990, the City and County issued reimbursable general obligation bonds in the aggregate principal amounts of approximately $195 million and $61 million, respectively, to finance the acquisition and construction of the H-Power waste disposal facility, a waste-to-energy facility which produces electricity that is sold to the local electric company. The facility went into commercial operation in May 1990. In 1999, the City and County issued general obligation bonds to refund a portion of the reimbursable general obligation bonds issued for the H-Power waste disposal facility.

Prior to completion of the H-Power waste disposal facility, the City and County entered into a leveraged lease transaction pursuant to which the facility was sold to an "Owner Trust" and simultaneously leased to a private operator. In 2008, the City and County exercised an option to purchase the facility at a purchase price of approximately $44 million. The City and County issued general obligation bonds in April 2009 to reimburse the general fund for a temporary advance of funds used to pay the purchase price of the facility.

In October 2012, the City and County completed a $300 million expansion project at the H-Power facility which added another boiler capable of burning an additional 300,000 tons of waste per year. The project included new air pollution control equipment mandated by federal law which became operational in April 2011. The additional boiler entered commercial operations on April 2, 2013. In 2009 and 2010, the City and County issued $325.7 million aggregate principal amount of reimbursable general obligation bonds to fund the costs of the expansion and air pollution control projects.

Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)

Project Overview and Funding. The City and County, through the Honolulu Authority for Rapid Transportation (HART), is constructing a new 20-mile fixed guideway mass transit system to provide rail service along Oahu's east-west corridor between East Kapolei and downtown Honolulu (Ala Moana Center). Over 60% of the City and County's population lives within the area served by this corridor, and the population of this area is projected to continue to grow faster than the balance of Oahu.

Due to the size and cost of the project, HART plans to build the system in multiple phases lasting several years. The first phase of the project covers a 6.5-mile segment from East Kapolei to Pearl City. Construction contracts are in place for ten miles of the guideway, from East Kapolei to Aloha Stadium, and for the rail operations center also known as the maintenance and storage facility. To date, more than $1 billion has been expended for planning and design, site acquisition and guideway and track construction. HART currently expects to complete the system in 2019.

Costs related to construction of the system, originally estimated at $5.17 billion, are expected to be funded primarily with (i) revenue generated by the 0.5% general excise and use tax surcharge implemented by the City and County on January 1, 2007, which is projected to total $3.29 billion through expiration of the surcharge in 2022, and (ii) a $1.55 billion grant from the U.S. Department of Transportation, Federal Transit Administration, under a full-funding grant agreement (FFGA) dated December 19, 2012. Any remaining construction costs were expected to be funded with federal Section 5307 funds. See "CITY AND COUNTY REVENUES – General Fund – *Excise and Use Tax*" herein for a discussion of the excise and use tax surcharge imposed by the City and County, and "– *Bondholder Risks*" herein for a discussion of federal Section 5307 funds allocated to the City and County.

As of December 2014, the City and County had received $1.4 billion from the general excise and use tax surcharge, net of administrative fees charged by the State, and $806 million from the Federal Transit Administration under the FFGA. In anticipation of receiving future general excise and use tax surcharge revenue and the balance of the federal funding under the FFGA, construction of the project is expected to be financed with a combination of general obligation commercial paper notes, bond anticipation notes, and general obligation bonds. Debt obligations are expected to be issued directly by the City and County, not by HART. Before issuing any debt, however, the City and County is required to enter into a memorandum of understanding with HART that would entitle the City and County to reimbursement from HART for debt service and other costs associated with such obligations. Annual operating costs of the system are expected to be paid from passenger fares and supplemented as necessary by City and County revenues. Given the current capital plan and scheduled expiration of the general excise and use tax surcharge in 2022, it is projected that the City and County would need to fund rail system operations with approximately $80 million per year beginning in Fiscal Year 2020. The City and County recently requested that the State Legislature make the 0.5% surcharge on the general excise and use tax permanent. Also, as discussed above under "CITY AND COUNTY REVENUES – General Fund – *Excise and Use Tax*" herein, two bills are currently pending in the State legislature that would extend and/or potentially reduce the rate of the surcharge.

Bondholder Risks. Since the City and County has agreed to contingent support for certain capital and operating costs of the rail project, holders of the City and County's general obligation bonds could be subject to certain risks related to the project. Generally, these risks fall into three categories: (i) cost increases due to delay, materials, changed scope and site acquisition; (ii) underperformance of the general excise and use tax surcharge or FFGA receipts; and (iii) operating costs above projections, particularly in the event that the general excise and use tax surcharge is not extended beyond 2022. The following paragraphs include a discussion of these risks, including events that are known to have occurred as of the date of this Official Statement.

Between 2011 and 2014, two lawsuits were filed in connection with the project that resulted in significant delays. One of the lawsuits was resolved in September 2013, permitting construction to resume after a 13-month construction stand-down. The other lawsuit was concluded in February 2014, lifting a temporary partial injunction against construction activities and property acquisition in the area of the city-center phase. The injunction delayed property acquisitions but did not impact construction activities since no construction was scheduled to occur in the city-center at that time. Given the delay claims arising from the lawsuits and notice-to-proceed issues, HART settled with two major project contractors for a total cost estimated at $190 million.

Construction bids for Phase 1 stations were 63% higher than budgeted due to heightened construction activity on Oahu and also the nature in which the project was bid. Therefore the stations are being split into smaller bids, which should reduce the over-run to 35-45% above original FFGA estimates. The cost for the construction of all stations and the remaining guideway is anticipated to exceed contingency available by several hundred million dollars net of contingency.

To date, collections of the general excise and use tax surcharge are below the amount included in the original financial plan by 2.7%, or $40 million. If the general excise tax growth rate remains on its existing course the total shortfall through completion of the project could total $100 million.

The cumulative impact of the events described above could cause project costs to exceed the original estimate by $550 to $700 million. Additionally, although the FFGA financial plan calls for the use of $210 million in federal Section 5307 funds, Resolution 15-18, adopted by the City Council on February 18, 2015 directs HART to delete the funds from the FFGA financial plan. Should the stated directive be carried out, the City and County and HART would need to identify an additional $210 million in costs savings or alternative funding.

Cost estimates for construction of the remaining phases of the guideway and all 21 stations are trending higher than their respective budgets. To mitigate rising costs, HART is (i) seeking to employ cost-reducing delivery methods on all future contracts, (ii) applying an aggressive contractor outreach strategy to attract broader participation and a related lower cost attached to future contract packages, (iii) implementing value engineering alternatives into the design specified by future contracts to lower costs, and (iv) identifying better primary and secondary mitigation options to more efficiently manage project contingency. While it is hoped that these efforts will aid in reducing the rail project's overall cost, it is currently expected that the capital cost of this project will exceed the originally budgeted $5.17 billion.

No Default

The City and County has never defaulted on the payment when due of the principal of or interest on any indebtedness.

There are no so-called "moral obligation" bonds of the City and County outstanding or authorized which contemplate a voluntary appropriation by the City Council of General Fund revenues in such amounts as may be necessary to make up any deficiency in either a debt service fund or any other funds or accounts.

BUDGET PROCESS AND FINANCIAL MANAGEMENT

Budgets and Expenditures

The Charter of the City and County provides for (1) an annual executive budget consisting of an operating and capital budget, including a statement of relationships between operating and capital items for the executive branch, and (2) a legislative budget setting forth the expenditures of the legislative branch. Appropriations in the legislative and executive operating budget ordinances are valid only for the Fiscal Year for which made, and any part of such appropriations which has not been expended or encumbered on the basis of firm commitments lapses at the end of the Fiscal Year. Appropriations in the executive capital budget ordinance are valid only for the Fiscal Year for which made and for twelve months thereafter, and any part of such appropriations which is not expended or encumbered lapses twelve months after the end of the Fiscal Year.

Expenditures for capital improvements of the City and County, exclusive of capital outlays of the semi-autonomous Board of Water Supply, for the Fiscal Years ended June 30, 2011 through 2015 are shown in the table below.

Table 11

EXPENDITURES FOR CAPITAL IMPROVEMENTS (1)
Fiscal Years 2011–2015
(in millions of dollars)

		Bond Funds				Cash			
Fiscal Year	Grand Total	General Obligation	Sewer Revenue	Finance Hsg. Dev.	Total (1)	Federal Grants	Cash (2)	Total	Cash as % of Total
2011(3)	$ 814.1	$ 425.4	$204.0	$0.0	$ 629.4	$73.8	$110.9	$184.7	22.7%
2012(3)(5)	612.6	230.5	206.5	0.0	437.0	79.4	96.2	175.6	28.7
2013(4)(5)	925.5	514.0	223.7	0.0	737.7	63.4	124.4	187.8	20.3
2014(4)(5)	1,431.4	1,103.0	139.2	0.0	1,242.2	87.4	101.8	189.2	13.2
2015(4)(5)	1,498.2	1,133.3	191.3	0.0	1,324.6	51.8	121.8	173.6	11.6

(1) *Inclusive of encumbrances.*
(2) *Funds from current revenues and surplus.*
(3) *Adjusted for lapses until December 31, 2014.*
(4) *Budgeted amounts plus single purpose added.*
(5) *Inclusive of Honolulu Authority for Rapid Transportation.*

Cash Management and Investments

The investment of funds by the City and County is governed by and conforms to Section 46-50, Hawaii Revised Statutes, which authorizes investments in bonds or interest bearing notes or obligations of the county, of the State, of the United States, or of agencies of the United States for which the full faith and credit of the United States are pledged for the payment of principal and interest; federal land bank bonds; joint stock farm loan bonds; Federal Home Loan Bank notes and bonds; Federal Home Loan Mortgage Corporation bonds; Federal National Mortgage Association notes and bonds; securities of a mutual fund whose portfolio is limited to bonds or securities issued or guaranteed by the United States or an agency thereof; repurchase agreements fully collateralized by any such bonds or securities; bank savings accounts; time certificates of deposit; certificates of deposit open account; bonds of any improvement district of any county of the State; bank, savings and loan association, and financial services loan company repurchase agreements; student loan resource securities including: student loan auction rate securities, student loan asset-backed notes, student loan program revenue notes and bonds, and securities issued pursuant to Rule 144A of the Securities Act of 1933, including any private placement issues, issued with either bond insurance or overcollateralization guaranteed by the United States Department of Education; provided all insurers maintain a triple-A rating by Standard & Poor's, Moody's, Duff & Phelps, Fitch, or any other major national securities rating agency; commercial paper with an A1/P1 or equivalent rating by any national securities rating service; and bankers' acceptance with an A1/P1 or equivalent rating by any national securities rating service; provided in each case the investments are due to mature not more than five years from the date of investment.

Chapter 38-3, Hawaii Revised Statutes, provides for collateralization of all public funds on deposit with banks and savings and loan associations, except that portion of deposits insured under the laws of the United States.

The City and County manages its own investment portfolio in accordance with the foregoing statutes and a written investment policy of the City and County. The City and County does not engage in pooled investments, speculate with investments or leverage its investments. The City and County's investment portfolio does not include any derivative financial instruments and has minimal exposure to auction rate securities. The City and County's philosophy and policy in managing its investments is: first, for safety of public funds; second, for liquidity, so that funds are available when needed; and third, for yield, after the first two considerations are met.

Interest earnings from funds invested by the City and County totaled $1.8 million in the Fiscal Year ended June 30, 2014, representing an investment yield of 0.12%.

Under the City Charter, the City and County's Treasury is subject to an audit and verification at such times as necessary, by representatives of the City Council.

Inter-Fund Borrowing

Under State law, the Director of Budget and Fiscal Services may, with the consent of the City Council, use any portion of moneys belonging to any funds under his or her control, except pension or retirement funds, funds set aside for redemption of bonds or the payment of interest thereon, and private trust funds, for the purpose of paying warrants and checks drawn against any fund temporarily depleted. All sums so used are required to be repaid to the credit of the fund from which taken immediately after the replenishment of such depleted fund.

State law also provides that whenever there are moneys in any fund of the City and County, except pension or retirement funds, funds under the control of any independent board or commission, funds set aside for redemption of bonds or the payment of interest thereon and private trust funds, which, in the judgment of the Director of Budget and Fiscal Services of the City and County, are in excess of the amounts necessary for the immediate requirements of the respective funds, and where, in such officer's judgment, such action will not impede the necessary or desirable financial operations of the City and County, said Director may, with the consent of the City Council, make temporary transfers or loans therefrom, without interest, to other funds of the City and County for undertaking public improvements for which the issuance and sale of general obligation bonds have been duly authorized by the City Council. Such transfers shall be made only after passage by the City Council of an ordinance or resolution authorizing the public improvements. Amounts transferred under such statutory authorization shall not exceed the total sum of unissued authorized bonds of the City and County. The funds from which the transfers or loans are made shall be reimbursed by the Director of Budget and Fiscal Services from the proceeds of the bond sales upon the eventual issuance and sale of the bonds, or by appropriations of the City Council.

