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 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), 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. In the further opinion of Bond Counsel, interest on the 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 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.

$350,000,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds, Series 2017H
(Honolulu Rail Transit Project Index Floating Rate Bonds)

Dated: Date of Delivery **Due: See "SUMMARY OF THE OFFERING" on inside cover**

The City and County of Honolulu General Obligation Bonds, Series 2017H (Honolulu Rail Transit Project Index Floating Rate Bonds) (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 $100,000 or any integral multiple of $5,000 in excess thereof. Certain terms relating to the Bonds are described under "SUMMARY OF THE OFFERING" on the inside cover hereof, to which reference is made.

The Bonds are being issued (i) to fund, or to retire certain general obligation commercial paper notes previously issued to fund, a portion of the capital costs of the City and County's rail transit project described herein, and (ii) to pay the costs of issuance of the Bonds.

The Bonds will be issued in an initial index floating rate period beginning on the date of delivery and ending on the day immediately preceding the Scheduled Mandatory Tender Date identified in the "SUMMARY OF THE OFFERING." Such initial periods referred to herein as the "Initial Floating Rate Period" for the Bonds. During the Initial Floating Rate Period, the Bonds will bear interest at a per annum interest rate (not to exceed 8.0%), determined weekly, equal to the sum of (i) the SIFMA Index and (ii) the corresponding Applicable Spread identified in the "SUMMARY OF THE OFFERING." If the City and County does not purchase the Bonds on the Scheduled Mandatory Tender Date, then, on or after the Scheduled Mandatory Tender Date, the Bonds will accrue interest at successively higher interest rates until remarketed, redeemed or paid at maturity. Interest on the Bonds will be payable on the first Business Day of each month, commencing on October 2, 2017; on each date the Bonds are required to be purchased pursuant to the Authorizing Certificate, including the Scheduled Mandatory Tender Date; on the day next succeeding the last day of the Initial Floating Rate Period; and on the applicable maturity date. See "THE BONDS." U.S. Bank National Association will serve as Tender Agent, Paying Agent and Calculation Agent for the Bonds.

The Bonds are subject to optional redemption as described herein. The Bonds are also subject to mandatory tender for purchase on any Business Day on or after the First Call Date, including on the Scheduled Mandatory Tender Date, as described herein. See "SUMMARY OF THE OFFERING" and "THE BONDS–Tender Provisions" and "–Redemption." The City and County is not required to purchase Bonds of a maturity upon mandatory tender thereof on any date on which the Bonds are to be tendered for purchase (a "Purchase Date"), including the Scheduled Mandatory Tender Date, if proceeds of remarketing thereof are insufficient to pay the principal amount of all Bonds of such maturity. If the City and County does not purchase all Bonds on the Purchase Date, including the Scheduled Mandatory Tender Date, such non-purchase shall not constitute an event of default. There is no liquidity facility in place for the payment of the purchase price of Bonds on a Purchase Date, including the Scheduled Mandatory Tender Date. The Bonds are not subject to tender for purchase at the option of the Bondholders.

The Bonds are subject to adjustment to another interest rate period or to the addition of credit enhancement (defined herein), as further described herein. **THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE BONDS AFTER ADJUSTMENT TO ANY NEW INTEREST RATE PERIOD, THE ADDITION OF CREDIT ENHANCEMENT, OR FOLLOWING THE SCHEDULED MANDATORY TENDER DATE.** Contemporaneously with the issuance of the Bonds, but not part of this offering, the City and County will issue $416,670,000 of fixed rate general obligation bonds to fund, or refund certain outstanding general obligation bonds previously issued to fund, certain capital improvement projects of the City and County and to pay costs of issuance.

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 Underwriter, 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 Underwriter by its 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 September 14, 2017.

BofA Merrill Lynch

September 6, 2017

SUMMARY OF THE OFFERING

$350,000,000
CITY AND COUNTY OF HONOLULU
General Obligation Bonds, Series 2017H Bonds
(Honolulu Rail Transit Project Index Floating Rate Bonds)

Principal Amount	Price	Floating Rate Index	Applicable Spread	First Call Date	Scheduled Mandatory Tender Date	Maturity Date	CUSIP Number (438687)†
$50,000,000	100%	SIFMA Index	0.30%	Sept. 1, 2018	Sept. 1, 2020	September 1, 2022	DP7
$50,000,000	100%	SIFMA Index	0.30%	Sept. 1, 2018	Sept. 1, 2020	September 1, 2023	DQ5
$50,000,000	100%	SIFMA Index	0.31%	Sept. 1, 2018	Sept. 1, 2020	September 1, 2024	DR3
$50,000,000	100%	SIFMA Index	0.32%	Sept. 1, 2018	Sept. 1, 2020	September 1, 2025	DS1
$50,000,000	100%	SIFMA Index	0.32%	Sept. 1, 2018	Sept. 1, 2020	September 1, 2026	DT9
$50,000,000	100%	SIFMA Index	0.32%	Sept. 1, 2018	Sept. 1, 2020	September 1, 2027	DU6
$50,000,000	100%	SIFMA Index	0.32%	Sept. 1, 2018	Sept. 1, 2020	September 1, 2028	DV4

† Copyright 2017, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the City and County and are included solely for the convenience of the registered owners of the Bonds. None of the City and County, the Underwriter, or the Remarketing Agent is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness. The CUSIP number for a specific maturity is subject to being changed after the issuance or remarketing of any Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

City and County of Honolulu

State of Hawaii

(Incorporated 1907)

MAYOR

Kirk Caldwell

CITY COUNCIL

Ron Menor
Chair and Presiding Officer

Ikaika Anderson
Vice Chair

Kymberly Marcos Pine
Floor Leader

Brandon J. C. Elefante

Carol Fukunaga

Ann H. Kobayashi

Joey Manahan

Ernest Y. Martin

Trevor Ozawa

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

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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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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 UNDERWRITER 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

$350,000,000
City and County of Honolulu
General Obligation Bonds, Series 2017H
(Honolulu Rail Transit Project Index Floating Rate Bonds)

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 $350,000,000 aggregate principal amount of General Obligation Bonds, Series 2017H (the "Bonds").

AUTHORITY FOR AND PURPOSE OF ISSUANCE

Authority for Issuance

The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State of Hawaii, including Chapter 47, Hawaii Revised Statutes, the Revised Charter of the City and County and certain authorizing ordinances and resolutions of the City and County. The Bonds are being issued pursuant to a Certificate (the "Authorizing Certificate") of the Director of Budget and Fiscal Services of the City and County.

Purpose of Issuance

Proceeds of the Bonds will be used (i) to fund, or to retire certain general obligation commercial paper notes previously issued to fund, a portion of the capital costs of the City and County's rail transit project, and (ii) to pay the costs of issuance of the Bonds. Reference is made to "DEBT STRUCTURE – Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)" herein for a further discussion of this project.

In addition to the Bonds, the City and County will issue $416,670,000 of fixed rate general obligation bonds for the purposes of funding certain capital improvement projects of the City and County, advance refunding certain outstanding general obligation bonds of the City and County, and paying costs of issuance. These additional general obligation bonds are expected to be issued contemporaneously with the issuance of the Bonds, but are not part of this offering of 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:	
Par Amount of Bonds	$350,000,000.00
Total Sources of Funds	**$350,000,000.00**
Uses of Funds:	
Capital Improvement Fund[1]	$348,758,392.21
Costs of Issuance[2]	1,241,607.79
Total Uses of Funds	**$350,000,000.00**

[1] *Includes funds to retire general obligation commercial paper notes previously issued to fund the City and County's rail transit project.*

[2] *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 the respective dates and years and in the principal amounts, bear interest at the rates per annum and have the Scheduled Mandatory Tender Date, all as set forth in the "SUMMARY OF THE OFFERING" on the inside front cover page hereof. The Bonds will be subject to redemption and to mandatory tender 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 September 14, 2017. 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 $100,000 or integral multiples of $5,000 in excess 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."

The Bonds will be issued in an initial index floating rate period (the "Initial Floating Rate Period") beginning on the date of delivery and ending on the day immediately preceding the Scheduled Mandatory Tender Date identified in the "SUMMARY OF THE OFFERING" on the inside front cover hereof. During the Initial Floating Rate Period, the Bonds will bear interest at the "Applicable Index Floating Rate," which represents a per annum interest rate, determined weekly, equal to the sum of (i) the SIFMA Index (as hereinafter defined) and (ii) the corresponding Applicable Spread (as specified in the "SUMMARY OF THE OFFERING" on the inside front cover hereof, the "Applicable Spread"); provided that in no event shall any Applicable Index Floating Rate exceed the maximum rate of eight percent (8.0%). See "Tender Provisions" and "Determination of Applicable Index Floating Rates; Initial Floating Rate Periods" below.

Interest on the Bonds (a) will be calculated on the basis of a 365/366 day year for the actual number of days elapsed, and (b) will be payable (i) on the first Business Day of each month, commencing on October 2, 2017, (ii) on each date the Bonds are required to be purchased pursuant to the Authorizing Certificate, including the Scheduled Mandatory Tender Date, (iii) the day next succeeding the last day of the Initial Floating Rate Period, and (iv) the applicable maturity date (each such date, an "Interest Payment Date").

The Bonds are subject to mandatory tender at the times and under the circumstances and are subject to optional redemption, as more fully described herein. The Bonds are <u>not</u> subject to tender for purchase at the option of the Bondholders. See "Tender Provisions" and "Redemption" below. There is no liquidity facility in place for the payment of the purchase price of Bonds on a Purchase Date, including the Scheduled Mandatory Tender Date.

Any payment due or other action required to be taken on a day which is not a Business Day shall occur on the next succeeding Business Day, with the same effect as if it had occurred on such day. No interest will accrue or be paid with respect to any payment delayed as described in the immediately preceding sentence. "Business Day" means any day (a) other than a Saturday, a Sunday or a State holiday, (b) on which banks located in New York City or Honolulu, Hawaii are not required or authorized to be closed, (c) on which the New York Stock Exchange is not closed, or (d) on which banks in the cities in which the principal office or payment office of the Remarketing Agent, Calculation Agent or Tender Agent is located is not required or authorized to be closed. Certain State holidays may fall on days that are not banking holidays, and can vary from year to year.

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, U.S. Bank National Association), 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 Business Day before an Interest Payment Date. Payment of the principal of all Bonds shall be made upon the presentation and surrender of the 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. Notwithstanding the foregoing, so long as the Book-Entry System for the Bonds is in effect, principal of and interest on the Bonds will be paid to the Securities Depository as the registered owner of the Bonds. See Appendix D, "Book-Entry System."

Determination of Applicable Index Floating Rates; Initial Floating Rate Periods

The Bonds will bear interest during the Initial Floating Rate Period, as described below. See also "SUMMARY OF THE OFFERING" on the inside front cover page hereof.

Determination of Applicable Index Floating Rates and Calculation of Interest. During the Initial Floating Rate Period, interest on the Bonds shall accrue at the Applicable Index Floating Rate. The Applicable Index Floating Rate is a per annum interest rate, determined weekly, equal to the sum of (i) the SIFMA Index, and (ii) the Applicable Spread; provided that in no event shall any Applicable Index Floating Rate exceed the maximum rate of eight percent (8.0%).

For purposes of determining the Applicable Index Floating Rate, the term "SIFMA Index" means the SIFMA Municipal Swap Index, a seven-day high-grade market index composed of selected tax-exempt variable-rate demand obligations meeting specific criteria published by the Securities Industry and Financial Markets Association or any successor thereto or any similar index that succeeds the SIFMA Index. The SIFMA Index is calculated weekly and released each Wednesday afternoon. If at any time the SIFMA Index is not available, there shall be used in its place such index as the City and County, following consultation with the Calculation Agent and Remarketing Agent, from time to time determines most closely approximates the SIFMA Index.

The Applicable Index Floating Rate shall be determined by the Calculation Agent on Wednesday of each week, unless any such Wednesday is not a Business Day, in which case, such rate shall be determined by the Calculation Agent on the Business Day next succeeding such Wednesday; (the date of each such calculation being referred to herein as an "Index Floating Rate Determination Date"); provided, however, such Applicable Index Floating Rate shall be in effect from the day immediately succeeding the Index Floating Rate Determination Date on which such rate was determined through and including the next succeeding Index Floating Rate Determination Date; and provided further that the Applicable Index Floating Rate as of the date of issuance, up through and including the first Index Floating Rate Determination Date thereafter, shall be based on the SIFMA Index announced prior to such date of issuance.

No later than 1:00 p.m. (New York City time) on the Business Day immediately preceding each Interest Payment Date (or as soon as practicable on such date if such date is also an Index Floating Rate Determination Date), the Calculation Agent shall deliver written notice to the City and County and the Remarketing Agent specifying the SIFMA Index rates and the Applicable Index Floating Rates in effect during the then-current interest accrual period ending on the day preceding such Interest Payment Date, and the aggregate amount of interest that accrued during such interest accrual period, together with a detailed calculation of the foregoing. All percentages resulting from the calculation of the SIFMA Index will be rounded, if necessary, to the nearest ten-thousandth of a percentage point with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on the Bonds during the Initial Floating Rate Period will be rounded to the nearest cent (with one-half cent being rounded upward).

Calculation Agent. U.S. Bank National Association, appointed as Tender Agent (as defined below) and Paying Agent for the Bonds, will also serve as the Calculation Agent for the Bonds.

Determination of Interest Rate and Interest Amount by Calculation Agent Conclusive. In the absence of manifest error, the determination of any Applicable Index Floating Rate and any Delayed Remarketing Period Rate (as defined below) and the calculation of interest payable on the Bonds in accordance with the Authorizing Certificate shall be conclusive and binding upon the City and County and the Holders of the applicable Bonds.

Tender Provisions

No Optional Tender. The Bonds are not subject to optional tender by Bondholders.

Mandatory Tender for Purchase. The Bonds are subject to mandatory tender for purchase, at a purchase price equal to 100% of the principal amount thereof, plus accrued interest to the applicable purchase date, without premium, (i) on the First Call Date and any Business Day thereafter upon adjustment to another interest rate period or the addition of a liquidity facility or credit facility (collectively referred to herein as a "credit enhancement"), or (ii) on the Scheduled Mandatory Tender Date if not otherwise purchased or redeemed prior to such date. The date of any such mandatory tender for purchase is herein referred to as a "Purchase Date"). Unless all Bonds of a maturity are purchased on a Purchase Date, including the Scheduled Mandatory Tender Date, none of the Bonds of such maturity will be purchased. In such event the Tender Agent will return all Bonds of such maturity to the Holders thereof and such Bonds will remain outstanding and bear interest at the then effective interest rate for such Bonds; provided, however, if all Bonds of a maturity are not purchased on the Scheduled Mandatory Tender Date, the Bonds of such maturity will on and after such date accrue interest at successively higher interest rates until all Bonds of such maturity are remarketed, redeemed or paid at maturity, see "*–Consequences if Bonds are not Purchased on a Scheduled Mandatory Tender Date; Notice of Mandatory Tender for Purchase after a Scheduled Mandatory Tender Date; Delayed Remarketing Period Rate*" below.

If the City and County does not purchase the Bonds of a maturity on a Purchase Date, including the Scheduled Mandatory Tender Date, such non-purchase shall not constitute an event of default under the Certificate. See "*–Sources of Funds for Purchase of Bonds*" below. There is no liquidity facility in place for the payment of the purchase price of Bonds on a Purchase Date, including the Scheduled Mandatory Tender Date.

