

City and County of Honolulu

Wastewater System Revenue Bonds

Investor Presentation

July 19, 2012

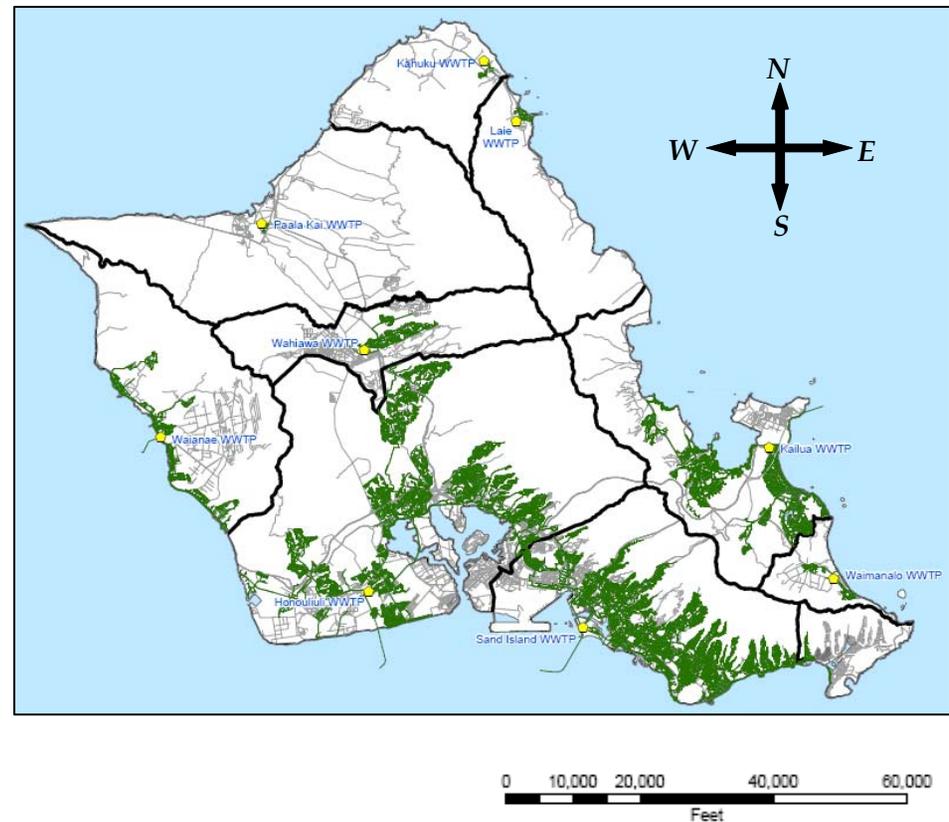
*Timothy Houghton, Executive Assistant, City and County of Honolulu,
Department of Environmental Services*



Wastewater System Overview

The Department serves nine wastewater basins on the island of Oahu

- ✓ Service Area: Nearly 600 sq. miles
- ✓ Population Served: Approximately 640,000 (73% of the City and County)*
- ✓ Customer Accounts: Approximately 144,400 (95% of which are residential)
- ✓ Major Facilities:
 - 9 wastewater treatment plants (combined FY 2012 average flow of 100 MGD)
 - 70 pump stations
 - Approximately 2,100 miles of collection lines



Each of the Department's 10 treatment facilities has adequate capacity to meet projected flows

Source: City and County of Honolulu, Department of Environmental Services. As of June 30, 2011.

* As of 2010 census.



Treatment Plants

Each of the Department's treatment plants currently has adequate capacity to meet projected near-term flows

Wastewater Flow By Treatment Facility (MGD)⁽¹⁾

Region	Basin	WWTP ⁽²⁾	Design Capacity ⁽³⁾ (mgd)	2012 Actual Flow (mgd) ⁽⁴⁾	Projected 2020 Flow (mgd)	Discharge Location
Metro	· East Mamala Bay	· Sand Island	82.00	58.33	92.60	· Ocean
Leeward	· West Mamala Bay	· Honouliuli	38.00	25.22	32.80	· Ocean/Reuse
	· Waianae	· Waianae	5.20	3.33	3.50	· Ocean
	· Central Oahu	· Wahiawa	2.50	1.64	1.89	· Reservoir
	· North Oahu (West)	· Pa'alaa Kai	0.14	0.08	0.14	· Injection Wells
Windward	· Kailua/Kaneohe/Kahuluu	· Kailua Regional	15.25	10.29	13.40	· Ocean
	· Waimanalo	· Waimanalo	1.10	0.54	0.62	· Injection Wells
	· North Oahu (East)	· Laie ⁽⁵⁾	0.90	0.44	0.63	· Reuse
	· North Oahu (East)	· Kahuku	0.40	0.18	0.15	· Injection Wells
	· Kuliouou ⁽²⁾	· Hawaii Kai	N/A	0.51	0.38	· N/A

Source: City and County of Honolulu, Department of Environmental Services.