Reserve for Fiscal Stability Fund

In 2006, the City and County established a special fund known as the Reserve for Fiscal Stability Fund designated for economic and revenue downturns and emergency situations. The fund is maintained outside the General Fund and is available for appropriation only in the event of an emergency or certain economic and revenue triggers, including an increase in unemployment by more than 2% over three fiscal quarters, a decline in net taxable real property value by 2% or more from the preceding Fiscal Year, a decline in General Fund and Highway Fund revenues of 2% or more from the preceding Fiscal Year, a decline in Transient Accommodation Tax revenues of 5% or more from the preceding Fiscal Year, or an increase in nondiscretionary expenditures by more than 5% of the preceding Fiscal Year's revenues. Deposits to the fund are made from General Fund and Highway Fund surpluses and, by resolution, the fund is targeted to be at least 5% of expenditures, with an optimal target equal to 8% of expenditures. As of June 30, 2014, the fund balance was $61.68 million. No withdrawals from the Reserve for Fiscal Stability Fund have been made as of the date hereof. An additional $10 million deposit is included in the

City and County's Operating Budget for the Fiscal Year ending June 30, 2015, and a $30 million deposit is proposed to be included in the City and County's Operating Budget for the Fiscal Year ending June 30, 2016.

Grants In Aid Fund

In 2012, the City and County established a special fund known as the Grants in Aid Fund to be used by the City and County to award grants in aid to tax exempt non-profit organizations that provide services to economically and/or socially disadvantaged populations or provide services for public benefit in the areas of the arts, culture, economic development or the environment. In adopting each Fiscal Year's budget and capital program, the City Council is required to appropriate a minimum of one-half of one percent of the estimated General Fund revenues for deposit into the Grants in Aid Fund. In addition, a minimum of $250,000 from the Grants in Aid Fund must be expended annually in each council district. Any balance remaining in the fund at the end of any Fiscal Year will remain in the fund, accumulating from year to year. The City Council may waive the requirements pertaining to the annual appropriation of General Fund revenues to the Grants in Aid Fund for any particular Fiscal Year by a two-thirds vote of its entire membership upon a finding that an emergency exists due to a public calamity or that the City and County could not otherwise fulfill its legal obligations.

FINANCIAL INFORMATION AND ACCOUNTING

Independent Audit

The Charter of the City and County requires that at least once every year the City Council obtain an independent audit of the accounts and other evidences of financial transactions of the City and County and of every agency. The audit is made by a certified public accountant or a firm of certified public accountants designated by the City Council. The basic financial statements of the City and County for the year ended June 30, 2014, as audited by the firm of KMH LLP, may be found at the City and County's website at http://www.honolulu.gov/budget/budget-cafr.html, or may be obtained from the City and County by request to the attention of the Director of Budget and Fiscal Services, City and County of Honolulu, 530 South King Street, Honolulu, Hawaii 96813. KMH LLP has not reviewed this Official Statement and has no responsibility with respect to this Official Statement. Information on the City and County's website other than the basic financial statements is not part of this Official Statement.

The financial statements have been prepared in conformity with generally accepted accounting principles, using the accrual basis of accounting. The fund financial statements are prepared on a modified accrual basis, under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when earned. Taxes are recorded when levied and other revenues are recorded when they become both measurable and available for the payment of expenses for the current fiscal period. Proprietary fund accounts are maintained on the accrual basis.

Financial Statements

The following four tables set forth the balance sheet and the statement of revenues and expenditures and changes in fund balance for the General Fund and the balance sheet and the combined statement of revenues and expenditures and changes in fund balance for all governmental fund types and expendable trust funds for the Fiscal Years shown in such tables. The information set forth in such financial statements has been prepared by the Director of Budget and Fiscal Services of the City and County based on audited financial statements for the Fiscal Years ended June 30, 2010 through 2014, and has been summarized from the Director's Annual Financial Reports for the related Fiscal Years.

Table 12

CITY AND COUNTY OF HONOLULU
GENERAL FUND
BALANCE SHEET
For Fiscal Years Ended June 30, 2010 through June 30, 2014
(In thousand dollars)

	FY Ended June 30, 2010	FY Ended June 30, 2011	FY Ended June 30, 2012	FY Ended June 30, 2013 (as restated)	FY Ended June 30, 2014
ASSETS:					
Cash and securities	$143,001	$182,093	$194,075	$272,133	$156,569
Receivables:					
Real property taxes	15,728	19,054	12,654	13,416	13,394
Other	62,747	73,406	19,737	25,883	14,589
Component unit – CASE fees	--	--	--	--	--
Due from other funds	27,339	43,918	29,499	25,276	131,169
Total Assets	$248,815	$318,471	$255,965	$336,708	$315,721
LIABILITY AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 13,733	$ 17,089	$ 8,602	$ 33,757	$ 39,176
Due to other funds	45,217	49,856	10	10	30
Accrued payroll and fringes	18,062	19,555	19,218	19,006	23,474
Deferred revenues	21,785	21,342	10,878	13,416	12,593
Total Liabilities	$ 98,797	$107,842	$ 38,708	$ 66,189	$ 75,273
Fund Balances:					
Reserved for encumbrances	$ 45,965	$ 51,961	$ 58,215	$ 55,384	$ 54,880
Unreserved-undesignated	104,053	158,668	159,042	215,135	185,568
Total Fund Balances	150,018	210,629	217,257	270,519	240,448
Total Liabilities and Fund Balances	$248,815	$318,471	$255,965	$336,708	$315,721

Table 13

CITY AND COUNTY OF HONOLULU
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For Fiscal Years Ended June 30, 2010 through June 30, 2014
(In thousand dollars)

	FY Ended June 30, 2010	FY Ended June 30, 2011	FY Ended June 30, 2012	FY Ended June 30, 2013 (as restated)	FY Ended June 30, 2014
REVENUES:					
Real property tax [1]	$ 901,687	$ 838,912	$ 853,194	$ 875,424	$ 895,057
Licenses and permits	34,686	34,258	35,811	38,335	42,699
Intergovernmental revenues [2]	198,142	224,526	49,168	41,062	41,060
Charges for services	5,521	6,008	6,215	6,318	7,867
Fines and forfeits	562	551	395	590	847
Miscellaneous	45,188	47,384	52,440	50,643	51,384
Total Revenues	$1,185,786	$1,151,639	$ 997,223	$1,012,372	$1,038,914
EXPENDITURES:					
Current:					
General government	$ 128,576	$ 121,698	$ 127,084	$ 124,444	$ 131,740
Public safety	312,443	325,480	330,766	324,357	344,315
Highways and streets	2,086	1,930	1,805	2,818	2,550
Sanitation	2,959	3,863	4,391	4,193	3,841
Health and human resources	3,081	2,427	3,623	3,466	3,837
Culture and recreation	58,826	51,000	56,921	58,031	59,272
Utilities or other enterprises	123	5	3	--	43
Miscellaneous	180,423	144,884	217,639	219,642	212,303
Capital outlay	1,548	--	--	--	2,561
Debt service:					
Principal retirement	823	266	832	833	848
Interest charges	162	93	66	89	74
Total Expenditures	$ 691,050	$ 651,646	$ 743,130	$ 737,873	$ 761,384
Excess of Revenues over Expenditures	$ 494,736	$ 499,993	$ 254,093	$ 274,499	$ 277,530
OTHER FINANCING SOURCES (USES):					
Capital Leases	$ --	$ --	$ 1,302	$ --	$ --
Sales of general fixed assets	72	9	--	--	--
Operating transfer-in	102,267	103,572	113,150	118,080	127,374
Operating transfer-out	(563,749)	(542,963)	(361,917)	(330,684)	(434,975)
Total Other Financing Sources (Uses)	$(461,410)	$(439,382)	$(247,465)	$(212,604)	$(307,601)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	$ 33,326	$ 60,611	$ 6,628	$ 61,895	$ (30,071)
Fund Balance--July 1	116,692	150,018	210,629	217,257	270,519
Prior period adjustment	--	--	--	(8,633)	--
Fund Balance--June 30	$ 150,018	$ 210,629	$ 217,257	$ 270,519	$ 240,448

(1) *Includes public service company taxes collected in lieu of real property taxes. See "CITY AND COUNTY REVENUES – General Fund – Public Service Company Tax" herein.*

(2) *Beginning in Fiscal Year 2012, all monies collected for the county surcharge on state excise and use tax are recorded as general revenues of HART rather than as general revenues of the City and County.*

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Table 14

CITY AND COUNTY OF HONOLULU
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2014 with Comparative Totals For Fiscal Year Ended June 30, 2013
(In thousand dollars)

	Governmental Funds				Totals (Memorandum Only)	
Revenues:	General Fund [(1)]	Highway Fund	G.O. Bond & Interest Redemption Fund	Other Governmental Funds	2014	2013
Taxes	$ 895,057	$ 107,697	$ --	$ 8,318	$1,011,072	$ 994,105
Special assessments	--	--	--	5	5	15
Licenses and permits	42,797	126,461	--	3,975	173,233	166,135
Intergovernmental	41,060	--	--	160,564	201,624	205,496
Charges for services	7,867	4,739	--	20,544	33,150	31,813
Fines and forfeitures	847	--	--	80	927	831
Miscellaneous:						
Reimbursements and recoveries	43,696	2,572	--	14	46,282	44,420
Interest	515	--	--	81	596	612
Other - primarily rents, concessions, trust receipts	7,229	4,231	--	18,573	30,033	28,133
Total revenues	$1,039,068	$ 245,700	$ --	$ 212,154	$1,496,922	$ 1,471,560
Expenditures:						
Current:						
General government	$ 131,740	$ 22,179	$ --	$ 13,788	$ 167,707	$ 155,304
Public safety	344,315	29,728	--	16,400	390,443	371,294
Highways and streets	2,550	16,769	--	3,339	22,658	18,696
Sanitation	3,841	--	--	66	3,907	4,203
Health and human resources	5,203	--	--	86,924	92,127	74,089
Culture-Recreation	59,277	--	--	27,260	86,537	82,664
Utilities or other enterprises	43	1,774	--	35,512	37,329	29,380
Miscellaneous:						
Retirement and health benefits	184,664	25,162	--	11,050	220,876	190,466
Other	27,639	1,623	--	425	29,687	61,228
Capital outlay	2,561	198	--	203,724	206,483	201,884
Debt service:						
Principal retirement	848	--	115,077	--	115,925	88,276
Interest charges	74	--	97,691	--	97,765	97,580
Bond issuance costs	--	--	--	--	--	2,125
Total expenditures	$ 762,755	$ 97,433	$ 212,768	$ 398,488	$1,471,444	$1,377,189
Revenues over (under) Expenditures	$ 276,313	$ 148,267	$(212,768)	$(186,334)	$ 25,478	$ 94,371
Other financing sources (uses):						
Proceeds of general obligation bonds	$ --	--	--	11,152	11,152	$ 225,010
Proceeds of tax-exempt commercial paper	--	--	--	--	--	45,000
Proceeds of refunding bonds	--	--	--	--	--	623,574
Payment of refunded bonds	--	--	--	--	--	(621,449)
Capital leases	--	--	--	--	--	--
Sales of fixed assets	56	147	--	--	203	1,606
Operating transfers in	146,673	--	212,768	11,614	371,055	340,224
Operating transfers out	(434,975)	(143,543)	--	(11,695)	(590,213)	(499,490)
Total Other Financing Sources (Uses)	$(288,246)	$(143,396)	$ 212,768	$ 11,071	$ (207,803)	$ 114,475
Revenues and Other Sources over (under) Expenditures and Other Uses	(11,933)	4,871	--	(175,263)	(182,325)	208,846
Fund Balances – July 1 as previously stated/restated	334,029	46,753	--	256,771	637,553	428,707
Prior period adjustment [(2)]	(13,247)	(1,052)	--	(95)	(14,394)	--
Fund Balances – June 30	$ 308,849	$ 50,572	$ --	$ 81,413	$ 440,834	$ 637,553

(1) *General Fund figures differ from Table 13. General Fund figures in Table 14 include certain revenues and expenditures attributed to the General Fund under Governmental Auditing Standards Board Statement No. 54.*

(2) *In Fiscal Year 2014, the City and County determined that its pension expense was understated for prior fiscal years. As a result, fringe benefits and current liabilities were restated resulting in an adjustment of $14.4 million to the July 1, 2013 balance of all governmental fund types.*

Table 15

CITY AND COUNTY OF HONOLULU
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Years Ended June 30, 2010 through June 30, 2014
(In thousand dollars)