Notice of Mandatory Tender for Purchase on or Prior to a Scheduled Mandatory Tender Date. With respect to a mandatory tender for purchase of Bonds on or prior to the Scheduled Mandatory Tender Date, the City and County will give notice of mandatory tender of the Bonds to the registered owners thereof by electronic means not less than fifteen (15) days (or five (5) Business Days if during a Delayed Remarketing Period, as defined below) and not more than sixty (60) days prior to the Purchase Date, which notice will state (1) the interest rate period applicable to the Bonds from and after the Purchase Date; (2) that the Bonds will be subject to mandatory tender for purchase and specify the Purchase Date; (3) the procedures for such mandatory tender for purchase; (4) the purchase price of the Bonds; and (5) the consequences of a failed remarketing. For so long as the Bonds are held in book-entry form and DTC or a successor securities depository is the registered owner, such notices will be given only to DTC or such successor (and not to the Beneficial Owners of the Bonds). DTC or such successor, in turn, is to send the notice of mandatory tender to its Participants for distribution to the Beneficial Owners of the Bonds. See Appendix D, "Book-Entry System."

Sources of Funds for Purchase of Bonds. Bonds subject to mandatory tender for purchase will be purchased solely with proceeds from the remarketing thereof. Pursuant to the Authorizing Certificate, the City and County has appointed Merrill Lynch, Pierce, Fenner & Smith Incorporated as remarketing agent with respect to tendered Bonds (in such capacity, the "Remarketing Agent"), and will direct the Remarketing Agent to use its best efforts to remarket the Bonds into the interest rate period designated by the City and County.

The City and County is not required to purchase Bonds of a maturity upon mandatory tender thereof on a Purchase Date, including the Scheduled Mandatory Tender Date, if proceeds of remarketing thereof are insufficient to pay the principal amount of all Bonds of such maturity. There is no liquidity facility in place for the payment of the purchase price of Bonds on a Purchase Date, including the Scheduled Mandatory Tender Date. If the City and County does not purchase all Bonds of a maturity on a Purchase Date, including the Scheduled Mandatory Tender Date, such non-purchase shall not constitute an event of default. However, if such non-purchase occurs on or after the Scheduled Mandatory Tender Date, the Bonds of such maturity will accrue interest at the Delayed Remarketing Period Rate until remarketed, redeemed or paid at maturity. See "*–Consequences if Bonds are not Purchased on a Scheduled Mandatory Tender Date; Notice of Mandatory Tender for Purchase after a Scheduled Mandatory Tender Date; Delayed Remarketing Period Rate*" below.

Consequences if Bonds are not Purchased on a Scheduled Mandatory Tender Date; Notice of Mandatory Tender for Purchase after a Scheduled Mandatory Tender Date; Delayed Remarketing Period Rate.

If on the Scheduled Mandatory Tender Date, any Bonds of a maturity subject to tender on such date are not purchased, then none of the Bonds of such maturity will be purchased and all tendered Bonds of such maturity shall be returned to their respective Holders. In such event, the Initial Floating Rate Period for the Bonds of such maturity shall terminate on the day immediately preceding the Scheduled Mandatory Tender Date and a "Delayed Remarketing Period" will commence on such Scheduled Mandatory Tender Date and will remain in effect for the Bonds of such maturity from and including such date to but not including the date on which all such Bonds are successfully remarketed (as discussed below) or have been redeemed or paid at maturity.

If all Bonds of a maturity are not purchased on the Scheduled Mandatory Tender Date, the Remarketing Agent will continue to use its best efforts to remarket the Bonds of such maturity into such interest rate period as directed by the City and County. Once the Remarketing Agent has advised the City and County that it has a good faith belief that it is able to remarket all of the Bonds of such maturity into the then directed interest rate period, the City and County will establish a new interest rate period and mandatory tender date for such Bonds and will give notice by electronic means to the registered owners thereof not later than five (5) Business Days prior to the date on which such Bonds are to be purchased, which notice will state (1) the interest rate period applicable to such Bonds from and after the Purchase Date; (2) that such Bonds will be subject to mandatory tender for purchase and specify the Purchase Date; (3) the procedures for such mandatory tender for purchase; (4) the purchase price of such Bonds; and (5) the consequences of a failed remarketing. For so long as the Bonds are held in book-entry form and DTC or a successor securities depository is the registered owner, such notices will be given only to DTC or such successor (and not to the Beneficial Owners of the Bonds). DTC or such successor, in turn, is to send notice of mandatory tender to its Participants for distribution to the Beneficial Owners of the Bonds of the applicable maturity. See Appendix D, "Book-Entry System."

During the Delayed Remarketing Period, Bonds that have not been purchased or redeemed on or prior to the Scheduled Mandatory Tender Date shall bear interest from and including such Scheduled Mandatory Tender Date until the Business Day immediately preceding the date such Bonds are remarketed, redeemed or paid at maturity at the respective rates per annum (the "Delayed Remarketing Period Rate") and for the applicable period of days as set forth in the following table:

	Interest Rate Per Annum
From the Scheduled Mandatory Tender Date to the 89th day thereafter	6.00%
From any day after such 89th day to the Business Day immediately preceding payment of interest	8.00%

Rescission of Election to Adjust an Interest Rate Period and Effect on Mandatory Tender for Purchase. The City and County may rescind any election to adjust Bonds to a new interest rate period prior to the effective date of such adjustment by giving notice by electronic means prior to such effective date to the Tender Agent and Remarketing Agent and the Holders of the Bonds affected thereby. In the event of such a rescission, the Bonds affected thereby shall not be subject to mandatory tender for purchase on the effective date of the rescinded election to adjust the interest rate period, and the Initial Floating Rate Period will remain in effect for such Bonds; provided that if such mandatory tender for purchase was to occur on the Scheduled Mandatory Tender Date and all Bonds of a maturity are not remarketed, the terms of Bonds of such maturity thereafter will be governed by the provisions of the Authorizing Certificate described above under "*–Consequences if Bonds are not Purchased on a Scheduled Mandatory Tender Date; Notice of Mandatory Tender for Purchase after a Scheduled Mandatory Tender Date; Delayed Remarketing Period Rate*."

Delivery of Tendered Bonds. With respect to any Book-Entry Bond, delivery of such Bond to U.S. Bank National Association, as tender agent, or any successor tender agent (the "Tender Agent") in connection with the mandatory tender of Bonds on a Purchase Date, including the Scheduled Mandatory Tender Date will be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of DTC or any DTC Participant to reflect the transfer of the beneficial ownership interest in such Bond to the account of the Tender Agent, or to the account of a DTC Participant acting on behalf of the Tender Agent.

Bonds Deemed Purchased. If moneys sufficient to pay the purchase price of all Bonds of a maturity to be purchased pursuant to the Authorizing Certificate are held by the Tender Agent on the date and at the time such Bonds are to be purchased, such Bonds will be deemed to have been purchased for all purposes of such Authorizing Certificate, irrespective of whether such Bonds have been delivered to the Tender Agent, and neither the former holder of such Bonds nor any other person will have any claim thereon, under such Authorizing Certificate or otherwise, for any amount other than the purchase price thereof.

In the event of non-delivery of any Bond to be purchased pursuant to the Authorizing Certificate, the Tender Agent will segregate and hold uninvested the moneys for the purchase price of such Bonds in trust, without liability for interest thereon, for the benefit of the former holders of such Bonds.

Remarketing. The terms of any sale by the Remarketing Agent of tendered Bonds shall provide for the payment of the purchase price for tendered Bonds by the Remarketing Agent to the Tender Agent in immediately available funds on the Purchase Date. The Remarketing Agent shall cause to be paid to the Tender Agent on each Purchase Date for tendered Bonds all amounts representing proceeds of the remarketing of such Bonds.

Redemption

Optional Redemption. The Bonds are subject to redemption at the option of the City and County, in whole or in part, on any date commencing on the First Call Date (as specified in "SUMMARY OF THE OFFERING" on the inside front cover hereof) or any Business Day thereafter, at a redemption price equal to 100% of the principal amount of the Bonds redeemed, plus accrued interest to the date of redemption, without premium.

Selection for Redemption. If fewer than all of the Bonds are called for redemption, the City and County will designate the maturities from which the Bonds are to be redeemed and, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by lot. Notwithstanding the foregoing, for so long as the Bonds are held in book-entry form and registered in the name of DTC or a successor securities depository, the selection for redemption of the Bonds will be made in accordance with the operational arrangements of DTC or such successor then in effect; 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."

Notice of Redemption. Notice of redemption of any Bond will be mailed, at least once, to the holder in whose name the Bond is registered upon the Bond Register, not less than fifteen (15) days (or five (5) Business Days if during a Delayed Remarketing Period) nor more than sixty (60) days prior to the date fixed for redemption, provided, however, that if such redemption occurs during the applicable Delayed Remarketing Period for the Bonds to be redeemed, such notice is to be provided not less than five (5) Business Days prior to the date fixed for redemption. 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 $100,000, portions of the principal sum thereof in amounts of $5,000 or any integral multiple in excess 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, 2018:

CITY AND COUNTY OF HONOLULU
General Obligation Bonds, Series 2017H
(Honolulu Rail Transit Project Index Floating Rate Bonds)

Debt Service Requirements

FY Ending June 30	Principal	Interest*	Total*
2018	$ --	$ 7,495,833	$ 7,495,833
2019	--	10,500,000	10,500,000
2020	--	10,500,000	10,500,000
2021	--	10,500,000	10,500,000
2022	--	10,500,000	10,500,000
2023	50,000,000	9,375,000	59,375,000
2024	50,000,000	7,875,000	57,875,000
2025	50,000,000	6,375,000	56,375,000
2026	50,000,000	4,875,000	54,875,000
2027	50,000,000	3,375,000	53,375,000
2028	50,000,000	1,875,000	51,875,000
2029	50,000,000	375,000	50,375,000
Total:	$350,000,000	$83,620,833	$433,620,833

* *Interest at assumed rate of 3.00% per annum.*

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.

The City and County is not required to purchase Bonds upon mandatory tender thereof on a Purchase Date, including the Scheduled Mandatory Tender Date, if proceeds of remarketing thereof are insufficient to pay the principal amount of all Bonds. If the City and County does not purchase all Bonds on a Purchase Date, including the Scheduled Mandatory Tender Date, such non-purchase shall not constitute an event of default. However, if such non-purchase occurs on or after the Scheduled Mandatory Tender Date, the Bonds will accrue interest at successively higher interest rates until remarketed, redeemed or paid at maturity. There is no liquidity facility in place for the payment of the purchase price of the Bonds on a Purchase Date, including the Scheduled Mandatory Tender Date. See "THE BONDS–Tender Provisions."

Outstanding and Expected General Obligation Bonds and Notes

The capital improvement budgets for the Fiscal Years ended June 30, 1999 through 2017, authorized and appropriated a total of $7,148,502,453 for public improvements to be financed from the proceeds of general obligation bonds or notes. As of June 30, 2017, $3,353,458,011 of general obligation bonds and notes (including reimbursable general obligation bonds) had been issued to finance appropriations for such Fiscal Years, and $2,752,778,730 of such appropriations had lapsed pursuant to the terms of the Revised Charter of the City and County. It is expected that $1,042,265,712, 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.

In addition, on December 23, 2015, the City and County authorized the issuance of commercial paper notes in an amount not to exceed $450,000,000 at any one time outstanding, to provide short term financing for various capital improvement projects of the City and County, including the 20-mile fixed guideway transit system being constructed by the Honolulu Authority for Rapid Transportation ("HART"). As of July 14, 2017, the City and County issued $100,000,000 of such commercial paper notes to fund certain costs of the transit system project.

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 fixed guideway transit project being constructed by HART.

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, 2016, the resident population of the State was 1,428,557, and that of Oahu was 992,605, approximately 69% 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, fuel taxes 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 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 City and County's semi-autonomous agencies – currently the Board of Water Supply and Honolulu Authority for Rapid Transportation) 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 2020. 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, councilmembers serve for staggered four-year regular terms. The current terms of councilmembers for council districts I, III, V, VII and IX will expire on January 2, 2021, while the current terms of councilmembers for council districts II, IV, VI and VIII will expire 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 ("HART") was created effective July 1, 2011 to develop, operate, maintain and expand a fixed guideway mass transit system for the City and County. Although HART remains responsible for development and expansion of the system, responsibility for operation and maintenance of the system has been transferred, pursuant to a Charter amendment approved by the voters in the 2016 general election, to the City and County's Department of Transportation Services, which operates the City and County's bus and Handi-Van services. HART 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," a charter commission is appointed. Prior to September 1 of the year ending in "6" that immediately follows the appointment of the charter commission, there is a mandatory review of the Charter by the 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. 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 audited financial statements of the revenues and expenditures of these funds for the Fiscal Year ended June 30, 2016, 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 83.6% 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. Currently, qualified homeowners' taxes are limited to 4% of the combined income of all title holders of the property (3% in the case of qualified homeowners 75 years of age or older). 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, 2017, the real property taxes for all qualified homeowners (irrespective of age) will be limited to 3% of the combined income of all title holders.

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.

On June 7, 2017, the City Council adopted Resolution 17-70, CD2, setting tax rates for the various general classes of real property for Fiscal Year 2018, and dividing the Residential A class into two tiers, with Tier 1 taxed at $4.50 per $1,000 of assessed value and Tier 2 taxed at $9.00 per $1,000 of assessed value.

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 2017 and 2018 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 2014 through 2018.

Table 1

ASSESSED VALUATION OF REAL PROPERTY (1)
Fiscal Years 2017 and 2018
(values in thousands)

	2017	2018
Gross assessed valuation	$227,870,867	$241,332,136
Less exemption valuation	(27,230,655)	(28,759,630)
Assessor's net taxable value	$200,640,212	$212,572,506
Less 50% of valuations on appeal	(1,013,632)	(1,002,589)
Net assessed valuation for rate purposes	$199,626,580	$211,569,917

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

Table 2

REAL PROPERTY NET ASSESSED VALUES BY CLASSIFICATION AND TAX RATES
Fiscal Years 2014–2018
(values in thousands)

	2014		2015		2016		2017		2018	
Classification	Value	Rate	Value	Rate	Value	Rate	Value	Rate	Value	Rate (1)
Residential	$127,060,389	$3.50	$127,980,612	$3.50	$137,435,628	$3.50	$144,692,257	$3.50	$151,308,633	$3.50
Hotel/Resort	7,848,201	12.40	8,193,857	12.90	9,841,920	12.90	11,348,555	12.90	13,060,028	12.90
Commercial	14,696,801	12.40	15,150,419	12.40	15,778,813	12.40	17,219,480	12.40	18,525,784	12.40
Industrial	8,005,590	12.40	8,153,174	12.40	8,521,155	12.40	9,141,610	12.40	9,597,471	12.40
Agricultural	932,333	5.70	1,130,465	5.70	989,887	5.70	996,002	5.70	1,042,709	5.70
Vacant Agricultural	92,805	8.50	79,546	8.50	60,689	8.50	50,311	8.50	50,802	8.50
Preservation	457,307	5.70	445,037	5.70	455,825	5.70	464,899	5.70	523,317	5.70
Public Service (2)	2,300	--	--	--	1	--	38	--	30	--
Residential A (3)	--	--	13,202,440	6.00	14,634,916	6.00	15,713,428	6.00	17,461,143	Var. (3)
Total All Classes	$159,095,726		$174,335,550		$187,718,834		$199,626,580		$211,569,917	

(1) *Rates estimated for Fiscal Year 2018, based on rates effective for Fiscal Year 2017.*

(2) *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 and County does not currently tax property in this category. In lieu of taxing such property, the City and County receives a portion of the public service tax imposed by the State on the gross income of public service companies.*

(3) *Effective with the Fiscal Year ended 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. On June 7, 2017, the City Council adopted Resolution 17-70, CD2, setting tax rates for the various general classes of real property for Fiscal Year 2018, and dividing the Residential A class into two tiers, with Tier 1 taxed at $4.50 per $1,000 of assessed value and Tier 2 taxed at $9.00 per $1,000 of assessed value.*

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. The City and County manages its property tax appeals to mitigate financial risk with mandatory reserves for 50% of the contested amounts.