(1) Average day annual flow (ADAF) in million gallons per day (MGD).

(2) The Kuliouou WWPS does not provide treatment, but pumps wastewater from a Department Collection System to a private treatment plant (Hawaii Kai WWTP). Inclusion here is to show total volume of wastewater handled by the Department.

(3) ADAF estimated based on 105% of design capacity for average dry weather flow.

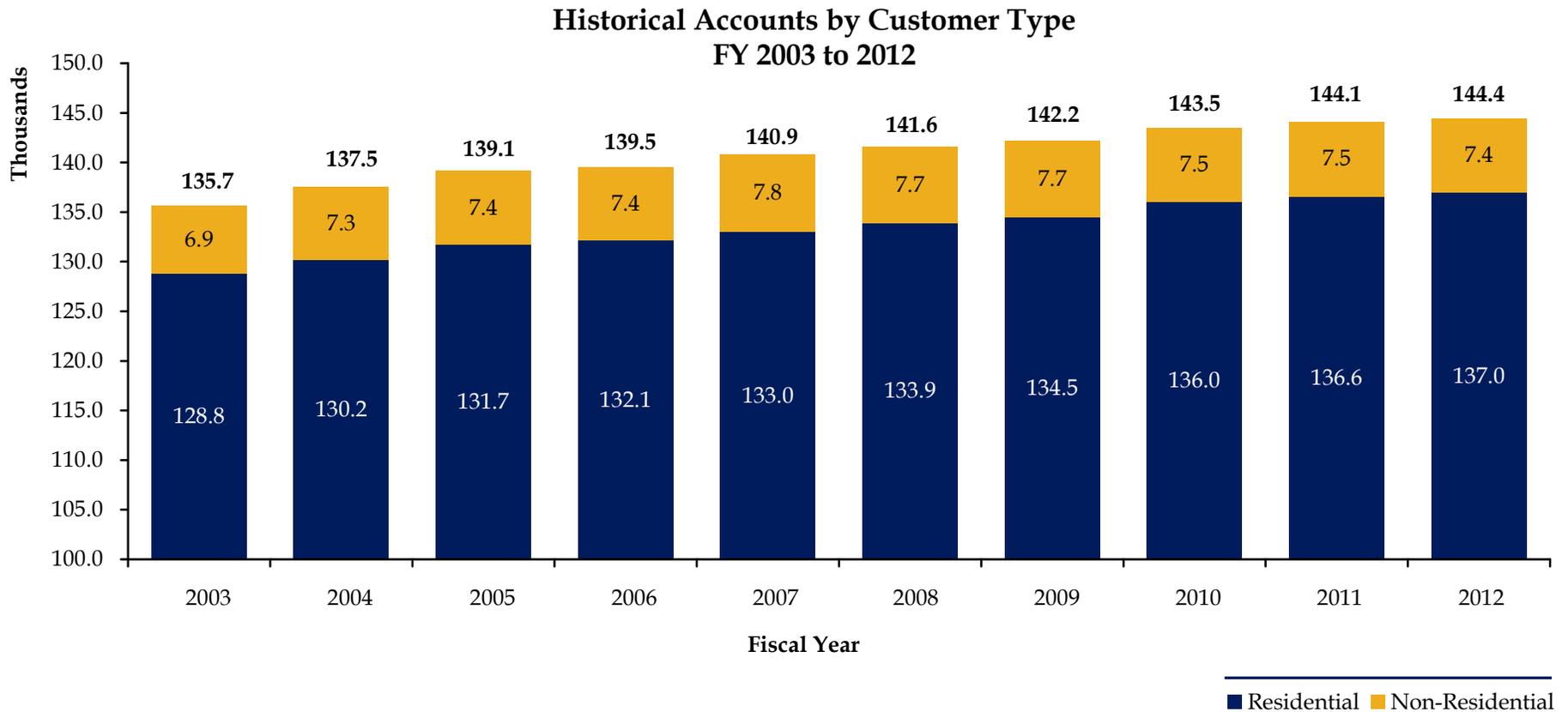
(4) Actual average daily flow during 2012 may have exceeded ADAF Design Capacity or Projected Flow due to weather conditions.