	FY Ended June 30, 2010	FY Ended June 30, 2011	FY Ended June 30, 2012	FY Ended June 30, 2013	FY Ended June 30, 2014
REVENUES:					
Taxes	$ 986,828	$ 934,557	$ 964,167	$ 994,105	$1,011,072
Special assessments	18	8	17	15	5
Licenses and permits	126,208	151,581	161,492	166,135	173,233
Intergovernmental revenues [(1)]	362,399	395,316	233,499	205,496	201,624
Charges for services	27,714	28,007	30,679	31,813	33,150
Fines and forfeitures	755	766	541	831	927
Miscellaneous	68,281	80,135	77,985	73,165	76,911
Total Revenues	$1,572,203	$1,590,370	$1,468,380	$1,471,560	$1,496,922
EXPENDITURES:					
Current:					
General government	$ 159,713	$ 149,994	$ 155,044	$ 155,304	$ 167,707
Public safety	357,148	371,627	386,145	371,294	390,443
Highways and streets	21,774	16,781	17,336	18,696	22,658
Sanitation	2,959	3,863	4,514	4,203	3,907
Health and human resources	78,391	71,606	72,544	74,089	92,127
Culture-Recreation	81,859	73,087	79,547	82,664	86,537
Utilities or other enterprises	27,122	27,758	23,201	29,380	37,329
Miscellaneous	206,450	218,130	242,041	251,694	250,563
Capital outlay	296,495	330,581	218,713	201,884	206,483
Debt service:					
Principal retirement	93,015	89,615	84,906	88,276	115,925
Interest charges	93,225	95,549	99,713	97,580	97,765
Bond issuance costs	--	--	--	2,125	--
Total Expenditures	1,418,151	1,448,591	1,383,704	1,377,189	1,471,444
Revenues over (under) Expenditures	$ 154,052	$ 141,779	$ 84,676	$ 94,371	$ 25,478
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds	$ 30,254	$ 100,734	$ 131,206	$ 225,010	$ 11,152
Proceeds of tax-exempt commercial paper	20,000	50,000	--	45,000	--
Proceeds of refunding bonds	64,318	49,270	154,807	623,574	--
Payment of refunded bonds	(64,318)	(50,000)	(155,506)	(621,449)	--
Capital leases	--	--	1,302	--	--
Sales of fixed assets	581	660	181	1,606	203
Operating transfers-in	477,351	495,790	320,463	340,224	371,055
Operating transfers-out	(677,720)	(692,908)	(518,779)	(499,490)	(590,213)
Total Other Financing Sources (Uses)	$(149,534)	$ (46,454)	$ (66,326)	$ 114,475	$(207,803)
Special Item: Contribution to component unit	--	--	(447,284)	--	--
Net change in fund balances	$ 4,518	$ 95,325	$(428,934)	$ 208,846	$(182,325)
Fund Balances—July 1	$ 757,798	$ 762,316	$ 857,641	$ 428,707	$ 637,553
Prior period adjustment [(2)]	--	--	--	--	(14,394)
Fund Balances—June 30	$ 762,316	$ 857,641	$ 428,707	$ 637,553	$ 440,834

(1) *Beginning in Fiscal Year 2012, all monies collected for the county surcharge on state excise and use tax are recorded as general revenues of HART rather than as general revenues of the City and County.*

(2) *In Fiscal Year 2014, the City and County determined that its pension expense was understated for prior fiscal years. As a result, fringe benefits and current liabilities were restated resulting in an adjustment of $14.4 million to the July 1, 2013 balance of all governmental fund types.*

EMPLOYEE RELATIONS; HEALTH CARE BENEFITS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Employee Relations

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Chapter 89, Hawaii Revised Statutes, as amended, provides for 14 recognized bargaining units for all public employees in the State, including City and County employees. Eight of these bargaining units represent City and County employees (*i.e.*, blue-collar non-supervisory; blue collar supervisory; white-collar non-supervisory; white-collar supervisory; institutional health and correctional workers; firefighters; police; and professional scientific). Each bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer.

Act 137, Session Laws of 2013, authorized a fourteenth bargaining unit for State law enforcement officers and State and county ocean safety and water safety officers. These employees are currently members of bargaining units 3 and 4. The employee voting structure, impasse procedures, and exclusive representative of these employees will be same as for bargaining units 3 and 4. Negotiations for bargaining unit 14 have taken place in this fiscal year to negotiate a new collective bargaining agreement.

The State and the counties are required to bargain collectively with the bargaining units. Decisions by the employer representatives are determined by simple majority vote, with the Governor having six votes and each of the county mayors, Chief Justice of the State Supreme Court and Hawaii Health Systems having one vote for bargaining units involving blue-collar non-supervisory; blue-collar supervisory; white-collar non-supervisory; white-collar supervisory; institutional, health and correctional workers; and professional and scientific. For bargaining units involving firefighters and police, the Governor has four votes and each of the mayors has one.

Under State law enacted in 1995, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation, fact finding and, except blue-collar non-supervisory workers (who are permitted by law to strike), final and binding arbitration. Although State law characterizes arbitration as “final and binding” it also provides that all cost items are subject to approval by the respective legislative bodies. As applicable to bargaining units with which the City and County has collective bargaining agreements, State law only permits the bargaining unit for blue-collar non-supervisory employees to strike in the event of an impasse.

The City and County has collective bargaining agreements with the Hawaii Government Employees Association (the “HGEA”), which represents the bargaining units for blue-collar supervisory, white-collar non-supervisory, white-collar supervisory, and professional and scientific employees, and with United Public Workers, which represents bargaining unit 1 (blue-collar non-supervisory employees), and bargaining unit 10 (institutional, health, and correctional workers), with the Hawaii Fire Fighters Association, which represents bargaining unit 11 (fire fighters), and with the State of Hawaii Organization, which represents bargaining unit 12 (police officers).

A new agreement for the period July 1, 2013 through June 30, 2017 was ratified for Bargaining Unit 10 (institutional health and correctional workers) on October 9, 2013. The agreement provides for a step movement in each year of the agreement (employees assigned to the maximum step or not assigned to the salary schedule shall receive a lump sum payment equivalent to 4% of the employee’s base salary) and across the board increases of 0.3% on January 1, 2014, 0.5% on January 1, 2015, 0.5% on January 1, 2016, and 1.0% on January 1, 2017.

A final award was rendered by an arbitration panel for Bargaining Unit 11 (Fire Fighters) on November 30, 2013. Fire fighters were awarded a six year contract effective July 1, 2011 through June 30, 2017. There were no salary adjustments in the first two years. Across the board increases of 2% were awarded on July 1, 2013, January 1, 2014, July 1, 2014, January 1, 2015, July 1, 2015 and January 1, 2016. Effective July 1, 2016, a 5% across the board wage increase will be implemented. The agreement also provided for catch-up step movements, service step movements, and a new maximum step on the salary schedule effective January 1, 2014, to and including June 30, 2017.

A final award was rendered by an arbitration panel for Bargaining Unit 12 (Police Officers) on July 3, 2013. Police Officers were awarded a six year contract effective July 1, 2011 through June 30, 2017. There were no salary adjustments in the first two years. The agreement provides for catch-up step movements and service step movements on their policy service anniversary date(s) not to exceed one step per year effective July 1, 2013, July 1, 2014, July 1, 2015, and July 1, 2016. Also the agreement provided for across the board wage increases of 1.75% on July 1, 2013, 1.75% on January 1, 2014, 1.75% on July 1, 2014, 1.75% on January 1, 2015, 2.00% on July 1, 2015, 2.00% on January 1, 2016, 2.50% on July 1, 2016, and 3.30% on January 1, 2017.

A new agreement for the period July 1, 2013 through June 30, 2017 for Unit 13 (professional and scientific employees) was ratified on October 14, 2013. The agreement provides for a 4% across the board increase in July 1, 2013 and catch-up step movements beginning July 1, 2014. The last two years of the agreement provide for 3.5% across the board increases on January 1, 2016 and January 1, 2017 and continuation of the step movement plan.

Health Care Benefits

All regular employees of the City and County are eligible for coverage under health plans provided through the State of Hawaii Public Employer-Union Health Benefit Trust Fund (the "Trust Fund"), which was established in 2003 to design, provide and administer health and other benefit plans for State and county employees, retirees and their dependents. The Trust Fund is administered by a ten-member Board of Trustees (the "Board") appointed by the Governor comprised of five union representatives and five management representatives. The Board is responsible for determining the nature and scope of health plans offered by the Trust Fund, negotiating and entering into contracts with insurance carriers, ruling on eligibility and establishing management policies for the Trust Fund and overseeing Trust Fund activities. The Trust Fund currently provides medical, prescription drug, dental, vision, chiropractic and group life benefits. Benefits with respect to regular employees are funded by a combination of employer contributions set by collective bargaining agreement or by executive order (with respect to non-union employees) and employee contributions through payroll deductions. Benefits for retirees are funded by a statutory formula.

In recent years, public and private health plan providers nationwide and in Hawaii, including the Trust Fund, have experienced substantial increases in health care costs. In the case of the Trust Fund, the current fiscal situation faced by the State and county employers has made it extremely difficult for the employers to increase employer contributions for health benefits in order to maintain the historical employer-employee contribution ratio. In the past, the Board has attempted to mitigate health plan rate increases by modifying benefits, and employees have been required to bear a larger share of the increased rates. The City and County cannot predict what actions will be taken (including changes to future plan benefits or employer-employee contribution rates) to address the impact of rising health care costs on the Trust Fund or what financial effects such changes may have on the City and County.

The information included under the following two captions "Pensions" and "Other Post-Employment Benefits" relies on information produced by the Employees' Retirement System of the State (the "System") and the Trust Fund, respectively. Actuarial assessments are "forward-looking" information that reflects the respective judgments of the fiduciaries of the System and the Trust Fund. Such actuarial assessments are based upon a variety of different assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experiences of the System and the Trust Fund.

Pensions

All regular employees of the City and County are covered under the System, which is a cost-sharing, multiple employer defined benefit pension plan that provides retirement, disability and death benefits funded by employee contributions and by employer contributions. This section contains certain information relating to the System. The information contained in this section is primarily derived from information produced by the System, its independent accountant and its actuary. The City and County has not independently verified the information provided by the System, its independent accountant and its actuary, and makes no representations nor expresses any opinion as to the accuracy of such information. The comprehensive annual financial report of the System and most recent valuation report of the System may be obtained by contacting the System. The comprehensive annual financial reports of the System are also available on the State's website at http://portal.ehawaii.gov/, and other information about the System are available on the System's website at http://ers.ehawaii.gov/. Such documents and other information are not incorporated herein by reference.

The System uses a variety of assumptions to calculate the actuarial accrued liability, actuarial value of assets and other actuarial calculations and valuations of the System. No assurance can be given that any of the assumptions underlying such calculations and valuations (including, but not limited to, the current actuarial assumptions adopted by the System's Board of Trustees, the System's benefit structure or the actuarial method used by the System) will reflect the actual results experienced by the System. Variances between the assumptions and actual results may cause an increase or decrease in, among other things, the System's actuarial value of assets, actuarial accrued liability, unfunded actuarial accrued liability or funded ratio. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions (including, but not limited to, the current actuarial assumptions, benefit structure or actuarial method used by the System), one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. See "*—General Information*" and "*— Actuarial Valuation*" herein for more information on the actuarial assumptions used by the System.

Much of the disclosure set forth in this section is based on the Report to the Board of Trustees on the 89th Annual Actuarial Valuation for the Year Ending June 30, 2014 (the "2014 Valuation Report"), which is the most recent valuation report of the System. The information presented in the 2014 Valuation Report was based on actuarial assumptions adopted by the System's Board of Trustees in December 2010. As described more fully under "*—General Information*" below, a revised benefit structure for new members was enacted through statute. In addition, future employer contribution rates were enacted through statute. This is the second valuation with new members under the new tier of benefits and member contribution rates. However, the liability for this group of employees represents just a small fraction of the total liabilities of the system. Included in the 2014 Valuation Report are projections showing the long-term impact of both the increased employer contributions and the change in benefits for employees first hired after June 30, 2012.

In June 2012, the Governmental Accounting Standards Board ("GASB") voted to approve two new statements relating to the accounting and financial reporting for public employee pension plans by state and local governments. Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), is effective for reporting periods beginning after June 15, 2013. GASB 67 requires enhanced pension disclosures in notes and required supplementary information for financial reports of pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), is effective for fiscal years beginning after June 15, 2014. GASB 68 will require governments providing defined benefit pension plans to recognize pension obligations as balance sheet liabilities (as opposed to footnote disclosures), require more immediate recognition of certain changes in liabilities, require use of the entry age normal actuarial cost method (currently employed by the System) for reporting purposes, and limit the smoothing of differences between actual and expected investment returns on pension assets. In certain cases, a lower discount rate will be required for valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans will be required to report their proportionate shares of the collective net pension liability and expense for such plans.