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 the previous 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, 2014 to 2018 are shown in the table below. Over the past five years, the City and County's uncollectible real property tax write-offs continued to be exceptionally low at 0.03% ($252,600 average annual write-off over $880 million in annual average real property taxes levied).

Table 3

STATEMENT OF REAL PROPERTY TAX LEVIES AND COLLECTIONS SHOWING ASSESSED VALUATIONS AND TAX RATES
Fiscal Years 2014–2018
(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 [2]
2014	$159,095,726	$5.24	$ 832,248	101.2%
2015	174,335,550	5.35	931,469	101.2
2016	187,718,834	5.36	1,005,871	100.0
2017	199,626,580	5.43	1,082,733	N/A
2018 [3]	211,569,917	5.49	1,160,908	N/A

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

(2) *Collections within fiscal year of levy.*

(3) *Rates estimated for Fiscal Year 2018, based on rates effective for Fiscal Year 2017.*

In the Fiscal Year ended June 30, 2016, real property tax revenues (excluding $48.3 million of public service company tax collections as discussed under "Public Service Company Tax" below) totaled $1.006 billion, which accounted for approximately 83.6% 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, 2018. 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, 2018

Taxpayer [2]	Type of Business	Gross Assessed Valuation [3]	% of Total Assessed Valuation
General Growth Properties / Howard Hughes	Real Estate Investment	$ 3,315,613,400	1.37%
Bishop Estate	Educational Trust Estate	1,858,949,900	0.77
Kyo-ya Company	Hotel/Resort	1,768,287,100	0.73
Hilton, et al.	Hotel/Resort	1,653,600,600	0.69
Disney	Hotel/Resort	1,055,883,000	0.44
Outrigger Hotels Hawaii	Hotel/Resort	876,909,200	0.36
Ko Olina Hotel	Hotel/Resort	816,052,000	0.34
DEG, LLC	Real Estate Investment	792,511,700	0.33
A & B Properties Inc.	Real Estate Investment	791,178,100	0.33
International Marketplace Corporation	Real Estate Investment	686,592,900	0.28
		$13,615,577,900	5.64%

(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, 2016 at 100% of market value.*

Table 5

TEN LARGEST REAL PROPERTY TAXPAYERS (1)
BY AMOUNT OF TAX LEVIED
Fiscal Year ending June 30, 2018

Taxpayer (2)	Type of Business	Amount of Tax Levied	% of Total Amount Levied
General Growth Properties / Howard Hughes	Real Estate Investment	$ 37,155,247	3.20%
Kyo-ya Company	Hotel/Resort	22,804,309	1.96
Hilton et al.	Hotel/Resort	21,332,045	1.84
Bishop Estate	Educational Trust Estate	14,869,832	1.28
Outrigger Hotels Hawaii	Hotel/Resort	11,270,875	0.97
Ko Olina Hotel	Hotel/Resort	10,322,718	0.89
International Marketplace Corporation	Real Estate Investment	8,513,752	0.73
A & B Properties Inc.	Real Estate Investment	8,024,041	0.69
Disney	Hotel/Resort	6,810,627	0.59
Marriott Ownership Resorts	Hotel/Resort	6,309,527	0.54
		$147,412,973	12.69%

(1) *Excludes property owned by governmental entities.*
(2) *Taxpayer's name as recorded on real property tax records.*

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 currently fixed at 9.25%, provided that from January 1, 2018 through December 31, 2030, the rate will be increased by 1.0% to 10.25%. Revenue generated from this 1% increase will be deposited to a mass transit special fund to help pay for construction of City and County's rail system. See "DEBT STRUCTURE – Honolulu Rail Transit Project (formerly known as the Honolulu High-Capacity Transit Corridor Project)". All other TAT revenues are distributed annually by statute in the following order of priority, with the excess to be deposited into the general fund of the State: (1) $1.5 million is distributed to the Turtle Bay conservation easement special fund, (2) $26.5 million is distributed to the convention center enterprise special fund, (3) $82 million is distributed to the tourism special fund, and (4) $103 million is distributed to the counties. The City and County receives 44.1% of the revenues distributed to the counties.

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, 2012 through 2016:

Table 6

TRANSIENT ACCOMMODATIONS TAX

Fiscal Year (Ended June 30)	Allocable Share (1) (Dollars in Millions)	Percent of General Fund Revenues (2)
2012	$44.3	4.4%
2013	41.0	4.1
2014	41.0	4.0
2015	45.4	4.0
2016	45.4	3.8

(1) *Represents the City and County's share of total TAT revenues collected by the State.*
(2) *Represents the City and County's share of total TAT 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 is currently set to expire on December 31, 2027. However, on September 6, 2017, the City Council adopted an ordinance to extend the surcharge for three additional years. If the ordinance is approved by the Mayor, the surcharge will expire on December 31, 2030. For the Fiscal Years ended June 30, 2016 and June 30, 2017, the City and County received $233.3 million and $223.3 million (unaudited), respectively, from the general excise and use tax surcharge, net of the 10% administrative fee charged by the State. Proceeds of the surcharge are being applied to build a new fixed guideway mass transit system for Oahu. 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, including information concerning anticipated cost increases.

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 $48.3 million and $42.2 million (unaudited) of public service company tax revenues in the Fiscal Years ended June 30, 2016 and June 30, 2017, respectively.

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. These rates will increase to 6.0 and 6.5 cents per pound on January 1, 2018, and to 7.0 and 7.5 cents per pound on January 1, 2019, with the minimum tax remaining $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 the Fiscal Years ended June 30, 2016 and June 30, 2017, the City and County collected $127.7 and $129.8 million (unaudited) of vehicle weight taxes, respectively.

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 the Fiscal Years ended June 30, 2016 and June 30, 2017, the City and County's fuel tax collections totaled $52.8 million and $52.0 million (unaudited), respectively.

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 the Fiscal Years ended June 30, 2016 and June 30, 2017, the City and County collected $41.0 million and $38.9 million (unaudited) of such taxes, respectively.

Certain Recent Legislative Proposals

In recent years, certain legislative proposals have been introduced in the State Legislature from time to time 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. 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 accounted for approximately 83.6% of the City and County's General Fund revenues in Fiscal Year 2016) 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 2012 through 2016.

Table 7

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

Fiscal Year	Revenues	Expenditures
2012	$1,110.4	$1,103.7
2013 *(as restated)*	1,130.5	1,068.6
2014	1,166.3	1,196.4
2015	1,261.9	1,258.1
2016	1,349.2	1,388.4

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 8 sets forth the City and County's most recent summary statement of funded debt and exclusions as of July 14, 2017. Set forth in Table 9 is a detailed schedule of all outstanding general obligation funded debt of the City and County as of July 14, 2017. Table 10 provides debt service charges on outstanding general long-term debt of the City and County as of July 14, 2017.

Table 8

STATEMENT OF FUNDED DEBT
As of July 14, 2017

1.	Gross assessed valuation of real property as of January 27, 2017			$ 241,332,136,200
2.	Less exempt valuation			28,759,630,400
3.	Assessor's net taxable value			212,572,505,800
4.	Less valuations on appeal			2,005,178,000
5.	Taxpayers' valuation			210,567,327,800
6.	Add 50% of valuation on appeal			1,002,589,000
7.	Net assessed valuation of real property for rate purposes			$ 211,569,916,800
8.	Limit of funded debt as set by the Constitution of the State of Hawaii			$ 31,735,487,520 (1)
9.	Funded debt:			
	a. General obligation bonds		$ 2,816,310,000	
	b. Revenue bonds		2,077,020,695 (2)	
	c. Notes payable:			
	State of Hawaii		326,006,436	
	d. Gross funded indebtedness		$ 5,219,337,131	
	Less exclusions:			
	e. Revenue bonds			
	Self-supporting waterworks	$ 214,840,000		
	Self-supporting wastewater	1,862,180,695		
	f. General obligation bonds issued for H-Power waste disposal facility	350,035,000		
	g. General obligation bonds issued for Housing	38,210,058		
	h. General obligation bonds issued for solid waste	144,439,670		
	i. General obligation bonds issued for wastewater system	735,639		
	j. State of Hawaii Revolving Fund loans payable for wastewater system	252,769,108		
	k. State of Hawaii Revolving Fund loans payable for waterworks	72,099,113	2,935,309,283	
	l. Net funded debt			2,284,027,848
10.	Gross limit of additional funded debt			$ 29,451,459,672
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. 07-26	211,735,790	211,415,527	320,263	
Ordinance No. 08-14	295,765,154	294,765,331	999,823	
Ordinance No. 09-13	382,373,264	314,558,920	67,814,344	
Ordinance No. 10-13	363,386,886	349,609,353	13,777,533	
Ordinance No. 11-12	178,310,737	168,950,620	9,360,117	
Ordinance No. 12-21	214,362,018	186,428,098	27,933,920	
Ordinance No. 13-21	307,004,926	171,600,351	135,404,575	
Ordinance No. 14-16	345,482,245	99,749,174	245,733,071	
Ordinance No. 15-22	284,009,300	--	284,009,300	
Resolution No. 15-314 (5)	350,000,000	100,000,000	250,000,000	
Ordinance No. 16-11	385,686,837	--	385,686,837	
Resolution No. 17-173 (5)	350,000,000	--	350,000,000	
	$ 3,846,543,022	$ 2,074,277,309	$ 1,772,265,713	1,772,265,713

12.	Net limit of additional funded debt	$ 27,679,193,959

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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 June 30, 2017, except Resolution amounts.*
(4) *After deducting authorized amounts which have lapsed pursuant to the Charter of the City and County.*
(5) *Honolulu Authority for Rapid Transportation. Amounts shown are as of July 14, 2017.*

Table 9

GENERAL OBLIGATION FUNDED DEBT
OF THE CITY AND COUNTY OF HONOLULU
As of July 14, 2017

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	9/1/1998-18	Non-callable	$ 2,040,000
April 6, 2009 Series 2007B	4.37937%	152,840,000	7/1/2013-19	Non-callable	49,520,000
April 28, 2009 Series A	4.68168%	292,045,000	4/1/2014-34	4/1/2019	12,850,000
November 19, 2009 Series E [(1)]	3.89828%	50,415,000	9/1/2014-34	Non-callable	46,105,000
November 19, 2009 Series F	3.25649%	49,500,000	9/1/2014-20	9/1/2019	30,385,000
December 15, 2010 Series A [(1)]	3.72842%	151,100,000	12/1/2015-35	Non-callable	142,225,000
December 15, 2010 Series B	4.34416%	196,670,000	12/1/2015-35	12/1/2020	185,440,000
August 4, 2011 Series A	4.18832%	141,235,000	8/1/2016-36	8/1/2021	32,095,000
August 4, 2011 Series B	3.41586%	163,110,000	8/1/2016-27	8/1/2021	152,790,000
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	275,570,000
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	25,215,000
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	24,585,000
April 2, 2015, Series A	3.39016%	379,550,000	10/1/2015-39	10/1/2025	363,420,000
April 2, 2015, Series B	2.79899%	210,480,000	10/1/2015-31	10/1/2025	210,480,000
April 2, 2015, Series C	2.98153%	249,240,000	10/1/2015-33	10/1/2025	249,240,000
April 2, 2015, Series E	3.60112%	22,060,000	10/1/2015-39	Non-callable	20,780,000
December 23, 2015 CP Issue B [(2)]	Variable	350,000,000	Not Applicable	Non-callable	100,000,000
October 26, 2016 Series A	2.89193%	96,385,000	10/26/2016-41	10/1/2026	96,385,000
October 26, 2016 Series B	1.38078%	38,540,000	10/26/2016-24	Non-callable	38,540,000
October 26, 2016 Series C	2.48346%	100,065,000	10/26/2016-34	10/1/2026	100,065,000
October 26, 2016 Series D	2.80674%	143,815,000	10/26/2016-34	10/1/2026	143,815,000
		$ 3,727,530,000			$ 2,816,310,000
Notes Payable - State of Hawaii	Various	519,531,392	Various	Non-callable	326,006,436
Total Gross Direct Debt		$ 4,247,061,392			$ 3,142,316,436
Less exclusions:					
Bonds issued for solid waste				$ 144,439,670	
Bonds issued for housing				38,210,058	
Bonds issued for H-Power waste disposal facility				350,035,000	
Bonds issued for wastewater system				735,639	
State of Hawaii Revolving Fund loans payable for wastewater system				252,769,108	
State of Hawaii Revolving Fund loans payable for Board of Water Supply				72,099,113	$ 858,288,588
Net Funded Debt					$ 2,284,027,848

(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 2017 is 6.9%. 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 is $450,000,000.*

Table 10

CITY AND COUNTY OF HONOLULU
DEBT SERVICE CHARGES ON OUTSTANDING GENERAL LONG-TERM DEBT
July 14, 2017 to Maturity (1)

FY Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Other Debt (2) Principal	Other Debt (2) Interest (3)	Gross Debt Service Charges	Reimbursable Debt Principal	Reimbursable Debt Interest	Net Debt Service Charges
2018	$140,735,000	$115,464,526	$23,092,768	$2,121,022	$281,413,316	$49,414,386	$22,896,712	209,102,218
2019	169,200,000	109,391,569	23,133,168	1,844,060	303,568,797	52,430,138	21,752,933	229,385,726
2020	174,855,000	102,439,421	21,591,825	1,607,805	300,494,051	49,964,635	20,490,397	230,039,019
2021	155,005,000	96,242,283	21,217,510	1,416,205	273,880,998	48,059,734	19,360,496	206,460,768
2022	153,725,000	90,382,913	21,122,927	1,236,970	266,467,810	47,600,868	18,278,487	200,588,455
2023	149,280,000	84,168,124	20,255,467	1,063,327	254,766,918	47,147,989	17,153,937	190,464,992
2024	155,765,000	77,682,763	20,135,815	907,540	254,491,118	48,160,064	15,962,040	190,369,014
2025	132,555,000	71,231,304	20,204,025	754,591	224,744,920	45,552,476	14,748,691	164,443,753
2026	133,055,000	64,937,425	20,272,180	601,418	218,866,023	46,678,772	13,534,161	158,653,090
2027	139,370,000	58,623,947	17,806,049	452,422	216,252,418	45,318,580	12,280,104	158,653,734
2028	145,770,000	52,210,993	10,159,787	328,260	208,469,040	38,829,274	10,994,883	158,644,883
2029	131,425,000	46,012,046	8,416,585	257,067	186,110,698	36,697,810	9,730,374	139,682,514
2030	135,675,000	39,995,670	8,425,915	192,292	184,288,877	37,436,312	8,450,293	138,402,272
2031	114,360,000	34,219,205	8,435,269	127,462	157,141,936	37,140,553	7,153,552	112,847,831
2032	119,795,000	28,775,391	7,677,456	62,502	156,310,349	37,627,169	5,838,735	112,844,445
2033	104,105,000	23,568,999	651,893	17,976	128,343,868	29,132,401	4,556,066	94,655,401
2034	109,035,000	18,620,402	653,527	11,451	128,320,380	30,358,179	3,321,051	94,641,150
2035	91,085,000	14,062,263	655,157	4,911	105,807,331	29,284,848	2,084,653	74,437,830
2036	80,805,000	10,089,521	--	--	90,894,521	19,528,763	1,025,622	70,340,136
2037	56,610,000	6,839,967	--	--	63,449,967	5,044,969	460,896	57,944,102
2038	48,350,000	4,457,681	--	--	52,807,681	3,853,608	267,296	48,686,777
2039	31,200,000	2,654,868	--	--	33,854,868	2,081,352	141,210	31,632,306
2040	32,705,000	1,153,297	--	--	33,858,297	2,178,655	47,851	31,631,791
2041	5,825,000	282,538	--	--	6,107,538	--	--	6,107,538
2042	6,020,000	90,300	-	-	6,110,300	--	--	6,110,300
Totals: *	$2,716,310,000	$1,153,597,416	$253,907,323	$13,007,281	$4,136,822,020	$789,521,535	$230,530,440	$3,116,770,045

(1) *Excludes self-supporting revenue bonds and State revolving fund notes payable.*
(2) *Includes $253,907,323 State of Hawaii notes payable for various sewer projects, storm dewatering facility and storm water equipment.*
(3) *Includes loan fees charged to interest for State of Hawaii notes payable.*
* *Totals may not add due to rounding.*

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, 2013 through 2017.