(5) The City and County assumed operational responsibility for the Laie Water Reclamation Facility on November 1, 2006.



Historical Customer Base

The Department's customer base is predominately residential and stable



Growth in Equivalent Single-Family Dwelling Units is projected at 0.5% per annum through 2035, and it is not a significant driver of projected revenues or capital needs

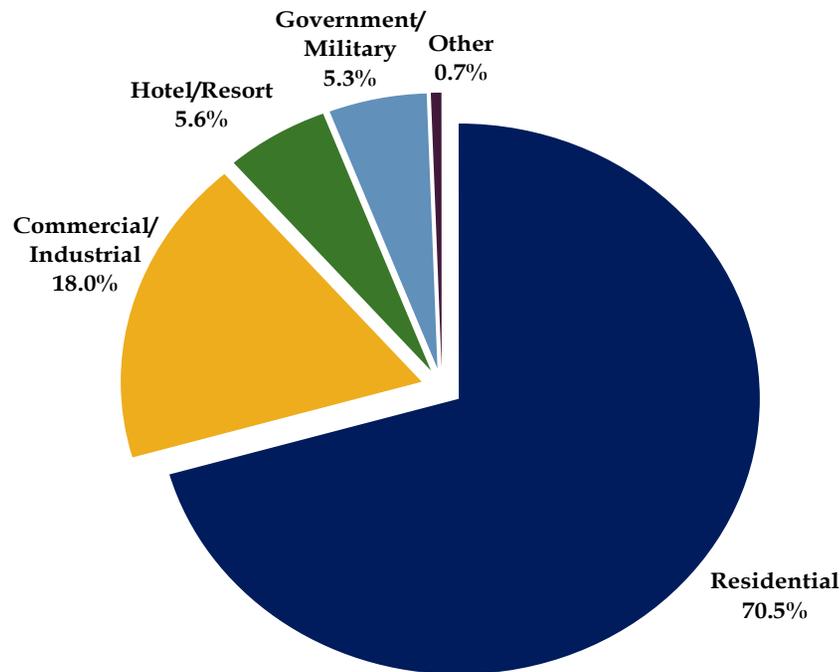
Source: City and County of Honolulu, Department of Environmental Services.



Diversity of Customer Base

The Department's customer base is diverse, with the ten largest users accounting for only 5.6% of Sewer Service Charge revenues

Sewer Service Charge Revenue
By Customer Type



Ten Largest Wastewater Customers*
(FY 2012 Sewer Service Charge Revenue)

Customer	Amount	% of Total
University of Hawaii	\$5,270,471	1.29%
State of Hawaii, Airport Maintenance	5,153,869	1.26%
State of Hawaii, Hawaii Public Hsg. Auth.	3,602,710	0.88%
Hilton Hotels Corporation	3,422,775	0.84%
United Laundry Services	1,365,029	0.33%
Sheraton Waikiki Hotel	1,314,420	0.32%
Hyatt Regency Waikiki	845,078	0.21%
State of Hawaii, Halawa Correctional Ctr.	657,880	0.16%
Halekulani Hotel	654,209	0.16%
State of Hawaii, Central Service Division	646,783	0.16%
Total	\$22,933,225	5.61%

The Department's largest customers have been relatively stable over time

Source: City and County of Honolulu, Department of Environmental Services.

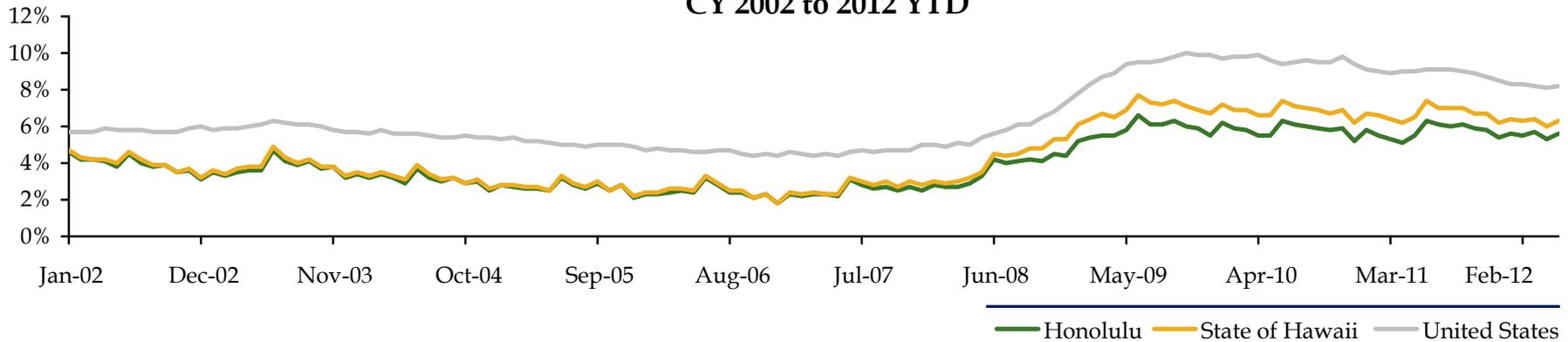
* Government users are highlighted in bold.