The full impact of GASB 67 and 68 cannot be predicted at this time. However, it is anticipated that these Statements may result in substantial increases in the reported unfunded pension liabilities of most governmental defined benefit pension plans and State governments. At this time, however, it is not expected to result in a substantial increase in reported unfunded liabilities for the City and County.

General Information

The System began operation on January 1, 1926. The System is a cost-sharing, multiple employer defined benefit pension plan. The actuarial information presented herein is provided for all employers of the System in total. The System's plan year runs from July 1 of each year through the following June 30. The System covers all regular employees of the State and each of its counties, including judges and elected officials. As it is a cost-sharing plan, the System does not allocate its liabilities among participating employers. The City and County's contribution to the System for the last five Fiscal Years and the contribution budgeted for the current Fiscal Year, exclusive of costs for employees of the Board of Water Supply, including amortization of a portion of prior service costs in each such year, are set forth below:

Fiscal Year **(June 30)**	**City and County** **Contribution**
2010	$ 96,700,000
2011	90,100,000
2012	81,700,000
2013	87,800,000
2014	88,000,000
2015 (*budgeted*)	122,341,000

The statutory provisions of HRS Chapter 88 govern the operation of the System. Responsibility for the general administration of the System is vested in a Board of Trustees, with certain areas of administrative control being vested in the Department of Budget and Finance. The Board of Trustees consists of eight members: the Director of Finance of the State, ex officio; four members of the System (two general employees, one teacher, and one retiree) who are elected by the members and retirees of the System; and three citizens of the State (one of whom shall be an officer of a bank authorized to do business in the State, or a person of similar experience) who are appointed by the Governor and may not be employees of the State or any county. All contributions, benefits and eligibility requirements are established by statute, under HRS Chapter 88, and may only be amended by legislative action.

Prior to 1984, the System consisted of only a contributory plan. Legislation enacted in 1984 created a noncontributory retirement plan for certain members of the System who are also covered under Social Security. The noncontributory plan provides for reduced benefits and covers most employees hired after June 30, 1984 and employees hired before that date who elected to join the plan. Police officers, firefighters, other enforcement officials, certain elected and appointed officials and other employees not covered by Social Security are excluded from the noncontributory plan. The minimum service required for retirement eligibility is five years of credited service under the contributory plan and ten years of credited service under the noncontributory plan. Both the contributory and noncontributory plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (the "AFC"). The AFC for members hired prior to January 1, 1971 is the higher of (i) the average salary earned during the five highest paid years of service, including the vacation payment, or (ii) the three highest paid years of service, excluding the vacation payment. The AFC for members hired after January 1, 1971 is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new defined benefit contributory plan (the "Hybrid Plan") was established pursuant to Act 179, SLH 2004. Members in the Hybrid Plan are eligible for retirement with full benefits at age 62 with five years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the Hybrid Plan. Most new employees hired from July 1, 2006 were required to join the Hybrid Plan.

In December 2010, the System's actuary completed an Actuarial Experience Study for the five-year period ended June 30, 2010 (the "2010 Experience Study"). In Fiscal Year 2011, based in part on the results of the 2010 Experience Study, the Legislature acted to limit the growth of the State's pension liabilities by passing Act 163, SLH 2011. This Act, effective July 1, 2012, made certain changes to the funding of the System and the benefit structure for new members in all plans. Funding changes include increasing the statutorily required employer contribution rates (see "—*Funded Status*" below). Benefit changes for new members include increasing the age and service requirements for retirement eligibility, reducing the retirement benefit multiplier and reducing the interest rate credited to employee contributions to 2%. The change in the interest rate credited to employee contributions to 2% is for new members in the Hybrid Plan and Contributory Plan hired on or after July 1, 2011. All other benefit changes are effective for new members hired on or after July 1, 2012. Act 163, SLH 2011, also reduced the investment yield rate assumption for Fiscal Year 2011 from 8% to 7.75% and gave authority to the Board of Trustees to adopt all assumptions to be used for actuarial valuations of the System, including the assumed investment yield rate for subsequent fiscal years. To better reflect the recent actual experience of the System, the Board of Trustees adopted the assumption recommendations set forth in the 2010 Experience Study, including continuing the investment yield rate assumption of 7.75%. During its September 23, 2014 meeting, the Board of Trustees reviewed actuarial scenarios based on the System's short- and long-term investment return risk and approved a three-year plan for the phased-in reduction of the investment yield rate from 7.75% to 7.50% beginning with the June 30, 2015 valuation of the System. The Legislature also enacted Act 152 and 153, SLH 2012, effective June 30, 2012 and July 1, 2012, respectively, to define compensation for retirement purposes as normal periodic payments excluding overtime, supplemental payments, bonuses and other differentials, and to assess employers annually for all retiree pension costs attributable to non-base pay during the last years of retirement.

In Fiscal Year 2011, the Legislature acted to improve and protect the System's funded status by placing a moratorium on the enhancement of benefits. Act 29, SLH 2011, provides that there shall be no benefit enhancement for any group of members until the actuarial value of the System's assets is 100% of the System's actuarial accrued liability.

As of June 30, 2014, the contributory plan covered 6,281 active members, or 9% of all active members of the System, the noncontributory plan covered 17,061 active members, or 25% of all active members of the System, and the Hybrid Plan covered 43,864 active members, or 65% of all active members of the System. The Hybrid Plan membership will continue to increase in the future as most new employees hired from July 1, 2006 will be required to join this plan.

As of June 30, 2014, the System consisted of 67,206 active members, 8,105 inactive vested members and 43,087 pensioners and beneficiaries. The following table shows the number of active members, inactive members and retirees and beneficiaries of the System as of June 30, 2013 and 2014:

Table 16

STATE RETIREMENT SYSTEM MEMBERSHIP

Category	June 30, 2013	June 30, 2014
Active	66,226	67,206
Inactive	7,312	8,105
Retirees and beneficiaries	41,812	43,087
Total	**115,350**	**118,398**

Funded Status

Based on the actuarial valuation as of June 30, 2014, the System's funded status has increased compared to the prior year (see "—*Actuarial Valuation*" and Table 18 below). The unfunded actuarial accrued liability (the "UAAL") as of June 30, 2014 was $8.58 billion. The statutory employee and employer contribution rates are intended to provide for the normal cost plus the amortization of the UAAL over a period not in excess of 30 years. Based on the current contribution rates of 24.0% for police and fire employees and 16.5% for all other employees, the future contribution rates established in statute (see "—*Funding Policy*" below), and the new benefit tier for employees hired after June 30, 2012, the actuary has determined that the remaining amortization period is 26 years. Because this period is within 30 years (the maximum period specified by HRS Section 88-122(e)(1)), the financing objectives of the System are currently being realized. HRS Section 88-122(e)(1) provides that the employer contribution rates are subject to adjustment when the funding period is in excess of 30 years. See "—*Funding Policy*" below for information on increases in the employer contribution rates and benefits changes.

Funding Policy

Prior to fiscal year 2006, the System was funded on an actuarial reserve basis. Actuarial valuations were prepared annually by the consulting actuary to the Board of Trustees to determine the employer contribution requirement. In earlier years, the total actuarially determined employer contribution was reduced by some or all of the investment earnings in excess of the investment yield rate applied in actuarial valuations to determine the net employer appropriations to be made to the System. Act 327, SLH 1997, amended Section 88-107, HRS, so that, beginning with the June 30, 1997 valuation, the System retains all of its excess earnings for the purpose of reducing the unfunded actuarial accrued liability. However, Act 100, SLH 1999, reinstated the excess earnings credit for the

June 30, 1997 and June 30, 1998 valuations. For those two valuations, the investment earnings in excess of a 10% actuarial return were to be applied as a reduction to the employer contributions. In accordance with the statutory funding provisions (Section 88-122, HRS, as amended by Act 147, SLH 2001), the total actuarially determined employer contribution to the pension accumulation fund was comprised of the normal cost plus the level annual payment required to amortize the unfunded actuarial accrued liability over a period of 29 years from July 1, 2000. The contribution requirement was determined in the aggregate for all employers in the System and then allocated to individual employers based on the payroll distribution of covered employees as of the March preceding the valuation date. The actuarially determined employer contribution derived from a valuation was paid during the third fiscal year following the valuation date, *e.g.*, the contribution requirement derived from the June 30, 1998 valuation was paid into the System during the fiscal year ended June 30, 2001. The actuarial cost method used to calculate employer contributions was changed in 1997 by Act 327 from the frozen initial liability actuarial cost method to the entry age normal actuarial cost method effective with the June 30, 1995 actuarial valuation. Employer contributions were determined separately for two groups of covered employees: (1) police officers, firefighters, and corrections officers; and (2) all other employees who are members of the System.

Act 181, SLH 2004, established fixed employer contribution rates as a percentage of compensation (15.75% for their police officers and firefighters and 13.75% for other employees) effective July 1, 2005. Pursuant to Act 256, SLH 2007, employer contributions beginning July 1, 2008 increased to 19.70% for police officers and firefighters and 15.00% for all others employees. As of June 30, 2010, the System's actuary determined that the remaining period required to amortize the UAAL was 41.3 years, which was greater than the maximum of 30 years specified by HRS Section 88-122(e)(1). As a result, and pursuant to the recommendations of the 2010 Experience Study, the Board of Trustees requested an increase in the statutory employer contribution rates to bring the funding period down to 30 years. In response, the Legislature enacted Act 163, SLH 2011, pursuant to which, effective July 1, 2012, employer contribution requirements will gradually increase as follows:

Table 17

STATE RETIREMENT SYSTEM EMPLOYER CONTRIBUTION REQUIREMENTS

Employer Contribution effective in Fiscal Year	Police Officers, Firefighters, and Correction Officers (% of total payroll)	Other Employees (% of total payroll)
2013	22.0	15.5
2014	23.0	16.0
2015	24.0	16.5
2016	25.0	17.0

Under the contributory plan, police officers, firefighters, and corrections officers are required to contribute 12.2% of their salary to the plan and most other covered employees are required to contribute 7.8% of their salary. Under the Hybrid Plan, covered employees are generally required to contribute 6.0% of their salary to the plan, with sewer workers in specified classifications, water safety officers and emergency medical technicians required to contribute 9.75% of their salary. Effective July 1, 2012, contribution rates for newly hired employees covered under the contributory and Hybrid Plan increased by 2% pursuant to Act 163, SLH 2011, such that the corresponding contribution rates for new employees as discussed in this paragraph are 14.2%, 9.8%, 8.0% and 11.75%, respectively. Employees covered under the noncontributory plan do not make contributions.

Actuarial Methods

The System's actuary uses the entry age normal cost method. The most recent valuation was performed for the year ended June 30, 2014.

Since the State statutes governing the System establish the current employee and employer contribution rates, the actuarial valuation determines the number of years required to amortize (or fund) the UAAL. For the June 30, 2014 valuation, this determination was made using an open group projection to reflect both the increasing contribution rates and the changes in benefits for members hired after June 30, 2012.

Because of this amortization procedure, any change in the unfunded actuarial accrued liability due to (i) actuarial gains and losses, (ii) changes in actuarial assumptions or (iii) amendments, affects the funding period.

On an aggregate basis with regard to the contributory, noncontributory and hybrid plans, the total normal cost for benefits provided by the System for the fiscal year beginning July 1, 2014 was 10.96% of payroll, which was 11.74% of payroll less than the total contributions required by law (17.28% from employers plus 5.42% in the aggregate from employees). Since only 5.54% of the employers' 17.28% contribution is required to meet the normal cost (5.42% comes from the employee contribution), it is intended that the remaining 11.74% of payroll will be used to amortize any unfunded actuarial accrued liabilities over a period of years in the future, assuming that total payroll increases by 3.50% per year. Due to the changes enacted in 2011 (increases in the employer contribution rates and new benefits and contribution rates for members hired after June 30, 2012), the percentage of payroll available to amortize the unfunded actuarial liabilities is expected to increase each year for the foreseeable future.

Actuarial Valuation

The actuarial value of assets is equal to the market value, adjusted for a four year phase-in of actual investment return in excess of or below expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds. The actuarial value of assets has been based on a four-year smoothed valuation that recognizes the excess or shortfall of investment income over or under the actuarial investment yield rate assumption. The actuarial asset valuation method is intended to smooth out year-to-year fluctuations in the market return. The excess or shortfall in the actual return during the year, compared to the investment yield rate assumption, is spread over this valuation and the next three valuations.