Table 11

GENERAL OBLIGATION INDEBTEDNESS
Fiscal Years 2013–2017

	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
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
2015	2,315,209,167	576,023,161	2,891,232,328	341,737	2,891,574,065
2016	2,199,482,264	549,546,277	2,749,028,541	--	2,749,028,541
2017	2,285,896,974	535,796,241	2,821,693,215	--	2,821,693,215

(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 (which excludes general obligation commercial paper indebtedness) has been issued as fixed rate obligations. The City and County has not 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, which are reimbursable general obligations for which the General Fund is reimbursed from water and wastewater revenues. State revolving fund loans entered into on or after January 15, 2006 are secured solely by a pledge of wastewater revenues. None of the City and County's general obligation indebtedness may be accelerated ahead of the holders of the Bonds.

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 11 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 8, 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 wastewater facility 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 AND

EMPLOYEE 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 2052. The leases are financed from general resources. There are no capital lease expenditures for such leases for the Fiscal Year ended June 30, 2017, and future operating lease expenditures for such leases are projected to be $37.4 million (unaudited) in the aggregate through 2052.

Revenue Indebtedness

As of July 14, 2017, the Board of Water Supply of the City and County had $214,840,000 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 July 14, 2017, the outstanding amounts of senior and junior revenue bonds were $1,536,005,000 and $326,175,695, respectively. Such revenue bond 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 $1.8 billion, five-year capital improvement program (Fiscal Year 2014 to Fiscal Year 2018) 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 "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 not 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.

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.

The H-Power facility is the cornerstone of the City and County's integrated waste management system. It converts approximately 2,000 tons of waste per day into enough electricity to power 60,000 homes, about 10% of Oahu's electricity. Using waste-to-energy, Honolulu ranks among the top cities in the nation in landfill diversion. The expansion of the plant to add a third boiler enabled the City and County to increase capacity and to process bulky wastes. Modification to accept sewage sludge now keeps the sludge and associated bulky waste out of the landfill. In total H-power reduces the volume of non-recycled waste going to the landfill by an estimated 90%. This is a large step in reducing the need for a daily use landfill on the island.

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 Ala Moana Shopping 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.

Given the size and cost of the project, HART is building the system in four (4) multi-year phases. The first two (2) phases of the project cover ten (10) miles from East Kapolei to Aloha Stadium. The third phase is five (5) miles from Aloha Stadium to Middle Street, and the fourth phase is just over four (4) miles from Middle Street to the Ala Moana Shopping Center.

Design and construction contracts are in place for fifteen (15) miles of the guideway, from East Kapolei through Middle Street, and for the Rail Operations Center, including maintenance and storage facilities. The Rail Operations Center, completed this year, was built on property currently owned by the State Department of Hawaiian Homes Lands pursuant to an interim seventy-five (75) year license to build, pending a complex land exchange for certain other property owned by the City and County, with such exchange being subject to a number of conditions. As of June 30, 2017, more than $4.4 billion worth of contracts have been awarded with $2.8 billion incurred for planning and design, site acquisition, vehicles, guideway and track construction.

The primary funding sources for budgeted costs related to construction of the system were originally identified as (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 $4.94 billion through 2027 (the expiration of the surcharge as extended in 2015), and (ii) a $1.55 billion grant from the U.S. Department of Transportation, Federal Transit Administration ("FTA"), under a full-funding grant agreement (the "FFGA") dated December 19, 2012. 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.

Through July 31, 2017, the City and County had received $1.98 billion (unaudited) from the general excise and use tax surcharge, net of administrative fees charged by the State ($1.60 billion received in the FFGA grant period from October 16, 2009). The City and County and HART have drawn down on $794.3 million (through July 18, 2017) of the $806 million obligated by the FTA under the FFGA. The United States Congress has appropriated the remaining $744 million, but the FTA has not yet obligated this amount.

Pending receipt of revenues from general excise and use tax surcharge, debt obligations to finance the project are issued directly by the City and County, not by HART. Such debt obligations (in the form of commercial paper notes or bonds, and including the Bonds) constitute general obligations of the City and County and, as such, are backed by the full faith and credit of the City and County. However, the City and County and HART have a memorandum of understanding pursuant to which HART is required to reimburse the City and County for debt service and other costs associated with such obligations.

The annual operating and maintenance costs of the system are expected to be paid from passenger fares and subsidized by the City and County. The amount, sources of funding, and time period for subsidization by the City and County have not been determined at this time. In the November 2016 mid-term election, voters approved a Charter amendment to transfer operating and maintenance responsibilities from HART to the City and County's Department of Transportation Services (DTS). The DTS and HART have held preliminary discussions on the impact of this transfer of responsibilities and expect to finalize an operational and maintenance plan prior to the interim revenue service date of December 2020.

To date, construction costs for the project have been higher than the original budget of $5.12 billion under the FFGA and the revised budget of $6.855 billion developed in 2016.

A project update ("risk refresh") was conducted by the FTA in June 2016 that indicates there is a high probability that the project as currently scoped will exceed its currently budgeted project revenue by $1.1 billion, and take until the end of 2024 to complete. As such, HART and the City and County analyzed and updated the project scope, cost, and schedule estimates and developed a recovery plan with total project costs estimated at $8.165 billion and completion in 2025. HART submitted the recovery plan to the FTA on April 30, 2017.

On September 1, 2017, during a special legislative session, the State Legislature adopted legislation which, among other things, authorizes a three-year extension of the City and County's 0.5% general excise and use tax surcharge through December 31, 2030, and provides for a 1.0% increase in the State transient accommodation tax beginning on January 1, 2018 and continuing through December 31, 2030 to help fund capital costs related to the rail project. The legislation also increases the State's oversight authority over the project by providing the state Legislature the right to appoint four nonvoting members to the HART board, requiring an annual audit of HART, and requiring HART to pay vendors upfront and then submit requests to the State for reimbursement. The Governor signed the legislation into law on September 5, 2017, and the City Council adopted an ordinance on September 6, 2017 to extend the surcharge for three years. If the ordinance is approved by the Mayor, the surcharge will expire on December 31, 2030.

State budget officials estimate the surcharge extension will generate an additional $1.05 billion, and the transient accommodations tax increase will provide another $1.33 billion for the rail project. HART is currently preparing a supplement to its recovery plan shortly to reflect these developments. The FTA has asked HART to submit an updated financial plan by September 15, 2017.

On August 18, 2016, HART Executive Director and CEO Daniel A. Grabauskas resigned from his position with the authority. His final day of employment was October 17, 2016. The position was filled on an acting or interim basis during the search for a successor. On July 31, 2017, the HART board appointed Andrew Robbins as its permanent Executive Director and CEO, effective September 5, 2017. Mr. Robbins formerly served as Senior Director and Head of Automated Systems Business Development for the Americas at Canadian-based Bombardier Transportation.

Bondholder Risks. Cost estimates for construction of the remaining phases of the guideway and all twenty-one (21) stations are trending higher than their respective budgets. Risks associated with this trend fall into four categories: (i) cost increases due to delay, materials, changed scope and site acquisition; (ii) capital costs above projections; (iii) a shortfall of the general excise and use tax surcharge; and (iv) a failure by the FTA to obligate the remaining grant amount and/or a request for reimbursement of amounts drawn under the FFGA. It is not possible to predict at this time whether or to what extent additional cost increases may occur or what financial impact any such cost increases may have on the project, HART, or the City and County, including the potential impact of cost increases on HART's ability to reimburse the City and County for debt service payments on debt obligations issued to finance the costs of the project.

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 and HART, for the Fiscal Years ended June 30, 2013 through 2017 are shown in the table below.

Table 12

EXPENDITURES FOR CAPITAL IMPROVEMENTS [1]
Fiscal Years 2013–2017
(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
2013 [3]	$625.7	$216.9	$223.3	$0.0	$440.2	$62.8	$122.7	$185.5	29.6%
2014 [3]	633.8	310.0	136.8	0.0	446.8	86.9	100.1	187.0	29.5
2015 [4]	710.1	345.8	191.3	0.0	537.1	51.8	121.2	173.0	24.4
2016 [4]	576.4	284.0	143.5	0.0	427.5	47.8	101.1	148.9	25.8
2017 [4]	964.7	385.6	372.8	0.0	758.4	59.7	146.6	206.3	21.4

(1) *Inclusive of encumbrances.*
(2) *Funds from current revenues and surplus.*
(3) *Adjusted for lapses until June 30, 2017.*
(4) *Budgeted amounts plus single purpose added.*

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 Farm Credit System notes and bonds; Federal Agricultural Mortgage Corporation notes and 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; Tennessee Valley Authority notes and bonds; repurchase agreements fully collateralized by any such bonds or securities; federally insured savings accounts; time certificates of deposit; certificates of deposit open account; bonds of any improvement district of any county of the State, provided the bonds are of investment grade or supported by the general obligation pledge of the county in which the improvement district is located; 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; bankers' acceptance with an A1/P1 or equivalent rating by any national securities rating service; and securities of a money market fund that is rated AAA or its equivalent by a nationally recognized rating agency or whose portfolio consists of securities that are rated as first tier securities by a nationally recognized statistical rating organization as provided in Title 17 of Code of Federal Regulations Section 270.2a-7; 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 or 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 $10.7 million in the Fiscal Year ended June 30, 2017, representing an investment yield of 0.58%.

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 notification to 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

Pursuant to the Charter, the City and County maintains 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 in the City and County's Treasury 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. The fund balance was $103.6 million (unaudited) as of June 30, 2017, and the City and County has budgeted an additional $7 million for the fund in Fiscal Year 2018. No withdrawals from the Reserve for Fiscal Stability Fund have been made as of the date hereof.

Affordable Housing Fund

Pursuant to the Charter, the City and County maintains a special fund known as the Affordable Housing Fund to be used by the City and County to provide and maintain affordable rental housing for persons earning less than 60% of the median household income in the City and County in order to provide and expand affordable housing and suitable living environments principally for persons of low and moderate income through land acquisition, development, construction and maintenance of affordable housing for rental, provided that the housing remains affordable for at least 60 years. 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 Affordable Housing Fund. Any balance remaining in the fund at the end of any Fiscal Year will remain in the fund, accumulating from year to year. A Charter amendment approved by voters in the 2016 general election increased the income limit to 60% of median income, limited the use of the fund to rental housing, and reduced the duration of the affordable housing requirement to a minimum of 60 years.

Clean Water and Natural Lands Fund

Pursuant to the Charter, the City and County maintains a special fund known as the Clean Water and Natural Lands Fund to be used by the City and County to acquire real estate or any interest in real estate for: land conservation to protect watershed lands in order to preserve water quality and supply; preservation of forests, beaches, coastal areas and agricultural lands; public outdoor recreation and education; preservation of historic or culturally important land areas and sites; protection of significant habitats or ecosystems; conservation of land to reduce erosion, floods, landslides and runoff; and public access to public land and open space. 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 real property tax revenues for deposit into the Clean Water and Natural Lands Fund. Any balance remaining in the fund at the end of any Fiscal Year will remain in the fund, accumulating from year to year. Any balance remaining in the fund at the end of any Fiscal Year will remain in the fund, accumulating from year to year. A Charter amendment approved by voters in the 2016 general election established a Clean Water and Natural Lands Advisory Commission, and requires all proposals for use of the funds to be submitted to the Department of Budget and Fiscal Services for review, and qualified proposals to be submitted by the Department to the Commission, which will make a recommendation to the City Council for approval.

Grants In Aid Fund

Pursuant to the Charter, the City and County maintains 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. A Charter amendment approved by the voters in the 2016 general election made the Grants in Aid Fund the sole source of funds (with certain specified exceptions) for grants funded by the City and County to tax exempt non-profit organizations for the purposes described above.

Honolulu Zoo Fund

Pursuant to a Charter amendment approved by the voters in the 2016 general election, the Honolulu Zoo Fund was established as a special fund to pay for the operation, repair, maintenance and improvement of the Honolulu Zoo. 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 real property tax revenues for deposit into the Fund. Any balance remaining in the Fund at the end of any Fiscal Year will remain in the Fund, accumulating from year to year. This provision of the Charter will be automatically repealed on June 30, 2023 if the Honolulu Zoo is not accredited by the Association of Zoos and Aquariums, in which event any balance remaining in the Fund will be deposited in the General Fund.

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, 2016, 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, 2012 through 2016, and has been summarized from the Director's Annual Financial Reports for the related Fiscal Years.