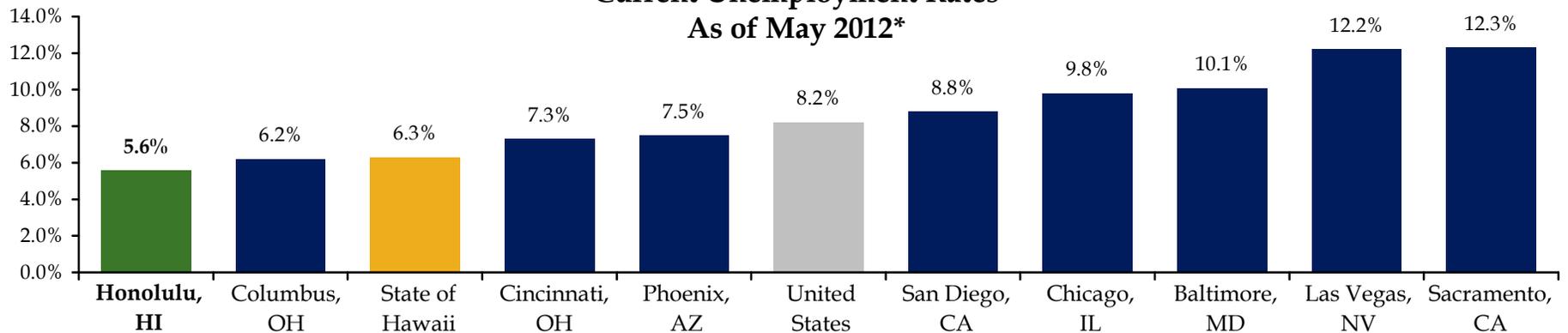
Honolulu's Employment Base

Honolulu's employment base compares favorably to the U.S. and other large metro areas

Historical Unemployment Rates
CY 2002 to 2012 YTD



Current Unemployment Rates
As of May 2012*



Honolulu's relatively low unemployment ensures greater stability in the rate payer base