The System's actuary uses certain assumptions (including rates of salary increase, probabilities of retirement, termination, death and disability, and an investment yield rate assumption) to determine the amount that an employer must contribute in a given year to provide sufficient funds to the System to pay benefits when due. Prior to fiscal year 2012, HRS Section 88-122(b) provided for the Board of Trustees to adopt the assumptions to be used by the System except the investment yield rate, which was set by the Legislature. Act 163, SLH 2011, set the investment yield rate at 7.75% for fiscal year 2011 but also amended HRS Section 88-122(b) to allow the Board of Trustees to establish, for subsequent fiscal years, all assumptions to be used by the System, including the investment yield rate assumption. The Board of Trustees periodically evaluates and revises the assumptions used by the System for actuarial valuations, including by commissioning experience studies to evaluate the actuarial assumptions to be used by the System. The current assumptions, including the 7.75% investment yield rate, were adopted by the System's Board of Trustees based on the recommendations of the System's actuary in the most recent experience study, the 2010 Experience Study. These assumptions, funding changes and benefit structure are reflected in the 2014 Valuation Report. The impact of the phased-in reduction of the investment yield rate from 7.75% to 7.50%, which also was based on current actuarial assumptions, cannot be determined at this time, but will be reflected beginning with the June 30, 2015 Valuation Report. Also, a new experience study for the System will be conducted in 2015.

The following table sets forth the schedule of funding progress of the System for the ten most recent actuarial valuation dates.

Table 18

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in millions)

June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Payroll (c)	UAAL as a Percentage of Payroll ((b)-(a))/(c)
2005	$ 8,914.8	$12,986.0	$4,071.1	68.6%	3,041.1	133.9%
2006*	9,529.4	14,661.4	5,132.0	65.0%	3,238.3	158.5%
2007	10,589.8	15,696.5	5,106.8	67.5%	3,507.0	145.6%
2008	11,381.0	16,549.1	5,168.1	68.8%	3,782.1	136.6%
2009	11,400.1	17,636.4	6,236.3	64.6%	4,030.1	154.7%
2010	11,345.6	18,483.7	7,138.1	61.4%	3,895.7	183.2%
2011**	11,942.8	20,096.9	8,154.2	59.4%	3,916.0	208.2%
2012	12,242.5	20,683.4	8,440.9	59.2%	3,890.0	217.0%
2013	12,748.8	21,243.7	8,494.9	60.0%	3,906.7	217.4%
2014	13,641.8	22,220.1	8,578.3	61.4%	3,991.6	214.9%

* *Assumption changes and new Hybrid Plan effective June 30, 2006.*
** *Assumption changes effective June 30, 2011.*
Source: The 2014 Valuation Report.

The total assets of the System on a market value basis amounted to $12.4 billion as of June 30, 2013 and $14.2 billion as of June 30, 2014. Actuarial certification of assets as of June 30, 2013 and June 30, 2014 was $12.7 billion and $13.6 billion, respectively (see "—*Summary of Actuarial Certification Statement*" below). The System's unfunded actuarial accrued liability as of June 30, 2014 was $8.6 billion. Since the System is a cost-sharing, multiple employer public retirement system, the unfunded actuarial accrued liability is not allocated to the State and the counties. The following table shows the normal cost as a percentage of payroll, employee contribution rate and effective employer normal cost rate for the two groups of covered employees for fiscal years 2013 and 2014:

Table 19

NORMAL COST

	June 30					
	2013			2014		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	19.84%	9.91%	11.02%	19.47%	9.92%	10.96%
Employee contribution rate	12.24%	4.38%	5.26%	12.30%	4.58%	5.42%
Effective employer normal cost rate	7.60%	5.53%	5.76%	7.17%	5.34%	5.54%

Source: The 2014 Valuation Report.

The following table shows a comparison of the actuarial value of assets ("AVA") to the market values, the ratio of the AVA to market value and the funded ratio based on AVA compared to funded ratio based on market value of assets, for the last two valuation dates:

Table 20

ASSET VALUES

Metric	June 30, 2013	June 30, 2014
Actuarial Value of Assets (AVA)	$12,748.8 million	$13,641.8 million
Market Value of Assets (MVA)	$12,357.8 million	$14,203.0 million
Ratio of AVA to MVA	103.2%	96.0%
Funded Ratio (AVA)	60.0%	61.4%
Funded Ratio (MVA)	58.2%	63.9%

Source: The 2014 Valuation Report.

The following table shows the annual required contributions, actual contributions and the percentages of actuarially required contributions that have been funded as of the last ten valuation dates. Employer contribution rates are set by statute (see above) and, accordingly, may be greater or less than the annual required contribution:

Table 21

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar amounts in thousands)

June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2005	$328,717	$328,717	100.0%
2006*	423,446	423,446	100.0%
2007	476,754	454,494	95.3%
2008	510,727	488,770	95.7%
2009	526,538	578,635	109.9%
2010	536,237	547,613	102.1%
2011	582,535	534,858	91.8%
2012	654,755	548,353	83.7%
2013	667,142	581,447	87.2%
2014	705,224	653,128	92.6%

* *Effective July 1, 2005 the required contributions are based on contribution rates and not specific dollar amounts.*

Source: The 2014 Valuation Report.

Asset Allocation

The following table shows the allocation of System assets as of June 30, 2013 and June 30, 2014:

Table 22

ASSET ALLOCATION*

Asset Type	June 30, 2013	June 30, 2014
Cash and Short-term Equivalents	3.0%	2.9%
Fixed Income Securities	20.8%	18.4%
Equity Securities	61.5%	65.3%
Real Estate	9.8%	8.2%
Other	4.9%	5.2%
Total:	**100.0%**	**100.0%**

* *The data shown in this table is taken from, and reflects the presentation used in, the 2014 Valuation Report. Prior presentations of System asset allocation data showed both target and actual allocations.*

In August 2014, the System's Board of Trustees approved a change in its asset allocation policy from an asset-class policy to a risk-based asset allocation framework. The new policy became effective on October 1, 2014.

Employer Contribution Rate

The schedule which follows shows the total actuarially determined employer contribution rate for all employees based on the last five annual actuarial valuations.

Table 23

EMPLOYER CONTRIBUTION RATES

Actuarial Valuation as of June 30	Total Calculated Employer Contribution Rate for All Employees (% of total payroll)	Funding Period (Years)
2010	15.49%	41.3
2011	15.52%	25.0
2012	16.11%	30.0
2013	16.76%	28.0
2014	17.28%	26.0

The decrease in the funding period in 2011 is a reflection of Act 163, SLH 2011, which was enacted to raise the employer contribution rates over the next several years and to provide for smaller benefits for employees hired after June 30, 2012, to bring the funding period in line with the 30-year statutory requirement. The increase in the funding period in 2012 reflects the final recognition of the investment losses from fiscal year 2009. It also reflects the significant changes due to Act 163 and the System's open group projection policy which assumes that the number of active members will remain constant and there will be no actuarial gains or losses on liabilities or investments. The decrease in funding periods in 2013 and 2014 were due to liability gains from positive experience versus the actuarial assumptions and large investment gains, respectively.

Summary of Actuarial Certification Statement

A summary of the actuarial certification of the System as of June 30, 2013 and June 30, 2014 is set forth below:

Table 24

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2013 and 2014
(Includes all counties)

ASSETS	**2013**	**2014**
Total current assets	$12,748,828,110	$13,641,755,300
Present value of future employee contributions	1,679,827,365	1,800,553,136
Present value of future employer normal cost contributions	1,737,037,958	1,703,379,872
Unfunded actuarial accrued liability	8,494,916,267	8,578,342,247
TOTAL ASSETS	$24,660,609,700	$25,724,030,555
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	$11,182,535,047	$11,672,987,746
Present value of future benefits to active employees and inactive members	13,478,074,653	14,051,042,809
TOTAL LIABILITIES	$24,660,609,700	$25,724,030,555

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2014, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately $8.58 billion. The System's funded ratios – assets divided by the actuarial accrued liability – increased during Fiscal Year 2014 as shown below:

FUNDED RATIOS

June 30, 2013	June 30, 2014
60.0%	61.4%

Other Post-Employment Benefits

Beginning with the Fiscal Year ending June 30, 2008, state and local governments are required to account for and report other post-employment benefits ("OPEBs") under Statement No. 45 ("GASB 45") issued by the Governmental Accounting Standards Board. OPEBs consist of certain health and life insurance benefits provided through the Trust Fund to retired State and county employees and their dependents, including retired City and County employees and their dependents. Employer contributions to the Trust Fund for these benefits are determined by the Trust Fund based on employees' hiring dates and years of service.

In July 2013, the State's independent actuarial consultant estimated the actuarial accrued liabilities and annual OPEB costs under GASB 45 for the State and the counties for the Fiscal Year ending June 30, 2015. These estimates were based on the actuarial valuation as of July 1, 2013. Assuming full prefunding of obligations, the actuarial accrued liability for Trust Fund OPEBs for the City and County was estimated to be approximately $1.80 billion with full prefunding for such period. The corresponding annual required contribution is estimated to be approximately $152.2 million for Fiscal Year 2016 with full prefunding, compared to $147.1 million for Fiscal Year 2015. The annual OPEB cost is estimated at $147.4 million for Fiscal Year 2014, compared to $143.6 million for Fiscal Year 2013.

Transfers to the Trust Fund to prefund the City and County's OPEB obligations in part are determined on a year-by-year basis. For Fiscal Years 2012–2014, the City and County transferred the following respective amounts to the Trust Fund for this purpose: $40.0 million, $38.5 million, and $41.5 million. An additional transfer in the amount of $47.1 million is included in the City and County's Operating Budget for Fiscal Year 2015.

Act 268, Session Laws of Hawaii 2013, established a separate trust fund for public employer contributions to prefund OPEB costs. The Act requires all public employers within the State to contribute annually to the trust fund the full amount of their actuarily-determined required contributions beginning in Fiscal Year 2019, and obligates the State finance director to use the transient accommodations tax and other revenues collected by the State on behalf of a county to supplement deficient county contributions. The Act's full-funding requirement will be phased in over a five-year period with employers required to contribute 20% of their actuarily-determined required contributions in Fiscal Year 2015, 40% in Fiscal Year 2016, 60% in Fiscal Year 2017, 80% in Fiscal Year 2018 and 100% in Fiscal Year 2019.

PENDING LITIGATION

Pending Cases

In the normal course of business, claims and lawsuits are filed against the City and County. Generally, the City and County is self-insured with respect to general liability claims. In the Fiscal Years ended June 30, 2010 through 2014, settlements and judgments against the City and County paid from the General Fund totaled $6,294,675, $5,233,596[*], $3,601,663, $4,638,917 and $8,497,207, respectively.

Several lawsuits have been filed against the City and County which have the potential collectively to surpass the amount paid in the Fiscal Year ending June 30, 2014. Four cases involve rain and tidal flooding in the Mapunapuna Industrial Subdivision. The City and County has taken remedial action to alleviate further flooding and is currently attempting to mediate the claims. A number of cases involve various significant personal injuries

[*] *Of this amount, $3,500,000 was paid pursuant to the consent decree discussed in this section under "Wastewater Consent Decree."*

sustained on City and County premises or roads. Other cases involve property damage claims, breach of contract claims and employment claims, including one matter in which the plaintiffs have each claimed at least $2 million in potential damages. These cases are in various preliminary stages of litigation and liability has not been established at this time and the City and County intends to vigorously defend itself in these cases.

The Corporation Counsel reports that no pending litigation affects the right of the City and County to levy taxes or to issue evidence of indebtedness.

In the opinion of the Director of Budget and Fiscal Services of the City and County, based on the foregoing, the expected liability arising out of pending litigation would not constitute a significant impairment of the financial position of the City and County.

Wastewater Consent Decree

In addition to the pending cases discussed above, a consent decree was entered by the United States District Court in Hawaii to settle certain previous environmental lawsuits relating to the City and County's wastewater system. The Court retains continuing jurisdiction to enforce the consent decree. The following is a brief discussion of the consent decree and the City and County's obligations thereunder.

A wastewater consent decree, approved by the Environmental Protection Agency ("EPA"), the State of Hawaii's Department of Health ("DOH"), the Sierra Club, Hawaii Chapter, Our Children's Earth Foundation, and Hawaii's Thousand Friends, was entered by the United States District Court in Hawaii. Three previous environmental lawsuits were dismissed. The City and County's appeal of the EPA's January 2009 final decisions denying the City and County's applications to renew its permit variances from secondary treatment for the Honouliuli and Sand Island Wastewater Treatment Plants ("WWTP") was dismissed on February 2, 2011. The consent decree allows 10 years for completion of work on the collection system, 14 years for the upgrade of the Honouliuli WWTP to secondary treatment, and up to 25 years, with the possibility of a three-year extension, for the upgrade of the Sand Island WWTP to secondary treatment. The City and County is expected to incur approximately $3.5 billion in capital costs through Fiscal Year 2020 (which coincides with the term of the collection system portion of the consent decree). This amount will largely be spent on the collection system, and much of it will go toward work that was already required or planned. This amount also includes a portion of the costs of treatment plant upgrades at Sand Island and Honouliuli. Costs for the treatment plant upgrades include approximately $550 million to replace primary treatment facilities at both plants and $1.15 billion to upgrade the plants to secondary treatment plants. As part of the settlement, the City and County paid a civil penalty in the amount of $800,000 to the United States, and $800,000 to the State of Hawaii. In addition, the City and County paid $800,000 to the Sierra Club, Hawaii Chapter, Our Children's Earth Foundation, and Hawaii's Thousand Friends, to fund four supplemental environmental projects.