Table 13

CITY AND COUNTY OF HONOLULU
GENERAL FUND
BALANCE SHEET
For Fiscal Years Ended June 30, 2012 through June 30, 2016
(In thousand dollars)

	FY Ended June 30, 2012	FY Ended June 30, 2013 (as restated)	FY Ended June 30, 2014	FY Ended June 30, 2015	FY Ended June 30, 2016
ASSETS:					
Cash and securities	$194,075	$272,133	$156,569	$256,132	$226,590
Receivables:					
Real property taxes	12,654	13,416	13,394	13,385	12,729
Other	19,737	25,883	14,589	16,886	14,192
Due from other funds	29,499	25,276	131,169	19,276	20,967
Total Assets	$255,965	$336,708	$315,721	$305,679	$274,478
LIABILITY AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 8,602	$ 33,757	$ 39,176	$ 28,182	$ 34,995
Due to other funds	10	10	30	12	106
Accrued payroll and fringes	19,218	19,006	23,474	21,938	23,346
Deferred revenues	10,878	13,416	12,593	11,241	10,885
Total Liabilities	$ 38,708	$ 66,189	$ 75,273	$ 61,373	$ 69,332
Fund Balances:					
Reserved for encumbrances	$ 58,215	$ 55,384	$ 54,880	$ 74,282	$ 65,124
Unreserved-undesignated	159,042	215,135	185,568	170,024	140,022
Total Fund Balances	217,257	270,519	240,448	244,306	205,146
Total Liabilities and Fund Balances	$255,965	$336,708	$315,721	$305,679	$274,478

Table 14

CITY AND COUNTY OF HONOLULU
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For Fiscal Years Ended June 30, 2012 through June 30, 2016
(In thousand dollars)

	FY Ended June 30, 2012	FY Ended June 30, 2013 (as restated)	FY Ended June 30, 2014	FY Ended June 30, 2015	FY Ended June 30, 2016
REVENUES:					
Real property tax [(1)]	$ 853,194	$ 875,424	$ 895,057	$ 993,433	$ 1,054,429
Licenses and permits	35,811	38,335	42,699	43,432	43,559
Intergovernmental revenues [(2)]	49,168	41,062	41,060	45,521	45,413
Charges for services	6,215	6,318	7,867	8,257	7,463
Fines and forfeits	395	590	847	806	878
Miscellaneous	52,440	50,643	51,384	48,837	51,702
Total Revenues	$ 997,223	$1,012,372	$1,038,914	$1,140,286	$1,203,444
EXPENDITURES:					
Current:					
General government	$ 127,084	$ 124,444	$ 131,740	$ 135,007	$ 137,729
Public safety	330,766	324,357	344,315	365,200	380,881
Highways and streets	1,805	2,818	2,550	2,588	4,515
Sanitation	4,391	4,193	3,841	3,822	3,475
Health and human resources	3,623	3,466	3,837	5,083	8,390
Culture and recreation	56,921	58,031	59,272	62,014	67,939
Utilities or other enterprises	3	--	43	--	--
Miscellaneous	217,639	219,642	212,303	246,646	271,138
Capital outlay	--	--	2,561	3,973	4,900
Debt service:					
Principal retirement	832	833	848	864	521
Interest charges	66	89	74	58	26
Total Expenditures	$ 743,130	$ 737,873	$ 761,384	$ 825,255	$ 879,514
Excess of Revenues over Expenditures	$ 254,093	$ 274,499	$ 277,530	$ 315,031	$ 323,930
OTHER FINANCING SOURCES (USES):					
Capital Leases	$ 1,302	$ --	$ --	$ --	$ --
Sales of general fixed assets	--	--	--	21	345
Operating transfer-in	113,150	118,080	127,374	121,601	145,455
Operating transfer-out	(361,917)	(330,684)	(434,975)	(432,795)	(508,890)
Total Other Financing Sources (Uses)	$(247,465)	$(212,604)	$(307,601)	$(311,173)	$(363,090)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	$ 6,628	$ 61,895	$ (30,071)	$ 3,858	$ (39,160)
Fund Balance--July 1	210,629	217,257	270,519	240,448	244,306
Prior period adjustment	--	(8,633)	--	--	--
Fund Balance--June 30	$ 217,257	$ 270,519	$ 240,448	$ 244,306	$ 205,146

(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.*

Table 15

CITY AND COUNTY OF HONOLULU
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For Fiscal Year Ended June 30, 2016 with Comparative Totals For Fiscal Year Ended June 30, 2015
(In thousand dollars)

	Governmental Funds				Totals (Memorandum Only)	
Revenues:	General Fund [1]	Highway Fund	G.O. Bond & Interest Redemption Fund	Other Governmental Funds	2016	2015
Taxes	$ 1,054,429	$ 97,538	$ --	$ 10,054	$1,162,021	$1,109,836
Special assessments	--	--	--	4	4	5
Licenses and permits	43,559	132,790	--	5,347	181,696	177,867
Intergovernmental	45,413	--	--	160,768	206,181	189,868
Charges for services	7,463	4,617	--	20,918	32,998	34,066
Fines and forfeitures	878	--	--	92	970	973
Miscellaneous:						
Reimbursements and recoveries	44,277	2,761	--	--	47,038	46,909
Interest	2,047	--	--	214	2,261	521
Other - primarily rents, concessions, trust receipts	5,531	2,412	--	16,394	24,337	27,313
Total revenues	$1,203,597	$ 240,118	$ --	$ 213,791	$1,657,506	$1,587,358
Expenditures:						
Current:						
General government	$ 137,773	$ 20,270	$ --	$ 12,473	$ 170,516	$ 166,414
Public safety	380,881	33,098	--	12,904	426,883	410,702
Highways and streets	4,515	20,189	--	3,672	28,376	26,193
Sanitation	3,475	--	--	210	3,685	3,822
Health and human resources	13,887	--	--	83,406	97,293	90,973
Culture-Recreation	67,939	--	--	26,671	94,610	88,415
Utilities or other enterprises	--	1,936	--	60,839	62,775	58,420
Miscellaneous:						
Retirement and health benefits	246,129	26,628	--	10,272	283,029	258,330
Other	25,009	2,314	--	561	27,884	26,013
Capital outlay	4,900	1,097	--	212,951	218,948	157,512
Debt service:						
Principal retirement	521	--	115,728	--	116,249	97,055
Interest charges	26	--	99,218	--	99,244	88,106
Bond issuance costs	--	--	--	--	--	2,052
Total expenditures	$ 885,055	$ 105,532	$ 214,946	$ 423,959	$1,629,492	$1,474,007
Revenues over (under) Expenditures	$ 318,542	$ 134,586	$(214,946)	$(210,168)	$ 28,014	$ 113,351
Other financing sources (uses):						
Proceeds of tax-exempt commercial paper	$ --	--	--	--	--	100,000
Proceeds of general obligation bonds	--	--	--	--	--	280,845
Proceeds of refunding bonds	--	--	--	--	--	517,146
Payment of refunded bonds/commercial paper	--	--	--	--	--	(546,799)
Bond Premium/(Discount)			--	--	--	125,697
Loss on refunding bonds	--	--	--	--	--	(44,822)
Sales of fixed assets	759	213	--	--	972	316
Operating transfers in	181,488	--	214,946	18,951	415,385	338,450
Operating transfers out	(508,890)	(141,893)	--	(10,334)	(661,117)	(568,389)
Total Other Financing Sources (Uses)	$(326,643)	$(141,680)	$ 214,946	$ 8,617	$ (244,760)	$ 202,444
Revenues and Other Sources over (under) Expenditures and Other Uses	(8,101)	(7,094)	--	(201,551)	(216,746)	315,795
Fund Balances – July 1 as previously stated/restated	323,576	66,239	--	366,814	756,629	440,834
Fund Balances – June 30	$ 315,475	$ 59,145	$ --	$ 165,263	$ 539,883	$ 756,629

[1] *General Fund figures differ from previous table. General Fund figures above include certain revenues and expenditures attributed to the General Fund under Governmental Auditing Standards Board Statement No. 54.*

Table 16

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, 2012 through June 30, 2016
(In thousand dollars)

	FY Ended June 30, 2012	FY Ended June 30, 2013	FY Ended June 30, 2014	FY Ended June 30, 2015	FY Ended June 30, 2016
REVENUES:					
Taxes	$ 964,167	$ 994,105	$1,011,072	$1,109,836	$1,162,021
Special assessments	17	15	5	5	4
Licenses and permits	161,492	166,135	173,233	177,867	181,696
Intergovernmental revenues (1)	233,499	205,496	201,624	189,868	206,181
Charges for services	30,679	31,813	33,150	34,066	32,998
Fines and forfeitures	541	831	927	973	970
Miscellaneous	77,985	73,165	76,911	74,743	73,636
Total Revenues	$1,468,380	$1,471,560	$1,496,922	$1,587,358	$1,657,506
EXPENDITURES:					
Current:					
General government	$ 155,044	$ 155,304	$ 167,707	$ 166,414	$ 170,516
Public safety	386,145	371,294	390,443	410,702	426,883
Highways and streets	17,336	18,696	22,658	26,193	28,376
Sanitation	4,514	4,203	3,907	3,822	3,685
Health and human resources	72,544	74,089	92,127	90,973	97,293
Culture-Recreation	79,547	82,664	86,537	88,415	94,610
Utilities or other enterprises	23,201	29,380	37,329	58,420	62,775
Miscellaneous	242,041	251,694	250,563	284,343	310,913
Capital outlay	218,713	201,884	206,483	157,512	218,948
Debt service:					
Principal retirement	84,906	88,276	115,925	97,055	116,249
Interest charges	99,713	97,580	97,765	88,106	99,244
Bond issuance costs	--	2,125	--	2,052	--
Total Expenditures	1,383,704	1,377,189	1,471,444	1,474,007	1,629,492
Revenues over (under) Expenditures	$ 84,676	$ 94,371	$ 25,478	$ 113,351	$ 28,014
OTHER FINANCING SOURCES (USES):					
Proceeds of general obligation bonds	$ 131,206	$ 191,296	$ 11,152	$ 280,845	$ --
Proceeds of tax-exempt commercial paper	--	45,000	--	100,000	--
Proceeds of refunding bonds	149,328	642,942	--	517,146	--
Payment of refunded bonds/commercial paper	(155,506)	(621,449)	--	(546,799)	--
Bond premium/(discount)	5,479	14,346	--	125,697	--
Loss on refunding bonds	--	--	--	(44,822)	--
Capital leases	1,302	--	--	--	--
Sales of fixed assets	181	1,606	203	316	972
Operating transfers-in	320,463	340,224	371,055	338,450	415,385
Operating transfers-out	(518,779)	(499,490)	(590,213)	(568,389)	(661,117)
Total Other Financing Sources (Uses)	$ (66,326)	$ 114,475	$(207,803)	$202,444	$(244,760)
Special Item: Contribution to component unit	(447,284)	--	--	--	--
Net change in fund balances	$(428,934)	$ 208,846	$(182,325)	$315,795	$(216,746)
Fund Balances—July 1	$ 857,641	$ 428,707	$ 637,553	$ 440,834	$756,629
Prior period adjustment (2)	--	--	(14,394)	--	--
Fund Balances—June 30	$ 428,707	$ 637,553	$ 440,834	$ 756,629	$539,883

(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 AND EMPLOYEE BENEFITS

Employee Relations

Article XIII of 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 ("BU"s) for all public employees in the State, including City and County employees. Nine of these bargaining units represent City and County employees: BU 01 (blue-collar non-supervisory employees), BU 02 (blue collar supervisory employees), BU 03 (white-collar non-supervisory employees), BU 04 (white-collar supervisory employees), BU 10 (institutional health and correctional workers), BU 11 (firefighters), BU 12 (police officers), BU 13 (professional and scientific employees), and BU 14 (ocean safety and water safety officers).

Each bargaining unit designates an employee organization as the exclusive representative of all employees of the unit, which organization negotiates with the public employer. 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. For matters concerning BUs 01, 02, 03, 04, 13 and 14, the Governor has six votes and each of the county mayors, the Chief Justice of the State Supreme Court and the board of directors of the Hawaii Health Systems Corporation has one vote if such employers have employees in the particular bargaining unit. For matters concerning BUs 11 and 12, the Governor has four votes and each of the county mayors has one vote.

In the event of an impasse, blue-collar non-supervisory employees are permitted to conduct a strike after following prescribed impasse procedures. In the case of the City and County's other bargaining units, any impasse is required to be resolved through mediation and compulsory final and binding arbitration. Although the statute characterizes arbitration as "final and binding," it also provides that all cost items are subject to approval by the respective legislative bodies of the State and each county. The State and the four counties must collectively approve the cost items before the cost items may take effect. If any legislative body rejects any cost item, the parties will need to return to the bargaining table. In the case of blue collar workers, if final and binding arbitration is not agreed upon, it could result in a strike. The other bargaining units are prohibited from striking by law. Certain employees are not party to a formal labor contract including elected and appointed officials, and certain contractual hires.

The status of negotiations and awards for wages and health benefits for the period from July 1, 2017 to June 30, 2019 is as follows:

BU 01 (blue collar workers): The United Public Workers (UPW) and the employer have agreed to extend the June 30, 2017 expiration date of their existing collective bargaining contract for the purpose of providing for increased health benefit contributions comparable to settled units. The UPW scheduled ratification meetings from July 26, 2017 through August 10, 2017 for members to vote on a new four-year contract.

BU 02 (blue collar supervisors): An arbitration award was issued April 27, 2017. The award provides for across the board wage adjustments of 2.0% on July 1, 2017, 1.2% on January 1, 2018, 2.25% on July 1, 2018 and 1.2% on January 1, 2019. The award also provides for continuation of step movement adjustments for eligible employees.

BU 03 (white collar workers): An arbitration award was issued April 27, 2017. The award provides for across the board wage adjustments of 2.0% on July 1, 2017, 1.5% on January 1, 2018, 2.25% on July 1, 2018, and 1.25% on January 1, 2019. The award also calls for the deletion of the lowest step on the salary schedule effective January 1, 2019.

BU 04 (white collar supervisors): An arbitration award was issued April 27, 2017. The award provides for across the board wage adjustments of 2.0% on July 1, 2017, 1.5% on January 1, 2018, 2.25% on July 1, 2018, and 1.25% on January 1, 2019. The award also calls for the deletion of the lowest step on the salary schedule effective January 1, 2019.

BU 10 (institutional health and correctional workers): BU 10, represented by the UPW, AFSCME Local 646, AFL-CIO, recently ratified a four-year contract covering the period from July 1, 2017 through June 30, 2021.

BU 11 (firefighters): An arbitration award was issued April 17, 2017. The award provides for across the board wage adjustments of 2.0% on July 1, 2017 and 2.25% on July 1, 2018. The award also provides for continuation of step movement adjustments for eligible employees.

BU 12 (police officers): The State of Hawaii Organization of Police Officers and the employer have agreed to a contract extension for the purpose of providing for increased health benefit contributions comparable to settled units. Arbitration regarding wages is expected to begin in August 2017.

BU 13 (professional and scientific employees): An arbitration award was issued April 27, 2017. The award provides for across the board wage adjustments of 2.0% on July 1, 2017, and 2.25% on July 1, 2018. The award also provides for continuation of step movement adjustments for eligible employees.

BU 14 (ocean safety and water safety officers): HGEA and the employer exchanged initial proposals in June 2016. The Hawaii Labor Relations Board declared an impasse in negotiations November 1, 2016. An arbitration hearing date has not yet been scheduled. HGEA and the employer have agreed to extend the June 30, 2017 expiration date of their existing collective bargaining contract for the purpose of providing for increased health benefit contributions comparable to settled units.

Employee Benefits

Set forth below is certain information regarding health care benefits, pension benefits and other post-employment benefits for which City and County employees are eligible. The information included under the captions "Pensions" and "Other Post-Employment Benefits" below relies on information produced by the ERS (as defined under "Pensions" below) and the Trust Fund (as defined under "Health Care Benefits" below), respectively. Actuarial assessments are "forward-looking" information that reflect the respective judgments of the fiduciaries of the ERS and the Trust Fund. Such actuarial assessments are based upon a variety of 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 ERS and the Trust Fund.

Health Care Benefits

All regular employees of the City and County are eligible for coverage under health plans provided through the Hawaii Employer-Union Health Benefits 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.