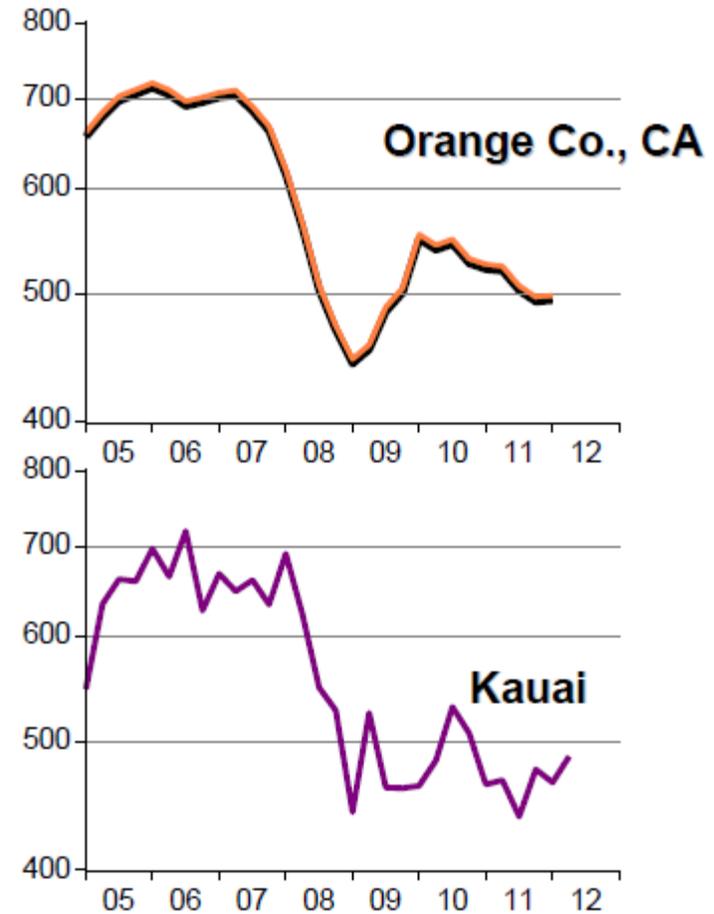
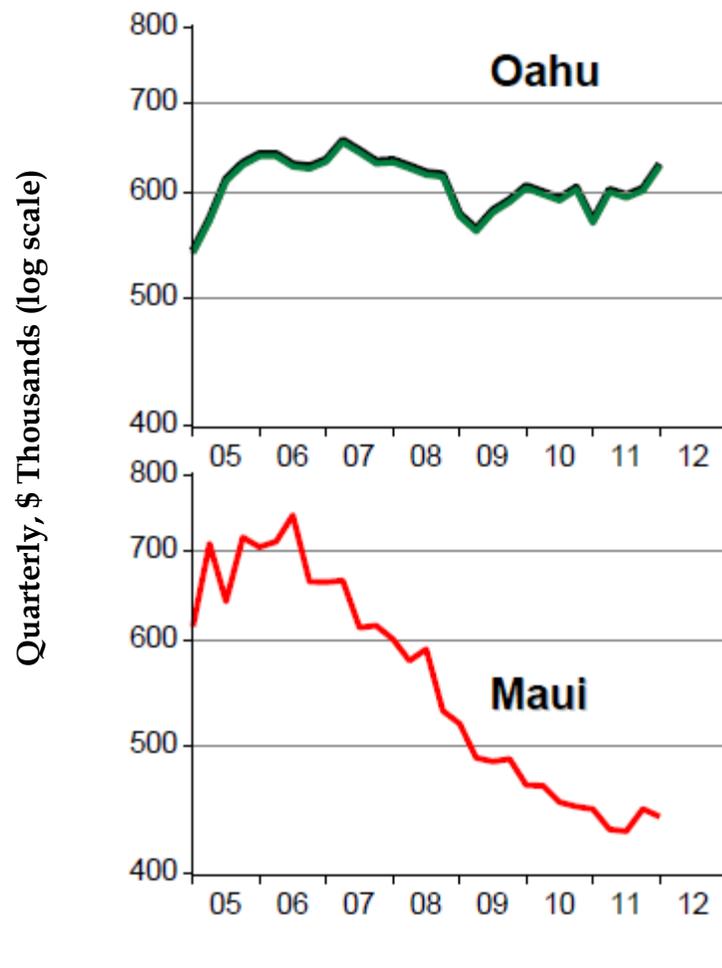
Source: Bureau of Labor Statistics, U.S. Department of Labor.

* Reflects preliminary values for May 2012.



Real Estate Market Comparison Median Single Family Home Prices

Oahu's housing market is stable, especially when compared to the neighbor islands or mainland urban markets