The consent decree was lodged with the federal court on August 11, 2010, and was subject to a 30-day public comment period. The United States then filed its motion to enter the consent decree on November 15, 2010, which included its responses to the public comments received. The consent decree became effective upon its entry by the Court on December 17, 2010. The City and County also settled the nonprofit organizations' claim for their attorneys' fees and costs, for an additional payment of $1.1 million.

The consent decree was amended to a First Amended Consent Decree as ordered on March 27, 2012. This amendment modified the consent decree to substitute construction of a Kaneohe-Kailua gravity tunnel and an associated influent pump station for the construction of a new force main between the City and County's Kaneohe pump station and its Kailua treatment plant and to eliminate requirements to proceed with and maintain storage projects in Kaneohe and Kailua.

TAX MATTERS

Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and Series 2015D Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and Series 2015D Bonds (collectively, the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Code, and the Tax-Exempt Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of Hawaii tax purposes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of the bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The City and County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and that the Tax-Exempt Bonds and the income therefrom are exempt from taxation by the State or any political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Tax-Exempt Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Tax-Exempt Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City and County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City and County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City and County or the Beneficial Owners regarding the tax-exempt status of the Tax-Exempt Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City and County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Bonds, and may cause the City and County or the Beneficial Owners to incur significant expense.

Series 2015E Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015E Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the opinion that the Series 2015E Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2015E Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix B hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2015E Bonds that acquire their Series 2015E Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2015E Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2015E Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2015E Bonds pursuant to this offering for the issue price that is applicable to such Series 2015E Bonds (i.e., the price at which a substantial amount of the Series 2015E Bonds are sold to the public) and who will hold their Series 2015E Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2015E Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series 2015E Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2015E Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2015E Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2015E Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2015E Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Series 2015E Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2015E Bonds is less than the amount to be paid at maturity of such Series 2015E Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2015E Bonds), the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2015E Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2015E Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2015E Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2015E Bond.

Sale or Other Taxable Disposition of the Series 2015E Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the City and County) or other disposition of a Series 2015E Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2015E Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2015E Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2015E Bond (generally, the purchase price paid by the U.S. Holder for the Series 2015E Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2015E Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2015E Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2015E Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding. Payments on the Series 2015E Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2015E Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2015E Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2015E Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any Series 2015E Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the Regents through stock ownership and (2) a bank which acquires such Series 2015E Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Series 2015E Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2015E Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Regents) or other disposition of a Series 2015E Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Regents) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2015E Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Series 2015E Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2015E Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2015E Bond or a financial institution holding the Series 2015E Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 28%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Series 2015E Bonds and sales proceeds of Series 2015E Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (iii) certain "pass-thru" payments no earlier than January 1, 2017. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2015E Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2015E Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County. Complete copies of the proposed forms of Bond Counsel opinions are contained in Appendix B hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, McCorriston Miller Mukai MacKinnon LLP, Honolulu, Hawaii.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

In connection with the issuance of the Bonds and the refunding of the Refunded Notes and Refunded Bonds, Causey Demgen & Moore P.C., independent certified public accountants, will verify the mathematical accuracy of: (a) certain computations demonstrating the sufficiency of the Escrow Fund to pay the principal or redemption price of and interest on all Refunded Notes and Refunded Bonds, when due; and (b) certain computations to be relied upon by Bond Counsel for purposes of its opinion to the effect that the interest on the Bonds is excluded from gross income for federal income tax purposes. Such verification will be based in part on schedules and information provided by the Underwriters with respect to the foregoing computations.

BOND RATINGS

Fitch Ratings and Moody's Investors Service have assigned to the Bonds ratings of "AA+" and "Aa1," respectively. The ratings referred to above reflect only the views of the organization assigning the rating, and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; and Moody's Investors Service, 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies concerned, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Piper Jaffray & Co. The Underwriters have agreed to purchase the Bonds at an aggregate purchase price of $1,031,092,963.33 (equal to the principal amount of such Bonds, plus a net original issue premium of $144,751,510.25, less an underwriting discount of $2,293,546.92). The bond purchase contract provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering prices set forth in this Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the City and County and its affiliates in connection with such activities. In the course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City and County (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City and County. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the City and County will undertake in a certificate of continuing disclosure (the "Continuing Disclosure Certificate"), constituting a written agreement for the benefit of the holders of the Bonds, to provide to the Municipal Securities Rulemaking Board, on an annual basis, certain financial and operating data concerning the City and County, financial statements, notice of certain events and certain other notices, all as described in the Continuing Disclosure Certificate, the form of which is contained in Appendix C; provided that if the inclusion or format of such information is changed in any future official statement, annual reports provided by the City and County thereafter may contain or include by reference information of the type included in that official statement as so changed or if different the type of equivalent information included in the most recent official statement.

During the last five years, the City and County has failed to report, or failed to report on a timely basis, the City and County's voluntary termination of coverage of its General Obligation Bonds by Standard & Poor's Ratings Services, an upgraded rating of the City and County's Wastewater System Revenue Bonds by Standard & Poor's Ratings Services and the recalibration of ratings of the City and County's Wastewater System Revenue Bonds by Fitch Ratings and Moody's Investors Service. The City and County has policies and procedures in place to enhance compliance with its continuing disclosure undertakings, including its undertaking in the Continuing Disclosure Certificate. The City and County also has engaged a third-party service provider to assist in the preparation and filing of annual reports and notices of listed events under the Continuing Disclosure Certificate and previous continuing disclosure undertakings.

A failure by the City and County to comply with the Continuing Disclosure Certificate will not constitute an event of default of the Bonds, although any Beneficial Owner of the Bonds may bring action to compel the City and County to comply with its obligations under the Continuing Disclosure Certificate. Any such failure must be reported in accordance with Rule 15c2-12 and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

MISCELLANEOUS

Additional information may be obtained, upon request, from the Director of Budget and Fiscal Services.

All quotations from, and summaries and explanations of, the State Constitution and laws referred to herein do not purport to be complete, and reference is made to the State Constitution and laws for full and complete statements of their provisions.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of any of the Bonds.

/s/ Nelson H. Koyanagi, Jr.
Nelson H. Koyanagi, Jr.
Director of Budget and Fiscal Services
City and County of Honolulu

APPENDIX A

ECONOMIC AND DEMOGRAPHIC FACTORS

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC FACTORS

Introduction

The City and County of Honolulu, which includes the entire island of Oahu and a number of small outlying islands, is a major metropolitan city with a population of 983,429 (approximately 70% of the State's population) according to estimates by the U.S. Census Bureau as of July 1, 2013. Honolulu's underlying economy is strong, supported by several diversified areas, which include tourism, the federal government and military operations, State and local governments, manufacturing, construction, real estate, education, research and science, trade and services, communications, finance and transportation.

Oahu is situated between 21 degrees and 22 degrees north latitude, just below the Tropic of Cancer. The climate has an average mean winter temperature of 70.2 degrees and an average mean summer temperature of 78.6 degrees. Average rainfall varies widely from one area of Oahu to another. Rainfall is comparatively light in the leeward coastal area where the larger part of the population is located. Waikiki, located on the leeward side of Oahu, has a dry climate with annual precipitation averaging about 27 inches; precipitation in the upper reaches of the Koolau mountains averages about 400 inches a year and provides an adequate supply of water for irrigation use and retention in large subterranean reservoirs for household and industrial uses.

Certain Economic Indicators

Employment. The following table presents certain employment statistics for the City and County for the five years ending December 31, 2010 through 2014. As indicated below, the unemployment rate for the City and County decreased from 5.7% in 2010 to 4.0% in 2014. The City and County's unemployment rate has compared favorably on an annual basis to the unemployment rates for the State (6.7% in 2010, 6.5% in 2011, 5.7% in 2012, 4.8% in 2013 and 4.3% in 2014) and the nation as a whole (9.6% in 2010, 8.9% in 2011, 8.1% in 2012, 7.4% in 2013 and 6.2% in 2014).

Table I

EMPLOYMENT STATISTICS*

	Year Ended December 31				
	2010	**2011**	**2012**	**2013**	**2014**
Civilian Labor Force	454,000	458,750	455,950	456,800	467,400
Average Civilian Employment	428,100	433,400	432,850	437,250	448,850
Unemployment	25,900	25,350	23,050	19,550	18,550
Unemployment Rate	5.7%	5.5%	5.1%	4.3%	4.0%

* *2010-2013 data reflect adjustment to new state control totals and had been benchmarked by the State of Hawaii Department of Labor & Industrial Relations in March 2014 and reflect revised inputs and reestimation. 2014 data are preliminary.*

Source: State of Hawaii Department of Labor & Industrial Relations and Department of Business, Economic Development & Tourism.

Personal Income. In recent years, per capita personal income for Honolulu residents has consistently been higher than for the State of Hawaii and the United States as a whole. The following table presents the per capita personal income for Honolulu residents in comparison to the State and the country for the years 2009 through 2013 (the most recent year for which state and county income data is available from the U.S. Department of Commerce, Bureau of Economic Analysis).

Table II

PER CAPITA PERSONAL INCOME

Year	Honolulu	State of Hawaii	United States
2009	44,916	41,335	39,342
2010	45,211	41,654	40,124
2011	47,252	43,606	42,309
2012	48,529	44,767	44,194
2013	48,798	45,204	44,765

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Housing Market. Median resale prices for single family homes and condominiums in Honolulu declined from 2007 to 2011 by 10.6% and 7.7%, respectively, in the course of the global economic downturn. Since then, median resale prices in the Honolulu housing market have rebounded to record highs. The following table presents median resale prices for single family homes and condominiums in Honolulu between 2007 and 2014.

Table III

MEDIAN HOME RESALE PRICES

	Single Family Homes		Condominiums	
Year	Median Resale Price	Change from Prior Year	Median Resale Price	Change from Prior Year
2007	$643,500	2.1%	$325,000	4.8%
2008	620,500	-3.6	325,000	0.0
2009	575,000	-7.3	305,000	-6.2
2010	593,000	3.1	305,000	0.0
2011	575,000	-3.0	300,000	-1.6
2012	620,000	7.8	317,500	5.8
2013	650,000	4.8	332,000	4.6
2014	675,000	4.6	350,000	5.4

Source: State of Hawaii Department of Business, Economic Development and Tourism.

State and County Governments

With Honolulu as the State capital, most State government activity is concentrated on the Island of Oahu. In the fourth quarter of 2014, the State government generated 77,900 jobs, of which approximately 75% were located on Oahu. The largest number of State employees work in public education and the State university system, with approximately 80% of these employed on Oahu. In addition, the City and County government generated approximately 12,050 jobs as of December 31, 2014.

Federal Government and Military

The federal government plays an important role in Hawaii's economy. According to the most recent data available from the U.S. Bureau of Economic Analysis ("BEA"), the total compensation of employees ("COE") of federal government employees in Hawaii was $8.5 billion in 2013, about the same as in 2012. The total COE of combined military and civilian federal employees in Hawaii accounted for about 20.7% of Hawaii's total COE in 2013. Between 2003 and 2013, the annual average compounded growth rate for COE was 4.2% for civilian and 6.0% for military personnel in Hawaii. The military personnel accounted for 59.8% of the total federal COE in 2013. The federal government accounted for about 13.6% of State GDP in 2012, a majority of which is defense related. The most recent BEA data also shows that the earnings of federal government employees in the first quarter of 2014 increased 0.32% over the same quarter of 2013. In 2013, the earnings of federal government employees decreased 0.26% from the previous year.

In 2013, more than 72,500 people served in the military or were employed by the Department of Defense ("DoD"), comprised of 49,000 active-duty service members, 18,000 DoD civilian employees, and 5,500 National Guard and Reserve members. Generally, the median earnings for active-duty service members and DoD civilians are higher than that of other full-time employees in Hawaii.

In April 2012, U.S. and Japanese officials announced an agreement between the two nations for the relocation of approximately 9,000 marines currently stationed in Okinawa. DoD officials expect that approximately 5,000 of these marines will be transferred to Guam, and the remaining 4,000 will be transferred to other Pacific locations, including Hawaii and Australia. The timeline for the relocation and the number of potential transferees to Hawaii are subject to further study.