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 GASB. 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. Beginning in Fiscal Year 2015, employer contributions to the Trust Fund for these benefits are determined by the Trust Fund based on an actuarial analysis of the amounts required to prefund the retiree benefits. The Trust Fund operates as an agent multiple employer defined benefit plan; liabilities and contribution requirements are measured for each participating government employer and the assets of each employer are held in separate accounts, although pooled for investment purposes.

The following table describes the number of retired and active City and County employees receiving OPEBs at July 1, 2013 and July 1, 2015:

Table 17

City and County of Honolulu
Retiree Health Care Plan Membership

Category	July 1, 2015	July 1, 2013
Retirees	6,974	6,776
Deferred Inactives	782	777
Actives	8,786	8,568

The Trust Fund biennially commissions actuarial studies of the OPEB obligations of the State and each of the four counties. In the most recent actuarial valuation report for the year ending June 30, 2015, the Trust Fund's actuarial consultant calculated the Annual Required Contributions for the Fiscal Years ending June 30, 2017 and 2018 and provided an estimate of the actuarial accrued OPEB liabilities under GASB 45 for each participating employer. The City and County's actuarial accrued liability was estimated to be $2.009 billion, its unfunded actuarial accrued liability was estimated to be $1.766 billion, with a funded ratio of 12.07%. The actuarial calculations for the City and County assumed full prefunding of its obligation and a discount rate of 7%.

The City and County reported a net OPEB obligation of $431.4 million for Fiscal Year 2016, compared with $389.3 million for Fiscal Year 2015. The annual required contribution is estimated to be approximately $166.9 million for Fiscal Year 2018 with full prefunding, compared to $161.2 million for Fiscal Year 2017. The annual OPEB cost was $154.3 million for Fiscal Year 2016, compared to $149.7 million for Fiscal Year 2015.

The City and County's net OPEB obligation for Fiscal Year 2016 was allocated among various funds as follows:

Fund	Amount
General Fund	$ 385,058,443
Sewer Fund	25,923,147
Transportation Fund	1,236,106
Refuse	17,721,655
H-Power	78,303
Glass Incentive	22,521
Recycling	1,373,262
Total:	$431,413,437

Transfers to the Trust Fund to prefund the City and County's OPEB obligations are determined on a year-by-year basis. For Fiscal Years 2013–2016, the City and County transferred the following respective amounts to the Trust Fund for this purpose: $38.5 million, $41.5 million, $47.1 million and $30.8 million. An additional transfer in the amount of $48.8 million was made for Fiscal Year 2017 on July 29, 2016.

Act 268, Session Laws of Hawaii 2013, requires EUTF to establish and administer a separate trust fund account for each public employer for the purpose of receiving irrevocable employer contributions to prefund OPEB benefit costs. The City and County's previous pre-funding contributions and related net investment earnings were transferred to its OPEB Trust account. Act 268 requires all public employers within the State to contribute annually to the Trust Fund the full amount of their actuarially-determined 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 is being phased in over a five-year period, with employers required to contribute 20% of their actuarially-determined 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. The Trust actuary determines the contributions required under Act 268 by first establishing the amount of the full actuarially-determined Annual Required Contribution (ARC), then deducting the amount paid by the employer to cover pay-as-you-go benefits, then applying the required payment percentage (e.g. 60% for FY 2017) to the remaining portion of the full ARC.

The following table shows the City and County's ARC, actual contributions and, for fiscal years 2015 to 2017, the contribution requirements of Act 268.

Table 18

City and County of Honolulu: History of OPEB Contributions (Dollars in Thousands)

Fiscal Year	OPEB ARC	Benefit Payment (Pay-Go)	EUTF Trust Deposit	Total City Contribution	% of ARC Paid	Act 268 Minimum Percentage	Act 268 Minimum Contribution(1)
2011	$150,711	$62,844	-0-	$62,844	42%	0%	NA
2012	153,979	63,077	40,000	103,077	67	0	NA
2013	140,695	68,101	38,500	106,601	76	0	NA
2014	144,624	65,511	41,540	107,051	74	0	NA
2015	147,058	64,683	47,123	111,806	76	20	$15,708
2016(2)	152,205	69,470	30,845	100,315	66	40	30,845
2017	161,233	79,905	48,797(3)	128,702	80	60	48,797(3)

(1) The Act 268 minimum contributions are based on the required statutory percentages applied to the difference between the ARC and projected pay-as-you-go amounts of $68.518 million for FY 2015 and $75.092 million for FY 2016, rather than the actual pay-as-you-go amounts for retirees.

(2) Unaudited.

(3) Contribution made on July 29, 2016.

The following table sets forth the OPEB funding progress for the City and County since FY 2007:

Table 19

City and County of Honolulu: OPEB Funding Progress
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets(1)	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	$242,593	$2,009,083	$1,766,490	12.1%	$613,054	288.1%
July 1, 2013	123,406	1,795,635	1,672,229	6.9	551,642	303.1
July 1, 2011	40,177	1,776,061	1,735,884	2.3	548,355	316.6
July 1, 2009	40,110	1,924,859	1,884,749	2.1	556,742	338.5
July 1, 2007	-0-	1,242,255	1,242,255	0.0	524,258	237.0

(1) According to information recently provided by the Trust Fund, the value of the City and County's OPEB assets as of June 30, 2016 was $291.98 million.

The OPEB ARC, actuarial accrued liability, and unfunded actuarial accrued liability are provided by the Trust Fund's actuary, measured in the most recent actuarial valuation report as of July 1, 2015. Significant actuarial methods and assumptions utilized in the Trust Fund's 2015 Actuarial Valuation Report are as follows:

Amortization method	Level percentage, closed
Equivalent single amortization period	21.7 years
Asset valuation method	Market
Actuarial assumptions	
Inflation rate	3.00%
Investment rate of return	7.00%
Projected salary increase	3.50%
Healthcare inflation rates	
PPO	9.00% initial, declining to 5.00% after 8 years
HMO	7.00% initial, declining to 5.00% after 8 years
Dental	4.00%
Vision	3.00%
Medicare Part B	Initial rate of 3.00%, increasing to 5.00% after 2 years
Life Insurance	0.00%

In June, 2015, GASB approved new accounting and financial reporting standards for state and local government OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74) applies to OPEB plans. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) applies to state and local employers that sponsor OPEB. Generally, the new OPEB standards parallel those applied to defined-benefit pension plans and participating employers by GASB 67 and 68, respectively. The new standards introduce new procedures for measuring OPEB liabilities and costs, require employers to report a net OPEB liability on their financial statements, and require more extensive disclosure in plan and employer financial statements. GASB 74 will be effective for plans with fiscal years beginning after June 15, 2016. GASB 75 will be effective for employers for fiscal years beginning after June 15, 2017. The City and County has not determined the potential impact of the new standards on its financial statements.

Pensions

All eligible employees of the City and County are covered under the Employees' Retirement System of the State (the "System" or "ERS"), 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, derived primarily 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 is 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 total pension liability, net pension liability, annual pension expense and other actuarial calculations and valuations of the System and, in turn, to attribute a share of its liabilities and costs to participating employers, including the City and County. No assurance can be given that any of the assumptions underlying such calculations and valuations will reflect the actual results experienced by the System. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and variances between the assumptions and actual results may cause an increase or decrease in, among other things, the System's total pension liability, net pension liability or funded ratio and, in turn, the City and County's share of the System's costs and liabilities. 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.

General Information. The System began operation on January 1, 1926. 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 State 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 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.

The ERS provides retirement, disability, and death benefits that are covered by the provisions of the noncontributory, contributory, and hybrid retirement plans. The three plans provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation (AFC) multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. For members hired before January 1, 1971, AFC is the higher of the average salary earned during five highest paid years of service, including the payment of salary in lieu of vacation, or the three highest paid years of service excluding the payment of salary in lieu of vacation. For members hired on or after January 1, 1971 and before July 1, 2012, AFC is based on the three highest paid years of service, excluding the payment of salary in lieu of vacation. For members hired after June 30, 2012, AFC is based on the five highest paid years of service, excluding the payment of salary in lieu of vacation.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5.0% the second year, 7.5% the third year, etc.). For members hired after June 30, 2012, the post-retirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees. Further details of the benefits provisions of the pension plans may be found in the City and County's Comprehensive Annual Financial Report and in the financial and actuarial reports of the System. The System is funded from contributions by employers and, for the contributory and hybrid plans, by employees as well. Employer contribution rates are set by statute.

City and County Pension Liabilities

This section contains certain historical information regarding the City and County's pension obligations at June 30, 2016, as set forth in the City and County's Comprehensive Annual Financial Report for the fiscal year ended on that date. Such historical information is derived from the System's 2015 actuarial valuation report (the "2015 Valuation Report"). As noted in subsequent sections below, the System's 2016 actuarial valuation report (the "2016 Valuation Report") reflects certain changes in actuarial assumptions adopted by the ERS Board. Such changes, including principally a reduction in the assumed investment rate from 7.65% to 7.00%, materially affect the prospective information regarding the ERS presented in such subsequent sections.

As of Fiscal Year 2015, the City and County's financial reporting for pensions conforms to GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. GASB 68 requires government employers participating in cost sharing multi-employer plans such as ERS to report a proportionate share of the net pension liability and pension expense of the plan. These measurements were provided by the System's consulting actuary, based on the actuarial valuation of the System.

At June 30, 2016, the City and County reported a liability of $1.521 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's net pension liability as of June 30, 2015 was $8.733 billion. The City and County's proportion of the net pension liability was based on the actual employer contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the City and County's proportion was 17.41%, which was an increase of 1.10% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City and County recognized pension expense of $178.706 million.

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for Fiscal Year 2016 were 25.00% for police and firefighters and 17.00% for all other employees. Contributions to the System from the City and County for June 30, 2016, 2015, and 2014 were $129.245 million, $132.308 million, and $87.979, respectively.

The employer is required to make all contributions for members in the noncontributory plan. For contributory plan employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary and police and firefighters are required to contribute 12.2% of their salary. For contributory plan employees hired after June 30, 2012, general employees are required to contribute 9.8% of their salary and police and firefighters are required to contribute 14.2% of their salary. Hybrid plan members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid plan members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Table 20

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Fiscal Year (June 30)	Statutorily Required Contribution	Actual Contributions Recognized by the Plan	Contribution Deficiency (Excess)	City and County's Covered Payroll	Contributions as a % of Covered Payroll
2012	$ 89,275	$ 81,690	$ (7,585)	$517,862	15.77%
2013	93,503	87,840	(5,663)	509,130	17.25
2014	102,885	87,979	(14,906)	536,304	16.40
2015	121,465	132,308	10,843	576,916	22.89
2016	135,217	129,245	(5,972)	599,494	21.56

The following table presents the sensitivity of the City and County's proportionate share of the net pension liability, recorded at June 30, 2016 based on the 2015 Valuation Report, calculated using the reported discount rate of 7.65%, as well as the City and County's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%):

Table 21

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City and County's share of net pension liability ($000)	$1,952,393	$1,520,529	$1,088,667

The total pension liability in the 2016 Valuation Report was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth rate	3.50% per annum
Investment rate of return	7.00% per annum

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including COLA. Post-retirement mortality rates were based on either the Client Specific Tables, for general employees, or the 1994 US Group Annuity Mortality Static Table, for police and firefighters. Pre-retirement mortality rates were based on the RP-2000 Mortality Tables.

The actuarial assumptions used in the 2015 Valuation Report were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. ERS updates the experience study every five years.

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The discount rate used to measure the net pension liability in the 2015 Valuation Report was 7.65%, a decrease from the 7.75% rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the City and County will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Hawaii Employees' Retirement System

The City and County's pension expense and liability is directly dependent on the overall performance and condition of the ERS. This section provides additional information on the System. While the ERS has adopted GASB 67, and all of its participating employers, including the City and County, have adopted GASB 68, the System's actuary continues to provide an annual actuarial valuation report that is based on the provisions of Chapter 88 of the Hawaii Revised Statutes, as amended, and the actuarial assumptions adopted by the ERS Board of Trustees. This actuarial valuation report determines whether current employer contribution rates are adequate to ensure that the UAAL can be funded over a period not exceeding 30 years, describes the financial condition of the ERS, and analyzes changes in the ERS's condition. The information presented in this section is derived from the 2016 Valuation Report, presenting the actuarial condition of the ERS as of June 30, 2016.

The demographic data for each annual June 30 valuation is collected as of the March 31 preceding the valuation date. As of March 31, 2016, the contributory plan covered 6,070 active employees or 9% of all active members of the System, the noncontributory plan covered approximately 15,062 active employees or 22%, and the Hybrid Plan covered 46,245 active members or 69%. The Hybrid Plan membership will continue to increase in the future as most new employees will be required to join this plan.

As of March 31, 2016, the System's membership comprised approximately 67,377 active employees, 7,741 inactive vested members and 45,506 pensioners and beneficiaries. The following table shows the number of active members, inactive vested members and retirees and beneficiaries of the System as of March 31, 2014, 2015 and 2016:

Table 22

SYSTEM MEMBERSHIP

Category	**March 31, 2014**	**March 31, 2015**	**March 31, 2016**
Active	67,206	67,310	67,377
Inactive, vested	8,105	7,413	7,741
Retirees and beneficiaries	43,087	44,283	45,506
Total	**118,398**	**119,006**	**120,624**

Funded Status

Based on the 2016 Valuation Report, the System's Unfunded Actuarial Accrued Liability ("UAAL") increased to $12,440.5 million, compared to $8,774.7 million for the prior year. This increase was caused primarily by an increase in the liabilities of the System due to the decrease in the investment return assumption from 7.65% to 7.00% and significantly lower market returns during fiscal year 2016. The funded ratio decreased to 54.7% in 2016, compared to 62.2% for the prior year based on smoothed assets. 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 25.00% for police and fire employees and 17.00% 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, as of the 2016 Valuation Report, the remaining amortization period is 66 years. Since the aggregate funding period based on the contributions rates exceeds 30 years, the rates are not adequate to meet the requirements of Hawaii Revised Statutes Section 88-122(e)(1). The State statute 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

Act 163, SLH 2011, which became effective July 1, 2012, established the employer contribution rates set forth in the following table.

Table 23

EMPLOYER CONTRIBUTION REQUIREMENTS

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2012	22.0	15.5
July 1, 2013	23.0	16.0
July 1, 2014	24.0	16.5
July 1, 2015	25.0	17.0

Act 17, SLH 2017, which became effective July 1, 2017, was adopted to bring the System's funding period within 30 years by increasing employer contribution requirements as follows:

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2017	28.0	18.0
July 1, 2018	31.0	19.0
July 1, 2019	36.0	22.0
July 1, 2020	41.0	24.0

The Legislature also included $34.6 million in fiscal year 2017-2018 and $70.7 million in fiscal year 2018-2019 in the Executive Budget Bill (H.B. 100, H.D. 1, S.D. 1, C.D. 1) ("H.B. 100"), which was approved by the Legislature on May 2, 2017.

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 became 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 individual entry age normal cost method. The most recent valuation was performed for the year ended June 30, 2016.