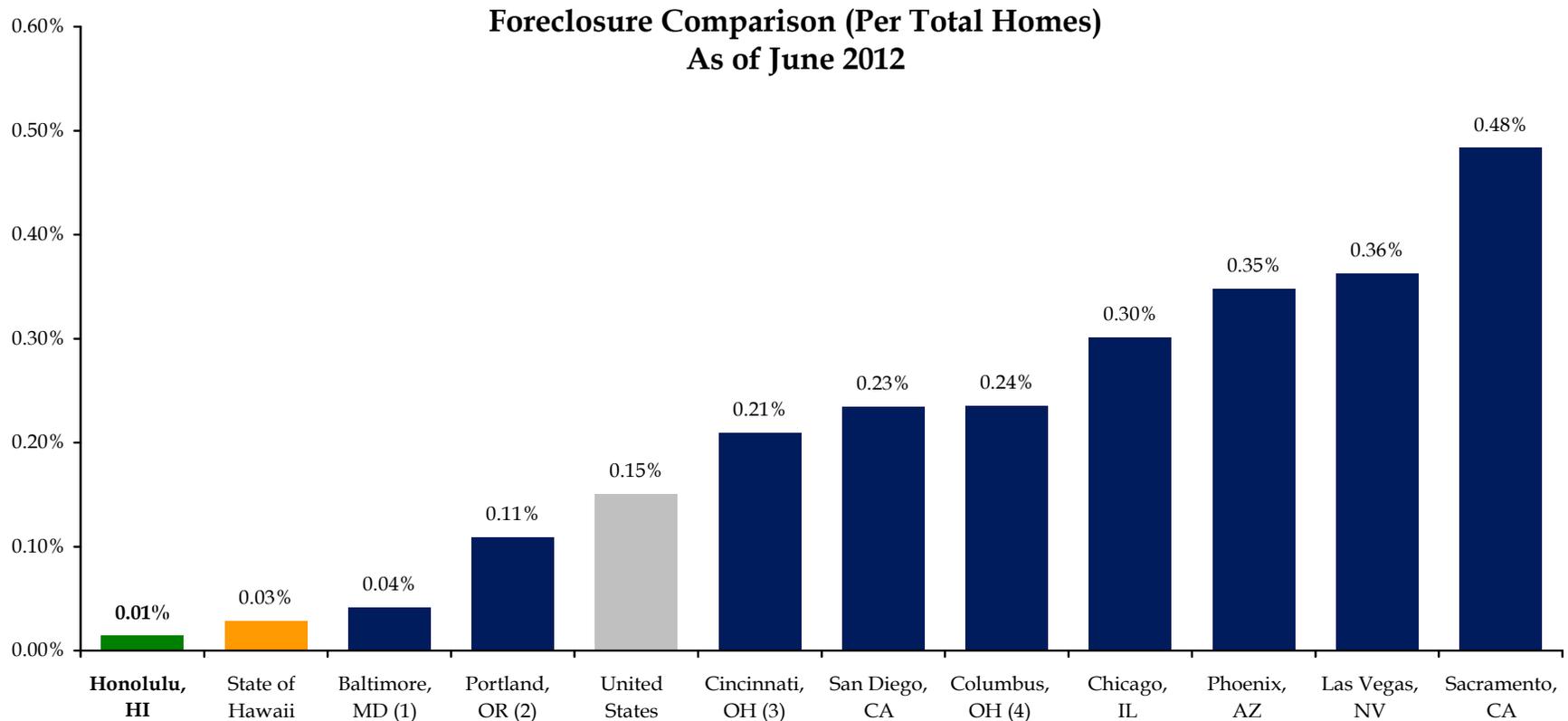


Source: Honolulu Board of Realtors, Realtors Association of Maui, National Association of Realtors, Kauai Board of Realtors/Hawaii Information Service.



Stability of Honolulu's Housing Base

Honolulu's foreclosure rates are lower than many comparable large metropolitan areas



Honolulu has a strong culture of financial responsibility

Source: www.realtytrac.com.

- (1) Reflects Baltimore County.
- (2) Reflects Multnomah County.
- (3) Reflects Hamilton County.
- (4) Reflects Franklin County.

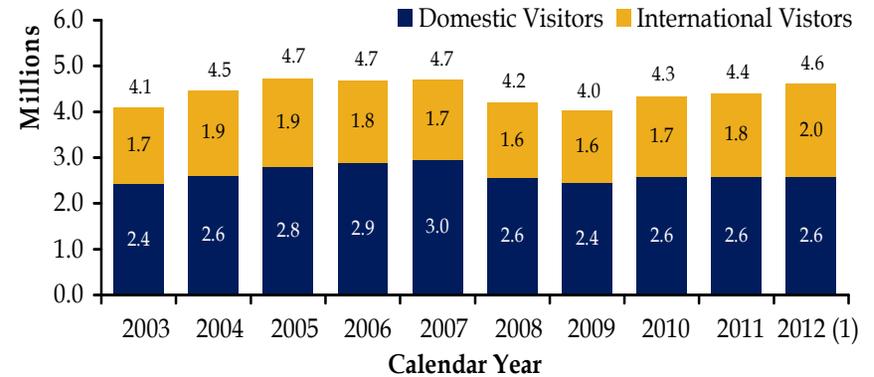


Honolulu (Oahu) Visitor Industry

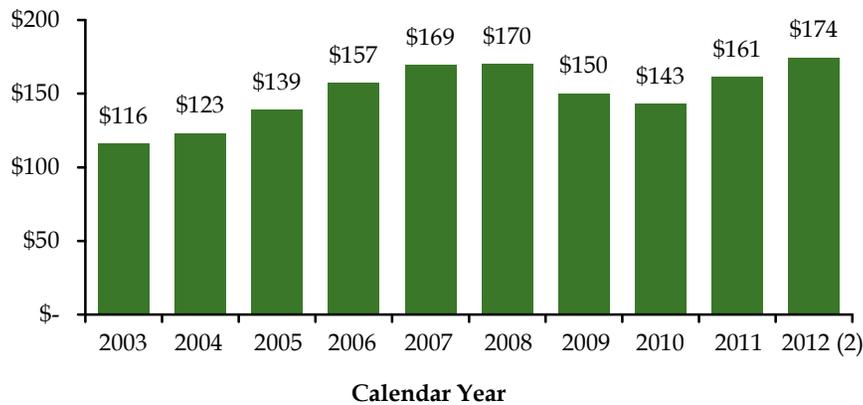
Commentary

- ✓ Visitor arrivals on Oahu have increased for three consecutive years
- ✓ Waikiki hotels are on track to achieve near record levels for occupancy, daily room rates and revenue per available room in 2012