The U.S. Army recently completed a Supplemental Programmatic Environmental Assessment for its Army 2020 force structure realignment. The assessment evaluates a scenario in which the Army would eliminate 16,606 soldiers and civilians from Schofield Barracks and 3,786 from Fort Shafter, both of which are located on the island of Oahu. In response, the Chamber of Commerce of Hawaii's Military Affairs Council launched a campaign to maintain the number of military members in Hawaii and is currently acquiring signatures on a petition to keep troops in Hawaii. The Army held a "listening session" on the impact of reducing forces in Hawaii in January 2015.

Future levels of federal funding (including defense funding) in Hawaii are subject to potential spending cutbacks and deferrals that may be implemented to reduce the federal budget deficit, but, on the other hand, may increase to reflect the growing importance of the Asia Pacific Region. The federal budget sequestration has not had a material adverse effect on the City and County or the State.

Finance

As the financial center of the State of Hawaii, Honolulu is served by a full range of financial institutions, including banks, savings and loan associations and financial services companies. Honolulu currently has five Hawaii-chartered banks, one Hawaii-chartered financial services company, two federally-chartered savings associations, one national bank and two interstate branch banks with combined assets totaling $40.8 billion as of December 31, 2014, according to information from the Federal Deposit Insurance Corporation.

Transportation

All parts of the City and County are connected by a comprehensive network of roads, highways, and freeways, and all of the populated areas of the island are served by a bus transit system (TheBus) with ridership of approximately 74 million annually. According to the 2014 Public Transportation Fact Book published by the American Public Transportation Association, the City and County hosts the 23rd largest transit agency in the nation.

The City and County is proceeding with plans for a new 20-mile fixed guideway mass transit system to provide rail service along the island's east-west corridor between Kapolei and downtown Honolulu (Ala Moana Center). Over 60% of the City and County's population currently lives within the area served by this corridor, and this area is projected to continue to grow faster than the rest of Oahu. See "DEBT STRUCTURE – Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)" in this Offering Memorandum for additional information regarding this project.

Honolulu is the hub of air and sea transportation for the entire Pacific. Honolulu International Airport (HNL) is located approximately five miles by highway from the center of the downtown area of Honolulu. According to the Federal Aviation Administration and the 2013 Airports Council International Worldwide Traffic Report, HNL was the 27th largest U.S. airport in 2013 based on the number of enplaned passengers. In Fiscal Year 2013, HNL recorded 284,532 aircraft operations as compared to 266,326 for Fiscal Year 2012. In addition, HNL passenger counts increased 6.6% to 19,778,282 in Fiscal Year 2013 from 18,556,491 in Fiscal Year 2012.

Honolulu Harbor is the hub of the Statewide Commercial Harbors System. It serves as a major distribution point of overseas cargo to the neighbor islands and is the primary consolidation center for the export of overseas cargo. Overseas and inter-island cargo tonnage handled through Honolulu Harbor during Fiscal Years 2011–2013 amounted to 9.8 million, 10.0 million and 10.9 million short tons, respectively. The State manages, maintains and operates the statewide harbors system to provide for the efficient movement of cargo and passengers.

Construction

Construction was one of the major contributors to job growth in Hawaii over the past few years. In the fourth quarter of 2014, private building authorizations in Honolulu increased $121.2 million or 26.1% compared with the fourth quarter of 2013. For the full year of 2014, private building authorizations in Honolulu increased $205.9 million or 11.0% compared with 2013.

Table IV shows the estimated value of construction authorizations for private buildings for the City and County and for the State as a whole for the last eight years.

Table IV

ESTIMATED VALUE OF BUILDING PERMITS

(Dollars in Thousands)

Year	State*	Change from Prior Year	City & County of Honolulu	Change from Prior Year
2007	$3,585,447	-4.9%	$1,676,232	3.1%
2008	2,906,578	-18.9	1,481,272	-11.6
2009	1,998,908	-31.2	1,247,196	-15.8
2010	1,980,296	-0.9	1,357,314	8.8
2011	1,858,763	-6.1	1,272,923	-6.2
2012	2,643,841	42.2	1,769,454	39.0
2013	2,720,519	2.9	1,866,352	5.5
2014	3,315,078	21.9	2,072,202	11.0

* *Kauai County data consists of residential data only.*

Source: State of Hawaii Department of Business, Economic Development and Tourism (compiled from data collected by county building departments).

Significant development projects which are currently under construction or in the later planning stages on the island of Oahu include:

- The Howard Hughes Corporation is developing a beachfront master-planned community on 60 acres in Kakaako known as Ward Village. The development will include 4,000 high-rise residences and more than one million square feet of retail and commercial space.

- General Growth Properties is undertaking a $572 million expansion and renovation of its Ala Moana Shopping Center. Expansion plans include the addition of a new 167,000-square-foot, three-level Bloomingdale's store, a new 186,000-square-foot, three-level Nordstrom store and an additional 300,000 square feet of in-line mall space.

- Taubman Properties is undertaking a $300 million redevelopment of the International Market Place in Waikiki. The center will be anchored by a new 80,000-square-foot Saks Fifth Avenue, the only full-line department store in Waikiki, and include 750 dedicated on-site parking spaces.

- OliverMcMillan is developing Symphony Honolulu, a $200 million project which consists of 388 residential condominiums in a 45-story tower.

- Marshall Hung of Downtown Capital is redeveloping the former Honolulu Advertiser building and adjacent property into a $400 million, two-tower affordable housing condominium project.

- Castle & Cooke Homes Hawaii is planning to develop Koa Ridge, which will consist of 3,500 single- and multi-family homes (including 30% affordable homes), a medical center, shopping outlets and recreation areas on 576 acres between Mililani and Waipio.

- D.R. Horton – Schuler Holmes is moving forward with its plans to develop Hoopili in West Oahu, which will consist of 11,750 single- and multi-family homes, commercial and light industrial space, community facilities, three elementary schools, one middle school, a high school, parks and open space, facilities and utilities on 1,289 acres of land.

See "Transportation" above for a description of the State of Hawaii's multi-year improvement programs for the airports and harbors systems and the City and County's proposed fixed guideway mass transit system. See also "Education, Research and Science" and "Visitor Industry" below for a description of certain other construction projects related to the University of Hawaii and Oahu's visitor industry.

Trade and Services

The economy of both the City and County and the State as a whole is heavily trade and service oriented, largely because of the heavy volume of purchases by visitors to the State. According to the State's Department of Taxation, the State's general excise and use tax base for trade and service activities exceeded $54.4 billion in 2013, with retail, wholesale and service activities accounting for the majority. Of the State's 617,600 non-agricultural jobs in 2013, retail and wholesale trade together accounted for 87,600 jobs, or 14.2% of the total, and professional and business services, financial services, educational services, food and accommodation services and other services together accounted for 334,900 jobs, or 54.2% of the total.

Agriculture and Diversified Manufacturing

Agriculture and manufacturing are relatively small sectors in the State's and the City and County's economy.

Agricultural sales on Oahu totaled $161 million in 2012, accounting for approximately 25% of the State's agricultural production. About 20% of the land on Oahu is zoned for agriculture. With the decline of the sugar and pineapple industries, agricultural lands are returning to an era of small farms growing diversified agricultural products.

Manufacturing on Oahu consists principally of producing cement (one plant), refining oil (two refineries), and converting oil into synthetic natural gas (one plant). Other activities include the manufacturing of garments, plastic and concrete pipe, jewelry and gift items, and the processing and packaging of tropical fruits, nuts and other food items.

Energy

In December 2014, Hawaiian Electric Industries (HEI), which owns Hawaiian Electric Company, Maui Electric and Hawaii Electric Light, announced a $4.3 billion merger with NextEra Energy. The transaction would include spinning off HEI's banking subsidiary, American Savings Bank, into a separate publicly-traded company. The transaction is subject to approval by HEI shareholders as well as State and federal regulators.

In October 2012, the City and County completed a $300 million expansion of its H-Power waste-to-energy facility, increasing its capacity to over 900,000 tons of municipal solid waste per year. The project included a new boiler and new air pollution control equipment mandated by federal law which became operational in April 2011. See "DEBT STRUCTURE – H-Power Waste Disposal Facility" in this Offering Memorandum for a further discussion of this project.

In March 2011, First Wind completed Oahu's first large-scale commercial wind farm on the North Shore of the island. At full capacity, the project's twelve turbines produce enough power for up to 7,700 homes on Oahu.

Several renewable energy projects are currently in the planning stages for Oahu, including a 50-megawatt biofuel power plant on the U.S. Army's Schofield Barracks, a 50-megawatt solar farm to be built by SunEdison in the Waipio Gentry/Waiawa area, a 45-megawatt wind power project to be developed by Champlin Hawaii Wind Holdings in Kahuku, and a 30-megawatt solar farm developed by Eurus Energy America (owned by Toyota and Tokyo Electric Power) in Waianae.

Education, Research and Science

The University of Hawaii was established in 1907 and currently consists of a research university at Manoa, baccalaureate institutions at Hilo and West Oahu, and a system of seven community colleges on the islands of Kauai, Oahu, Maui and Hawaii. In the fall of 2014, 57,284 students attended the University of Hawaii System, 19,378 of them on the Manoa campus.

In addition to the University of Hawaii System, there are three private universities and one private college on Oahu. Federal government research agencies in Honolulu include the U.S. Bureau of Commercial Fisheries and the Environmental Science Services Administration. Among private research organizations on Oahu are the Oceanic Institute and the Bishop Museum. The three high technology centers located on Oahu are the Mililani Technology Park, the Kaimuki Technology Enterprise and the Manoa Innovation Center.

Visitor Industry

The visitor industry encompasses an array of businesses, including hotels, restaurants, airlines, travel agencies, taxis, tour-bus operators, gift shops and other service and recreational industries.

The total number of visitors arriving by air to Hawaii increased 5.2% in the fourth quarter of 2014, compared to the same quarter of 2013. The total average daily census was up 4.2% in the quarter. In 2014, total visitor arrivals by air increased 2.0%, while the average daily census increased 1.1% from the previous year.

In the fourth quarter of 2014, total visitor arrivals on domestic flights increased 6.4% compared to the same quarter of 2013, and arrivals on international flights increased 3.1% compared to the prior year period. In 2014, domestic arrivals were up 1.2% and international arrivals were up 3.4% from the previous year.

In terms of major market areas, from the fourth quarter of 2013 to the same period of 2014, arrivals from the U.S. West increased 7.7%, arrivals from the U.S. East increased 6.0%, and arrivals from Japan decreased 1.3%. In 2014, arrivals from U.S. West were up 1.4%, arrivals from the U.S. East were up 1.1%, and Japanese arrivals were down 0.5% from the previous year.

Due to shorter lengths of stay, the average total daily visitor census increased less than the growth of visitor arrivals in the quarter. The total average daily visitor census was up 4.2% in the fourth quarter over the same quarter of 2013. The domestic average daily census increased 4.0% while the international average daily census increased 4.8%. In 2014, the domestic average daily census increased 0.7% and the international average daily census increased 2.1% from the previous year. Nominal visitor expenditures by air totaled $3,668.0 million in the fourth quarter of 2014, up 3.5% from the same quarter of 2013. In 2014, visitor expenditures increased 2.5% compared with the previous year.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 5.1% or 136,637 seats in the fourth quarter of 2014; domestic seats increased 8.8% while international seats decreased 1.9% compared to the same quarter of 2013. In 2014, the number of total available seats increased 3.4% or 366,128 seats from the previous year.

According to the most recent data available, in the fourth quarter of 2014, the statewide hotel occupancy rate averaged 75.0%, 2.7 percentage points higher than that of the same quarter of 2013. In 2014, the statewide hotel occupancy rate averaged 77.0%, 0.5 of a percentage point lower than that of the previous year.

Select statistics on the visitor industry are set forth in the table below:

Table V

SELECTED STATE OF HAWAII AND OAHU VISITOR STATISTICS

	Year Ended December 31				
	2010	**2011**	**2012**	**2013**	**2014**
Arrivals by Air[(1)] – State	6,916,894	7,174,397	7,867,143	8,003,474	8,159,608
Domestic	4,957,352	5,127,291	5,403,025	5,405,300	5,472,185
International	1,959,542	2,047,106	2,464,118	2,598,174	2,687,423
Arrivals by Air[(1)] – Oahu	4,273,658	4,401,624	4,904,045	5,044,276	5,159,078
Domestic	2,532,365	2,592,014	2,734,643	2,732,456	2,763,121
International	1,741,292	1,809,609	2,169,402	2,311,820	2,395,956
Avg. Daily Visitor Census – State	177,949	185,824	201,267	202,876	205,044
Domestic	136,407	142,027	148,887	149,213	150,254
International	41,542	43,797	52,380	53,663	54,790
Visitor Expenditures[(2)] – State	$10,967	$12,047	$14,193	$14,352	$14,706
Hotel Occupancy Rate – State	70.7%	73.3%	76.9%	76.5%	77.0%
Hotel Occupancy Rate – Oahu	78.2%	80.7%	84.7%	83.8%	84.4%

(1) *In thousands. 2014 data are preliminary.*

(2) *In millions of dollars. By persons arriving by air and staying overnight or longer (excludes supplemental business expenditures). 2014 data are preliminary; 2010 data are revised.*

Sources: State of Hawaii Department of Business, Economic Development & Tourism, PFK-Hawaii and Hospitality Advisors LLC.