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, 2016 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, Hybrid, and noncontributory plans, the total normal cost for benefits provided by the System for the fiscal year ended June 30, 2016 was 13.98% of payroll, which was 9.68% of payroll less than the total contributions required by law (17.91% from employers plus 5.75% in the aggregate from employees). Since only 8.23% of the employers' 17.91% contribution is required to meet the normal cost (5.75% comes from the employee contribution), it is intended that the remaining 9.68% 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. 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 were adopted by the Board of Trustees based on the recommendations of the System's actuary in the most recent experience study, the 2015 Experience Study, and are reflected in the 2016 Valuation Report. The most significant changes in assumptions reflected in the 2016 Valuation Report is the decrease of the investment return assumption from 7.65% to 7.00% and the mortality assumption was modified to assume longer life expectancies as well as to reflect continuous mortality improvement.

The actual investment returns of the System for Fiscal Years 2007 through 2016 shown below are market returns, net of investment and administrative expenses.

Table 24

Fiscal Year	Percentage
2007	17.81%
2008	-3.51%
2009	-17.54%
2010	11.96%
2011	21.25%
2012	-0.14%
2013	12.57%
2014	17.77%
2015	4.23%
2016	-0.78%

Source: Report on Investment Activity for the ERS prepared by Callan Associates, Inc. (2006), Pension Consulting Alliance, Inc. (2007), The Northern Trust Company (2008 to 2013), and The Bank of New York Mellon (2014 to 2016), and reported in the System's Comprehensive Annual Financial Reports.

Through March 31, 2017, the actual investment return (market return) of the System for the first nine months of fiscal year 2017 was 10.3%, gross of investment and administrative expenses.

The 2016 Valuation Report found that, as the percentage of employees hired on and after July 1, 2012, increases and the new funding policies impact the System, the UAAL will be fully amortized over a 66-year period. Assuming a constant employment base, the number of employees entitled to pre-2012 retirement benefits should equal the number of employees entitled to post-2012 retirement benefits in fiscal year 2023. The combination of the higher contribution policies and new benefit structure for future employees is expected to enable the System to absorb the prior adverse experience over the 66-year term.

Table 25 shows the System's funding progress for the ten most recent actuarial valuation dates. Table 26 shows the System's projected funding progress through the Fiscal Year ending June 30, 2045. The projection assumes no actuarial gains or losses in the actuarial liabilities or the actuarial value of assets. In addition, the projection reflects the changes made to the benefits and member contribution rates of employees hired after June 30, 2012, but does not take into account the increased employer contributions required by Act 17, SLH 2017. As discussed under the heading "—*Funded Status*" above, due to certain changes in actuarial assumptions in the 2016 Valuation Report, the actuary has determined that the System will not be fully funded until 2082, which exceeds the maximum period under State law.

Table 25

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in millions)

Fiscal Year (June 30)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)–(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b)–(a))/(c)
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
2015 *	14,463.7	23,238.4	8,774.7	62.2	4,171.4	210.4
2016 *	14,998.7	27,439.2	12,440.5	54.7	4,258.9	292.1

Source: 2016 Valuation Report

* *New assumption effective on valuation date.*

Table 26

PROJECTED FUNDING PROGRESS*
(Dollar amounts in millions)

Fiscal Year (ending June 30)	Employer Contributions	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio
2016	$ 763	$27,439	$14,997	$12,443	54.7%
2017	779	28,504	15,626	12,878	54.8
2018	797	29,643	16,318	13,325	55.0
2019	816	30,785	17,002	13,783	55.2
2020	837	31,929	17,676	14,252	55.4
2021	858	33,074	18,341	14,733	55.5
2022	881	34,220	18,995	15,224	55.5
2023	904	35,365	19,639	15,726	55.5
2024	929	36,510	20,271	16,239	55.5
2025	954	37,651	20,889	16,763	55.5
2026	981	38,788	21,492	17,296	55.4
2027	1,009	39,921	22,081	17,840	55.3
2028	1,038	41,051	22,658	18,393	55.2
2029	1,069	42,179	23,223	18,956	55.1
2030	1,101	43,307	23,779	19,528	54.9
2031	1,134	44,436	24,328	20,108	54.7
2032	1,169	45,565	24,869	20,696	54.6
2033	1,205	46,694	25,404	21,290	54.4
2034	1,243	47,827	25,935	21,891	54.2
2035	1,282	48,964	26,466	22,498	54.1
2036	1,323	50,108	26,999	23,109	53.9
2037	1,366	51,261	27,538	23,723	53.7
2038	1,411	52,429	28,088	24,340	53.6
2039	1,458	53,614	28,656	24,959	53.4
2040	1,506	54,823	29,246	25,577	53.3
2041	1,557	56,060	29,866	26,194	53.3
2042	1,610	57,331	30,523	26,808	53.2
2043	1,665	58,642	31,225	27,417	53.2
2044	1,722	59,998	31,977	28,021	53.3
2045	1,781	61,406	32,790	28,616	53.4

Source: 2016 Valuation Report

* *Assumes all actuarial assumptions exactly met, including a 7.00% annual return on the current actuarial value of assets. No assurance can be given that any of such assumptions will reflect the actual results experienced by the System. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the System, and variances between the assumptions and actual results may cause an increase or decrease in, among other things, the System's actuarial accrued liability, actuarial value of assets or funded ratio.*

The total assets of the System on a market value basis available for benefits amounted to approximately $12.4 billion as of June 30, 2013, $14.2 billion as of June 30, 2014, $14.5 billion as of June 30, 2015 and $14.1 billion as of June 30, 2016. Actuarial certification of assets as of June 30, 2015 was $14.5 billion and as of June 30, 2016 was $15.0 billion.

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 ration based on market value assets:

Table 27

ACTUARIAL VALUE OF ASSETS

Fiscal Year (ending June 30)	Actuarial Value of Assets (in millions)	Market Value of Assets (in millions)	Market Value as Percentage of AVA	Funded Ratio (AVA)	Funded Ratio (Market Value)
2007	$10,589.8	$11,434.3	108.0%	67.5%	72.8%
2008	11,381.0	10,846.8	95.3	68.8	65.5
2009	11,400.1	8,818.0	77.4	64.6	50.0
2010	11,345.6	9,821.6	86.6	61.4	53.1
2011	11,942.8	11,642.3	97.5	59.4	57.9
2012	12,242.5	11,285.9	92.2	59.2	54.6
2013	12,748.8	12,357.8	96.9	60.0	58.2
2014	13,641.8	14,203.0	104.1	61.4	63.9
2015	14,463.7	14,505.5	100.3	62.2	62.4
2016	14,998.7	14,070.0	93.8	54.7	51.3

Source: 2007-2016 Valuation Reports.

As of June 30, 2016, the UAAL of the System was $12,440.5 million. The following table shows the normal cost (which means the annual cost of providing retirement benefits for services performed by today's members) as a percentage of payroll, employee contribution rate and effective employer normal cost rate for the two groups of covered employees for Fiscal Years 2016 and 2015:

Table 28

NORMAL COST

	June 30,					
	2015			2016		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll:	20.39%	10.53%	11.66%	25.72%	12.46%	13.98%
Employee contribution rate:	12.35	4.77	5.64	12.40	4.89	5.75
Effective employer normal cost rate:	8.04	5.76	6.02	13.32	7.57	8.23

Source: 2016 Valuation Report.

The following table shows the annual required contributions, actual contributions and the percentage of actuarially required contribution that has been funded as of the last ten valuation dates. Employer contribution rates are set prospectively by the statute and, accordingly, may be greater or less than the ARC in any given year.

Table 29

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar amounts in thousands)

June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
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
2015	--*	717,793	--
2016	--*	756,558	--

Source: 2016 Valuation Report and 2015 Comprehensive Annual Financial Report for the System.

Excludes City and County-paid employee contributions classified as employer contributions pursuant to IRC Section 414(h)(2).

* *Amount is no longer calculated due to revised GASB standards.*

Asset Allocation

The following table shows the target and actual asset allocation of the System as of June 30, 2016:

Table 30

ASSET ALLOCATION
(as of June 30, 2016)

	Actual Allocation		Target Allocation		
Asset Type	Amount ($mm)	Percentage	Amount ($mm)	Percentage	Allocation Difference
Domestic Equity	$4,486.3	32.0%	$4,594.7	32.9%	-0.8%
Non-US Equity	3,138.5	22.4	3,640.3	26.0	-3.6
Fixed Income	2,909.4	20.8	2,800.3	20.0	0.8
Real Estate	779.8	5.6	779.8	5.6	0.0
Private Equity	805.7	5.8	805.7	5.8	0.0
Real Return	680.4	4.9	680.4	4.9	0.0
Covered Calls	988.5	7.1	700.1	5.0	2.1
Other	212.5	1.5	0.0	0.0	1.5
Total	**$14,001.3***	**100.0%***	**$14,001.3**	**100.0%***	

Source: Valuations provided by BNY Mellon – 2016.

* *Totals may not add up to due to rounding.*

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 31

EMPLOYER CONTRIBUTION RATES

Actuarial Valuation as of June 30	Total Calculated Employer Contribution Rate for all Employees (% of total payroll)*	Funding Period (Years)
2012	16.11%	30.0
2013	16.76	28.0
2014	17.28	26.0
2015	17.89	26.0
2016	17.91	66.0

* *Reflects Act 181, SLH 2004, which amended Sections 88-105, 88-122, 88-123, 88-124, 88-125, 88-126, Hawaii Revised Statutes, and Act 163, SLH 2011.*

The decrease in funding periods in 2013 and 2014 was due to liability gains from positive experience versus the actuarial assumptions and large investment gains, respectively. The increase in funding period 2016 is primarily due to the decrease in the investment return assumption from 7.65% to 7.00%.

Summary of Actuarial Certification Statement.

A summary of the actuarial certification of the System as of June 30, 2015 and June 30, 2016 is set forth below:

Table 32

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2015 and 2016
(Includes all counties)

ASSETS	2015	2016
Total current assets	$14,463,670,277	$14,998,749,060
Present value of future employee contributions	1,932,961,666	2,200,959,950
Present value of future employer normal cost contributions	1,868,722,677	2,777,611,039
Unfunded actuarial accrued liability	8,774,725,109	12,440,484,569
Present value of future employer Early Incentive Retirement Program contribution	N/A	N/A
TOTAL ASSETS	$27,040,079,729	$32,417,804,618
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	$12,321,791,648	$14,228,204,532
Present value of future benefits to active employees and inactive members	14,718,288,081	18,189,600,086
TOTAL LIABILITIES	$27,040,079,729	$32,417,804,618

Source: Gabriel, Roeder, Smith & Company.

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, 2013 through 2017, settlements and judgments against the City and County paid from the General Fund totaled $4,638,917, $8,497,207, $1,910,539, $5,100,262, and $9,120,316 (unaudited), 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 ended June 30, 2017. One case involves 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 involving City and County vehicles, employees, premises or roads. Other cases involve earth movement, property damage, and employment claims.

A complaint was filed against the City and County on September 8, 2015, and amended on November 6, 2015, challenging a number of City ordinances and other measures. At this point such litigation does not appear to challenge the ordinances or other measures pursuant to which the Bonds are being issued or the right of the City and County to levy taxes in connection with the Bonds. No assurance can be given that such complaint will not be further amended to include such challenges. If such challenges were to be raised, the City and County would vigorously defend against the challenges based, among other things, on statutory protections for debt obligations such as the Bonds. This case was dismissed by the State Circuit Court with Final Judgment filed on April 1, 2016. However, Plaintiff filed a Notice of Appeal on April 28, 2016. The appeal is fully briefed.

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.

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

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 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and the 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 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.

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 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 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 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 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 Bonds may adversely affect the value of, or the tax status of interest on, the 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 Bonds is excluded from gross income for federal income tax purposes and that the 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 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 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. 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 Bonds. Prospective purchasers of the 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 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 Bonds ends with the issuance of the 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 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 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 Bonds, and may cause the City and County or the Beneficial Owners to incur significant expense.

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 Underwriter by its counsel, McCorriston Miller Mukai MacKinnon LLP, Honolulu, Hawaii.

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, as Underwriter (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $348,758,392.21 (equal to the principal amount of such Bonds, less an underwriting discount of $1,241,607.79). The bond purchase contract provides that the Underwriter will purchase all of the Bonds if any are purchased. The

Underwriter 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 Underwriter and its 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 Underwriter and its 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 Underwriter and its 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 Underwriter and its 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.

CONTINUING DISCLOSURE

In order to assist the Underwriter 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.

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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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 resident population of 992,605 (approximately 69% of the state's population) as of July 1, 2016. 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.

The following material pertaining to economic factors in the City and County has been excerpted from the Hawaii State Department of Business, Economic Development and Tourism ("DBEDT") Third Quarter 2017 Quarterly Statistical Economic Report ("QSER") or from other materials prepared by DBEDT, some of which may be found at http://dbedt.hawaii.gov/.

Certain Economic Indicators

Employment. The following table presents certain annual employment statistics for the City and County and the second quarter of 2016 and 2017. As indicated below, the number of unemployed in the City and County decreased by 8.5% in the second quarter of 2017 from the same period in 2016. The City and County's unemployment rate of 2.7% in the second quarter of 2017 compares favorably to the unemployment rate for the State (3.0% in 2016 and 2.9% in the second quarter of 2017) and for the nation as a whole (4.9% in 2016 and 4.4% in the second quarter of 2017).

Table I
EMPLOYMENT STATISTICS

	Annual Average[1]				2nd Quarter		
	2013	**2014**	**2015**	**2016**	**2016**	**2017[2]**	**% Change Year Ago**
Civilian Labor Force	450,100	461,350	467,300	473,950	471,650	478,700	1.5
Civilian Employment	430,300	442,500	451,600	460,600	457,550	465,850	1.8
Unemployed	19,850	18,800	15,700	13,350	14,050	12,850	-8.5
Unemployment Rate	4.4%	4.1%	3.4%	2.8%	3.0%	2.7%	-0.3

[1] *Data benchmarked by DLIR in March 2017 and reflect revised population controls and model reestimation.*
[2] *Data are preliminary.*
Source: State of Hawaii, 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 2012 through 2016

As indicated, the per capita personal income in the City and County in 2015 (the most recent data available) was $51,122, representing a 3.8% increase over 2014. This increase exceeded the State's per capita personal income by $3,616 for the same year and the nation's per capita personal income by $3,932.

Table II

PER CAPITA PERSONAL INCOME

Year	Honolulu	State of Hawaii	United States
2012	$47,909	$44,428	$44,282
2013	$48,140	$44,639	$44,493
2014	$50,203	$46,594	$46,464
2015	$52,122	$48,506	$48,190
2016	N/A	$50,551	$49,571

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

Housing Market. Since the global economic downturn in 2008 and 2009, average resale prices in the Honolulu housing market have rebounded to record highs. The following table presents the annual average resale prices for single family homes and condominiums in Honolulu from 2012 through 2016, and the quarterly average resale prices for single family homes and condominiums in Honolulu during the second quarters of 2016 and 2017.

Table III

AVERAGE RESALE PRICES

	Single Family Homes		Condominiums	
Year	Average Resale Price	% Change	Average Resale Price	% Change
2012	$752,075	9.4	$377,346	-1.2
2013	$791,123	5.2	$393,709	4.3
2014	$822,240	3.9	$460,893	17.1
2015	$863,969	5.1	$435,810	-5.4
2016	$884,427	2.4	$572,223	31.3
2016 Q2	$901,141	4.3	$518,610	27.5
2017 Q2	$879,656	-2.4	$490,157	-5.5

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 2016, the State government generated 74,100 jobs, of which more than 75% were located on Oahu. The largest number of State employees work in public education and the State university system, with approximately 83% of these employed on Oahu. In addition, the City and County government employed approximately 12,200 individuals in the second quarter of 2017.