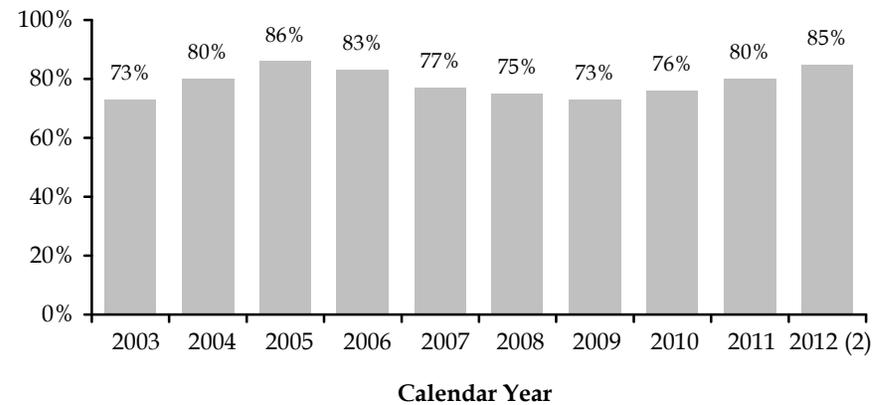
Visitor Arrivals



Average Daily Room Rates



Hotel Occupancy Percentage



Source: Smith Travel Research, Honolulu Star-Advertiser.

(1) Reflects annualized amounts based on values through May 2012.

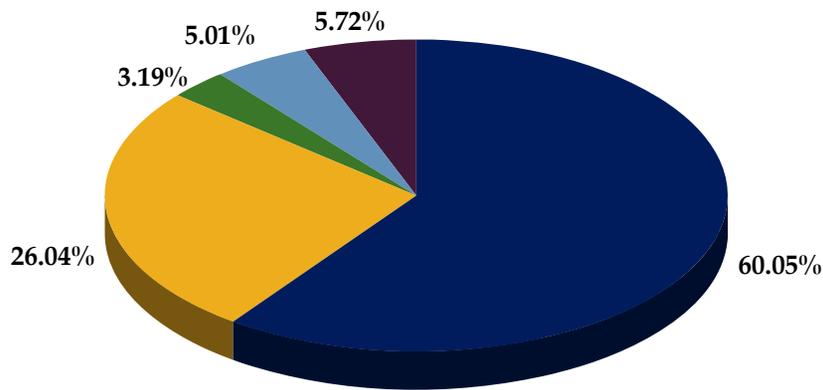
(2) Reflects values through May 2012.



Funding Sources for Long-Term CIP

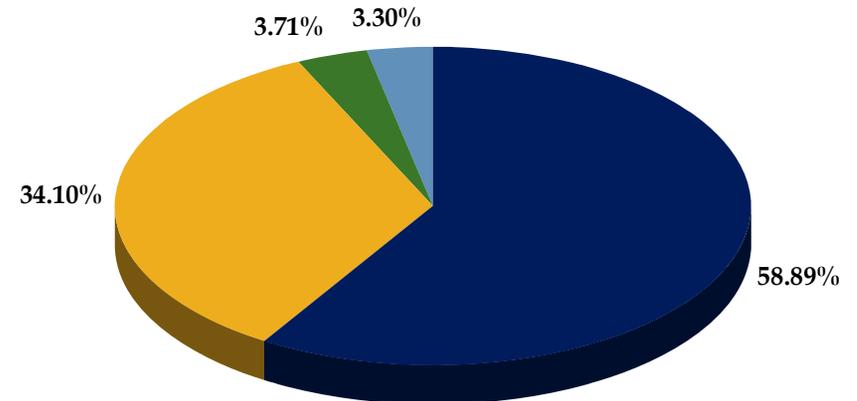
The Department projects a mix of funding sources to meet CIP requirements*

FY 2013-2017 Appropriations



Total: \$1,713,965,795

FY 2018-2020 Appropriations



Total: \$908,971,038



The Department obtained \$142 million in low-cost State Revolving Fund (“SRF”) loans over the past three fiscal years (including \$30.9 million in FY 2011), has a commitment for an additional \$67 million in FY 2012, and anticipates \$10 million per year thereafter

Source: City and County of Honolulu, Department of Environmental Services.
 * Preliminary, subject to change.