Honolulu's profile as a visitor destination is enhanced by its role as host of numerous professional and trade conferences and conventions, as well as major sports events.

Conferences and conventions held in Honolulu annually attract thousands of visiting participants statewide, nationally and internationally. The primary site for these events is the Hawaii Convention Center, which is located near Waikiki hotel accommodations and visitor attractions.

The City and County of Honolulu continues to attract major investment to support the visitor industry, including hotels, restaurants, and recreation facilities.

Significant development projects related to the visitor industry which are currently under construction or in the later planning stages in and around Waikiki include (i) the $760 million renovation of Hilton Hawaiian Village, including the addition of a new 37-story, 418-unit luxury time-share tower, (ii) the $500 million renovation and expansion of the Princess Kaiulani Hotel, (iii) a new $200 million, 26-story hotel and condominium complex fronting Waikiki Beach, (iv) a new $375 million, 34-story, 459-unit condominium hotel in Waikiki branded as The Ritz-Carlton Residences, and (v) a $300 million redevelopment of the International Market Place in Waikiki.

Significant development projects related to the visitor industry in other parts of Oahu include (i) the extensive renovation of the JW Marriott Ihilani Resort & Spa at Ko'Olina Resort, which is slated to reopen under the Four Seasons Hotels and Resorts brand, (ii) the expansion of Disney's Aulani resort at Ko'Olina, and (iii) a $50 million renovation of Turtle Bay Resort on Oahu's north shore.

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Dated Date]

City and County of Honolulu
Honolulu, Hawaii

Re: City and County of Honolulu, Hawaii
General Obligation Bonds, Series 2015A, Series 2015B
Series 2015C, Series 2015D and Series 2015E (Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of Honolulu (the "City") in connection with the issuance of $379,550,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2015A (the "Series 2015A Bonds"), $210,480,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2015B (the "Series 2015B Bonds"), $249,240,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2015C (the "Series 2015C Bonds"), $27,305,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2015D (the "Series 2015D Bonds") and $22,060,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2015E (Taxable) (the "Series 2015E Bonds" and, together with the Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and Series 2015D Bonds, the "Bonds"), pursuant to a Certificate of the Director of Budget and Fiscal Services of the City dated March 17, 2015 (the "Certificate"), and bond authorizing ordinances and a resolution adopted by the City Council and identified in the Certificate (the "Bond Proceedings").

In such connection, we have reviewed the Bond Proceedings, the Certificate, the Tax Certificate of the City, dated the date hereof (the "Tax Certificate"), an opinion of the Corporation Counsel of the City, certificates of the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Proceedings, the Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and the Series 2015D Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Proceedings, the Certificate and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against counties in the State of Hawaii. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the documents described in the second paragraph hereof. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding general obligations of the City.

2. The Certificate has been duly executed and delivered by the Director of Budget and Fiscal Services; and the Certificate constitutes the valid and binding obligation of the City.

3. Under the Act, the City is obligated to levy ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds and the interest thereon, upon all the real property within the City subject to taxation by the City.

4. Interest on the Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and Series 2015D Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds and Series 2015D Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series 2015E Bonds is not excludable from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Dated April 2, 2015

CITY AND COUNTY OF HONOLULU
General Obligation Bonds
Series 2015A (Tax Exempt), Series 2015B (Tax Exempt), Series 2015C (Tax Exempt), Series 2015D (Tax Exempt) and Series 2015E (Taxable)

This Continuing Disclosure Certificate (this "*Disclosure Certificate*") is provided in connection with the issuance by the City and County of Honolulu, Hawaii (the "*City and County*") of $888,635,000 General Obligation Bonds, Series 2015A (Tax Exempt), Series 2015B (Tax Exempt), Series 2015C (Tax Exempt), Series 2015D (Tax Exempt) and Series 2015E (Taxable) (together, the "*Bonds*"). The Bonds are being issued pursuant to the Constitution and laws of the State of Hawaii, including Chapter 47, Hawaii Revised Statutes, and the Revised Charter of the City and County, Ordinance Nos. 98-29, 00-24, 01-27, 02-27, 03-08, 04-15, 05-15, 06-34, 07-26, 08-14, 09-13, 10-13, 11-12, 12-21, 13-21, 14-16 and 99-11 of the City and County, Resolution No. 15-21, CD1 of the City and County, and a Certificate of the Director of Budget and Fiscal Services of the City and County. Pursuant to such authority, the City and County covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered on behalf of the City and County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. When the following capitalized terms are used in this Disclosure Certificate, such terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the City and County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean the Director of Budget and Fiscal Services of the City and County or any successor Dissemination Agent designated in writing by the City and County and which has filed with the City and County a written acceptance of such designation.

"*Holder*" shall mean the person in whose name any Bond shall be registered.

"*Listed Events*" shall mean any of the events listed in subsection 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.

"*Participating Underwriters*" shall mean any original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>. (a) The City and County shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City and County's Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2015, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City and County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City and County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) In a timely manner prior to the date set forth in subsection (a) above, the City and County shall provide the Annual Report to the Dissemination Agent. If the City and County is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the City and County shall send a notice to the MSRB in substantially the form attached as Exhibit A.

Section 4. <u>Contents of Annual Reports</u>. The City and County's Annual Report shall contain or include by reference information of the type included in the final Official Statement (the "*Official Statement*") dated March 17, 2015, relating to the Bonds, as set forth under the following headings and tables: "CITY AND COUNTY REVENUES—Tables 1 through 6", "DEBT STRUCTURE—Tables 7 through 10", "FINANCIAL INFORMATION AND ACCOUNTING—Tables 12 through 15", "EMPLOYEE RELATIONS; PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS", and PENDING LITIGATION"; provided that if the inclusion or format of such information is changed in any future official statement, thereafter the Annual Report shall contain or include by reference information of the type included in that official statement as so changed or if different the type of equivalent information included in the City and County's most recent official statement.

The audited financial statements of the City and County for the prior Fiscal Year shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City and County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any of such information may be included by specific reference to other documents, including official statements of debt issues of the City and County, which have been available to the public on the MSRB's website. The City and County shall clearly identify each such other document so included by reference.

Section 5. <u>Reporting of Significant Events</u>. (a) Pursuant to the provisions of this Section 5, the City and County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

i. Principal and interest payment delinquencies;

ii. Unscheduled draws on debt service reserves reflecting financial difficulties;

iii. Unscheduled draws on credit enhancements reflecting financial difficulties;

iv. Substitution of credit or liquidity providers, or their failure to perform;

v. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

vi. Tender offers;

vii. Defeasances;

viii. Rating changes; or

ix. Bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (ix) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City and County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten New York securities market business days after the occurrence of the event:

i. Unless described in paragraph 5(a)(v), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

ii. Modifications to rights of Bond holders;

iii. Optional, unscheduled or contingent Bond calls;

iv. Release, substitution, or sale of property securing repayment of the Bonds;

v. Non-payment related defaults;

vi. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

vii. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City and County shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4, as provided in Section 4.

(d) Whenever the City and County obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City and County shall determine if such event would be material under applicable federal securities laws.

(e) If the City and County learns of the occurrence of a Listed Event described in Section 5(a), or determines that a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City and County shall within ten New York securities market business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The City and County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City and County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(e).

Section 7. Dissemination Agent. The City and County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City and County pursuant to this Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City and County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsection 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders or (ii) does not materially impair the interests of the Holders or Beneficial Owners of the Bonds, as determined in good faith by the City and County.

In the event of any amendment or Waiver of a provision of this Disclosure Certificate, the City and County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City and County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City and County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City and County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City and County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City and County to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City and County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the City and County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City and County, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 12. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

CITY AND COUNTY OF HONOLULU

By: ____
Nelson H. Koyanagi, Jr.
Director of Budget and Fiscal Services

The foregoing certificate is hereby
approved as to form and legality this
2nd day of April, 2015.

____
Donna Y. L. Leong
Corporation Counsel
City and County of Honolulu

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City and County of Honolulu
Names of Bond Issues:	City and County of Honolulu General Obligation Bonds, Series 2015A (Tax Exempt), Series 2015B (Tax Exempt), Series 2015C (Tax Exempt), Series 2015D (Tax Exempt) and Series 2015E (Taxable)
Date of Issuance:	April 2, 2015

NOTICE IS HEREBY GIVEN that the City and County of Honolulu has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated April 2, 2015. The City and County anticipates that the Annual Report will be filed by _______________.

Dated:

CITY AND COUNTY OF HONOLULU

____
Director of Budget and Fiscal Services

APPENDIX D

BOOK-ENTRY SYSTEM

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APPENDIX D

BOOK-ENTRY SYSTEM

Information concerning DTC and the Book-Entry System contained in this Official Statement has been obtained from DTC and other sources that the City and County and the Underwriters believe to be reliable, and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the City and County.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City and County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent, or the City and County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City and County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City and County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

APPENDIX E

REFUNDED BONDS

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APPENDIX E

REFUNDED BONDS

Series	Maturity	Principal Amount to be Refunded	Interest Rate	CUSIP
2005B	7/1/2016	$ 2,655,000	5.000%	438670JK8
2005C	7/1/2016	6,095,000	5.000%	438670JW2
2005D	7/1/2016	5,280,000	5.000%	438670KK6
2005E	7/1/2016	14,370,000	5.000%	438670MX6
2007A	7/1/2016	5,000,000	5.250%	438670PR6
2007A	7/1/2017	9,000,000	4.000%	438670PS4
2007A	7/1/2018	4,800,000	5.000%	438670PV7
2007A	7/1/2019	11,345,000	5.000%	438670PW5
2007A	7/1/2020	11,930,000	5.000%	438670PX3
2007A	7/1/2021	12,540,000	5.000%	438670PY1
2007A	7/1/2022	13,185,000	5.000%	438670PZ8
2007A	7/1/2023	13,860,000	5.000%	438670QA2
2007A	7/1/2024	14,570,000	5.000%	438670QB0
2007A	7/1/2025	15,300,000	4.750%	438670QC8
2007A	7/1/2026	16,040,000	4.750%	438670QD6
2007A	7/1/2027	16,820,000	4.750%	438670QE4
2007A	7/1/2028	17,665,000	5.000%	438670QF1
2007A	7/1/2029	18,570,000	5.000%	438670QG9
2007A	7/1/2030	19,520,000	5.000%	438670QH7
2007A	7/1/2031	20,520,000	5.000%	438670QJ3
2007A	7/1/2016	2,655,000	4.000%	438670PQ8
2007A	7/1/2018	5,020,000	4.000%	438670PT2
2007A	7/1/2018	1,000,000	4.250%	438670PU9
2009A	4/1/2020	2,000,000	4.000%	438670RJ2
2009A	4/1/2021	11,460,000	5.000%	438670RL7
2009A	4/1/2022	12,030,000	5.000%	438670RM5
2009A	4/1/2023	4,430,000	4.250%	438670RN3
2009A	4/1/2024	13,230,000	5.000%	438670RQ6
2009A	4/1/2025	1,595,000	4.500%	438670RR4
2009A	4/1/2026	14,580,000	5.000%	438670RT0
2009A	4/1/2027	15,310,000	5.000%	438670RU7
2009A	4/1/2028	16,075,000	5.250%	438670RV5
2009A	4/1/2029	16,920,000	5.250%	438670RW3
2009A	4/1/2030	17,805,000	5.250%	438670RX1
2009A	4/1/2031	18,740,000	5.250%	438670RY9
2009A	4/1/2032	19,725,000	5.250%	438670RZ6
2009A	4/1/2033	20,760,000	5.000%	438670SA0
2009A	4/1/2034	21,800,000	5.000%	438670SB8
2009A	4/1/2018	7,500,000	5.000%	438670RG8
2009A	4/1/2020	8,930,000	5.000%	438670RK9
2009A	4/1/2023	8,205,000	5.000%	438670RP8
2009A	4/1/2025	12,300,000	5.000%	438670RS2
2011A	8/1/2016	2,000,000	4.000%	438670XY2
2011A	8/1/2017	1,815,000	4.000%	438670XZ9

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CITY AND COUNTY OF HONOLULU

STATE OF HAWAII

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