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 $8.7 billion in 2016, up 1.6% from the previous year. The total COE of combined military and civilian federal employees in Hawaii accounted for about 18.5% of Hawaii's total COE in 2016. Between 2006 and 2016, the annual average compounded growth rate for COE was 3.8% for federal civilian and 3.0% for military personnel in Hawaii. Military personnel accounted for 57.4% of the total federal COE in Hawaii in 2016. The federal government accounted for about 12% of State GDP in 2015, a majority of which is defense related.

In 2014, nearly 75,000 people served in the military or were employed by the Department of Defense ("DoD") in the State, comprised of approximately 51,000 active-duty service members, 18,000 DoD civilian employees, and 5,500 Army and Air National Guard members. Generally, the median earnings for active-duty service members and DoD civilians are higher than that of other full-time employees in Hawaii.

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 acquired 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. The DoD is considering relocating 2,700 Marines from Okinawa to Hawaii between 2027 and 2031.

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. 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 twelve institutions in the market, comprised of Hawaii-chartered banks, a Hawaii-chartered financial services company, federally-chartered savings associations, a national bank, and interstate branch banks with combined deposits totaling $33.4 billion as of December 2016, as reported by 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 69 million annually. According to the 2016 Public Transportation Fact Book published by the American Public Transportation Association, the City and County hosts the 25th largest transit agency in the nation and the 15th largest bus agency in an urbanized area.

The City and County is constructing 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 Official Statement 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 downtown Honolulu. The Federal Aviation Administration reported that HNL was the 28th largest U.S. Airport in 2015 based on the number of enplaned passengers.

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. The U.S. Department of Transportation, Bureau of Transportation Statistics, Port Performance Freight Statistics Program, Annual Report to Congress 2016, ranks Honolulu Harbor among the top 25 ports in the country in 2015 by container cargo throughput, handling 4,098 total vessel calls, 13.8 million short tons of foreign and domestic cargo, and 1.2 million twenty-foot equivalent units of container cargo. The State Department of Transportation, Harbor Division manages, maintains and operates the State's Harbors Systems to provide for the efficient movement of cargo and passengers. The U.S. military moves most of its cargo through the State's Harbors System.

Construction

Construction was one of the major contributors to job growth in Hawaii over the past few years. The following table 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 five years and the second quarters of 2016 and 2017.

Table IV

ESTIMATED VALUE OF BUILDING PERMITS

(Dollars in Thousands)

Year	State	Change from Prior Year	City & County of Honolulu	Change from Prior Period
2012	2,643,840	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%
2015	3,963,607	19.6%	2,436,954	17.6%
2016	3,240,649	-18.2%	2,141,467	-12.1%
2016 Q2	960,150	14.3%	607,763	30.6%
2017 Q2	821,035	-14.5%	557,380	-8.3%

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

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

- The Airports Division's modernization program commenced in 2013. The program includes significant capital improvements such as expanding HNL's Inter-Island terminal and main terminal, constructing consolidated car rental facilities at HNL and Kahalui, Maui, and installing energy saving equipment in airports statewide.

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

- General Growth Properties recently completed a $572 million expansion and renovation of its Ala Moana Shopping Center. The expansion included 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 retail space. Attached to the shopping center are two luxury residential apartment projects built over parking podiums. One Ala Moana, a 23-story tower containing 206 luxury residential units, was completed in late 2014. Park Lane, a nine-story complex containing 215 luxury residential units, was completed earlier this year.

- Taubman Properties has substantially completed a $300 million redevelopment of the International Market Place in Waikiki. A portion of the center opened for business in August 2016 with an initial complement of over 70 retail shops and restaurants. The center is anchored by an 80,000-square-foot Saks Fifth Avenue, which is the only full-line department store in Waikiki, and includes 750 dedicated on-site parking spaces.

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

- Downtown Capital recently completed the redevelopment of the former Honolulu Advertiser building and adjacent property into a $400 million, two-tower workforce housing condominium project containing 1,045 units.

- Castle & Cooke Homes Hawaii recently began construction on Koa Ridge, a $2.2 billion housing and commercial development on the central Oahu plateau, 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 Homes recently began developing Ho'opili 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, and agricultural areas on 1,289 acres of land.

- Hoakalei Resort – Haseko Development is building a 140-acre residential resort on the southwest shore of Oahu with 887 homes and townhouses completed and more planned. The project also includes a completed signature Ernie Els golf course and a recreational lagoon under construction.

- Ka Makana Ali'I – DeBartolo Development is building a 1.4 million square-foot, $500 million shopping center in East Kapolei, including 150 shops and restaurants, two hotels and Macy's as an anchor tenant.

- The Avalon Group is currently developing the 123-acre Kapolei Business Park West (West Oahu) with 47 industrial lots and the 54-acre Kapolei Business Park Phase 2. An additional expansion of the 3-acre Kapolei Pacific Center will include general and medical offices – existing tenants include the Social Security Administration.

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 $50 billion in 2016 from the retail, wholesale and services sectors alone. In the second quarter of 2017, general excise and use tax revenues (excluding the City and County's surcharge) increased $19.9 million, or 2.5%, compared to the same period last year. Of the State's 654,400 non-agricultural jobs in the second quarter of 2017, retail and wholesale trade together accounted for 89,400 jobs, and professional and business services, financial services, educational services, healthcare and social assistance services, food and accommodation services, and other services together accounted for 332,600 jobs.

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 (the most recent date for which data is available), accounting for approximately 25% of the State's agricultural production. About 20% of the land on Oahu is zoned for agriculture, which in 2012 consisted of 999 farms encompassing 69,168 acres. With the decline of the sugar and pineapple industries, agricultural lands are returning to an era of small farms growing diversified agricultural products. For example, Hawaii aquaculture sales totaled $76.2 million in 2015, according to the USDA's National Agricultural Statistics Service.

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. There are more than 1,000 manufacturers statewide. Approximately $3.67 million in general excise and use taxes were collected by the State from manufacturing services in Fiscal Year 2016. In March 2016, the State's High Technology Development Corporation announced the Manufacturing Assistance Program to provide matching grant funds (up to $100,000) for local manufacturers willing to invest into expanding their production through purchase of new equipment or training or improving the energy efficiency of their operations. The program strives to make Hawaii manufacturers more competitive, reducing imports and increasing exports from the State.

Energy

Hawaii's electricity production and costs are still heavily reliant on oil, but renewable energy has been increasing in all counties. In 2015, approximately 23.4% of Hawai`i's electricity was generated from renewable sources, the primary sources being wind, biomass, and geothermal. According to DBEDT's Hawaii State Energy Office, the Island of Oahu has two waste-to-energy facilities, seven solar farms, four biofuel facilities, three wind farms, and one ocean project under development with the capacity to generate at least 311 megawatts of energy. The State administration has set a goal of using 100% reusable energy resources by 2045.

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 new air pollution control equipment mandated by federal law which became operational in April 2011 and a new boiler that entered commercial operations on April 2013 and currently has the capacity to produce approximately 88 megawatts of energy. H-Power also contributes approximately $2 million in annual revenue for the City and County from energy sold to HECO.

In March 2011, First Wind (now owned by SunEdison) completed Oahu's first large-scale commercial wind farm on the North Shore of the island at Kahuku. At full capacity, the project's twelve turbines produce 30 megawatts of energy, enough power for up to 7,700 homes on Oahu. In 2012, First Wind added another 30 turbines on the North Shore of the island at Kawailoa with the capacity to produce an additional 69 megawatts of energy.

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. The State's only law school is located at Manoa and its only medical school (with a new cancer research center) is located at Kakaako in downtown Honolulu. In the fall of 2016, 53,418 students attended the University of Hawaii System.

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.

Visitor arrivals continue to be strong, with both domestic and international visitor arrivals increasing in the second quarter of 2017. Due to longer lengths of stay, the daily visitor census increased slightly more than the increase of visitor arrivals in the quarter. Since visitors spent more on a daily basis during the second quarter of 2017, total visitor spending increased more than the growth of the average total daily visitor census in the quarter. With the exception of the fourth quarter of 2013, visitor arrivals have increased since the third quarter of 2009.

The total number of visitor arrivals by air increased 125,054, or 5.7%, in the second quarter of 2017, compared to the same quarter of 2016. The total average daily census was up 12,221, or 5.8%, in the quarter. In the first half of 2017, total visitor arrivals by air increased 175,647, or 4.0%, while the average daily census increased 10,437, or 4.8%, from the same period of the previous year.

In the second quarter of 2017, total visitor arrivals on domestic flights increased 85,018, or 5.5%, compared to the same quarter of 2016. In the first half of 2017, domestic arrivals were up 108,296, or 3.7%, from the same period of the previous year.

Arrivals on international flights increased 40,036, or 6.1%, in the second quarter of 2017 compared to the second quarter of 2016. In the first half of 2017, international arrivals were up 67,351, or 4.8%, from the same period in the previous year.

In terms of major market areas, from the second quarter of 2016 to the same period of 2017, arrivals from the U.S. West increased 45,719, or 4.8%, arrivals from the U.S. East increased 50,236, or 10.6%, and arrivals from Japan increased 21,738, or 6.5%. In the first half of 2017, arrivals from the U.S. West were up 60,160, or 3.3%; arrivals from the U.S. East were up 76,055, or 7.9%; and Japanese arrivals were up 47,906, or 6.9%, from the same period of the previous year.

In the second quarter of 2017, the length of stay per visitor also increased slightly. Due to the longer length of stay, the average total daily visitor census increased more than the growth of visitor arrivals in the quarter. The total average daily visitor census was up 5.8%, or 12,221 visitors per day, in the second quarter of 2017, over the same quarter of 2016. The domestic average daily census increased 5.1%, or 8,082 visitors per day, while the international average daily census increased 7.8%, or 4,140 visitors per day. In the first half of 2017, the domestic average daily census increased 6,116, or 3.95; and the international average daily census increased 4,321, or 7.2%, from the same period of the previous year.

Nominal visitor expenditures by air totaled $3,971.1 million in the second quarter of 2017, up 7.1%, or $261.7 million, from the same quarter of 2016. In the first half of 2017, visitor expenditures increased $670.8 million, or 8.7%, compared with the same period in the previous year.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 0.5%, or 15,305 seats in the second quarter of 2017, domestic seats increased 0.2%, or 3,432 seats; international seats increased 1.2%, or 10,345 seats, compared to the same quarter of 2016. In the first half of 2017, the number of total available seats decreased 0.6%, or 33,841 seats, from the same period of the previous year.

In the first quarter of 2017, the statewide hotel occupancy rate averaged 81.2%, 0.4 of a percentage point higher than the same quarter of 2016. The year-to-date as of the second quarter was 81.2%. In 2016, the statewide hotel occupancy rate averaged 79.2%, 0.5 of a percentage point higher than the previous year. The hotel occupancy rate in Honolulu averaged 84.2% in 2016.

Table V

SELECTED STATE OF HAWAII AND OAHU VISITOR STATISTICS

	Year Ended December 31					2nd Quarter	
	2012	2013	2014	2015	2016	2016	2017[1]
Arrivals by Air – State	7,867,143	8,003,474	8,196,342	8,563,018	8,832,598	2,185,900	2,310,954
Domestic	5,403,025	5,405,300	5,486,059	5,782,140	5,964,442	1,532,744	1,617,763
International	2,464,118	2,598,174	2,710,283	2,780,878	2,868,156	653,156	693,192
Arrivals by Air – Oahu	4,904,045	5,044,276	5,192,621	5,339,912	5,461,880	1,355,401	1,411,087
Domestic	2,734,643	2,732,456	2,779,642	2,868,749	2,912,872	761,484	787,140
International	2,169,402	2,311,820	2,412,978	2,471,163	2,549,008	593,917	623,947
Average Daily Visitor Census – State	201,267	202,876	206,217	213,934	218,189	210,906	223,127
Domestic	148,887	149,213	151,076	156,026	157,814	158,110	166,191
International	52,380	53,663	55,141	57,908	60,376	52,796	56,936
Visitor Expenditures – State [2]	$14,193	$14,352	$14,809	$14,939	$15,571	$3,710	$3,971
Hotel Occupancy Rate – State	76.9%	76.5%	77.0%	78.7%	79.2%	79.2%	N/A
Hotel Occupancy Rate – Oahu	84.7%	83.8%	84.4%	85.1%	84.2%	83.4%	N/A

(1) *Data preliminary.*

(2) *In millions of dollars. By persons arriving by air and staying overnight or longer (excludes supplemental business expenditures).*

Sources: State of Hawaii Department of Business, Economic Development & Tourism 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 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 Waikiki Beach Resort, 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 $375 million, 34-story, 307-unit condominium hotel in Waikiki branded as The Ritz-Carlton Residences, (iv) a $300 million redevelopment of the International Market Place in Waikiki, and (v) a $100 million redevelopment of the Outrigger Reef on the Beach Resort that will add a 200-room hotel tower and increased meeting space, open recreation and dining areas.

Significant development projects related to the visitor industry in other parts of Oahu include (i) the extensive renovation of the Ihilani Resort & Spa at Ko'Olina Resort, which recently reopened under the Four Seasons Hotels and Resorts brand, (ii) the expansion of Disney's Aulani resort at Ko'Olina, (iii) the construction of a Courtyard by Marriott Laie (North Shore), a 144-room hotel adjacent to the Polynesian Cultural Center, and (iv) a $50 million renovation of Turtle Bay Resort on Oahu's North Shore.

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

City and County of Honolulu
Honolulu, Hawaii

Re: City and County of Honolulu General Obligation Bonds, Series 2017H
(Honolulu Rail Transit Project Index Floating Rate Bonds)
(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 $350,000,000 aggregate principal amount of City and County of Honolulu, General Obligation Bonds, Series 2017H (Honolulu Rail Transit Project Index Floating Rate Bonds) (the "Bonds"), pursuant to a Certificate of the Director of Budget and Fiscal Services of the City dated September 6, 2017 (the "Certificate"), and bond authorizing ordinances and a resolution adopted by the City Council and identified in the Certificate (the "Bond Proceedings"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Certificate.

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 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 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 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. 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 September 14, 2017

CITY AND COUNTY OF HONOLULU
General Obligation Bonds, Series 2017H
(Honolulu Rail Transit Project Index Floating Rate Bonds)

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 $350,000,000 General Obligation Bonds, Series 2017H (Honolulu Rail Transit Project Index Floating Rate Bonds) (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, certain authorizing ordinances and resolutions 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. Provision of Annual Reports. (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 ended June 30, 2017, 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. Contents of Annual Reports. 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 September 6, 2017, relating to the Bonds, as set forth under the following headings and tables: "CITY AND COUNTY REVENUES—Tables 1 through 7," "DEBT STRUCTURE—Tables 8 through 11," "FINANCIAL INFORMATION AND ACCOUNTING—Tables 13 through 16," "EMPLOYEE RELATIONS AND EMPLOYEE BENEFITS," and "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. Reporting of Significant Events. (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 14th day of September, 2017.

____
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 2017H (Honolulu Rail Transit Project Index Floating Rate Bonds)
Date of Issuance:	September 14, 2017

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 September 14, 2017. 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 Underwriter 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 Underwriter 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.

CITY AND COUNTY OF HONOLULU
STATE OF HAWAII

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Printed by: ImageMaster, LLC
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