2010 Consent Decree

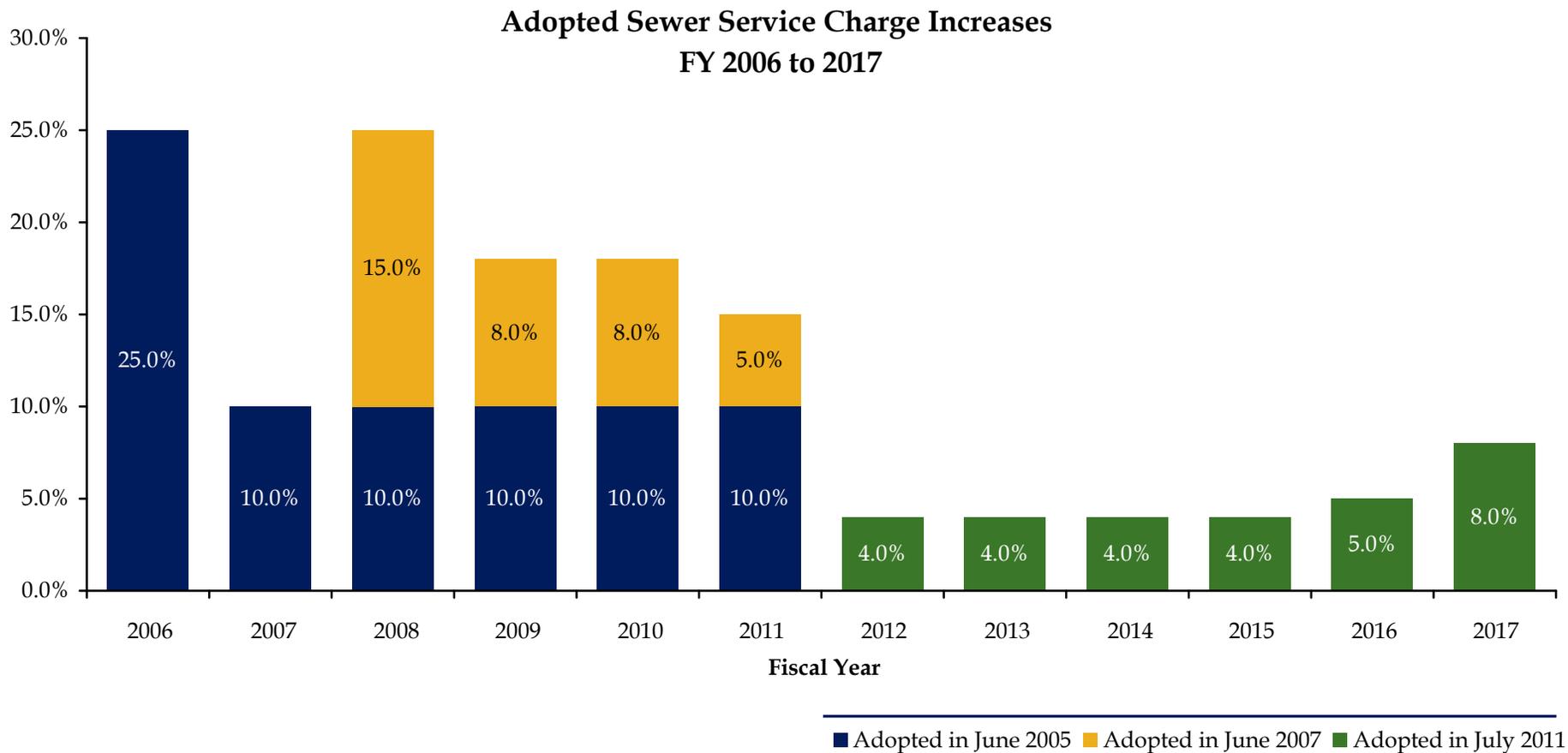
The First Amended Consent Decree provides the framework for implementation of the Department's long-term CIP

Consent Decree Results	Benefits to City
Certainty, long-term stability and protection against future regulatory requirements	✓ Defines collection system and treatment plant improvements through 2035
A set schedule for implementation of required improvements	✓ Provides timing of future capital and O&M expenditures
Priorities for implementation of critical collection system improvements over the first 10-years, followed by treatment plant upgrades over a long-term horizon	<ul style="list-style-type: none"> ✓ Maximizes investments in already completed designs for collection system projects ✓ Allows adequate time to complete value engineering assessments and to benefit potentially from advances in future treatment technologies
Consolidation of all other outstanding Consent Orders and regulatory compliance actions	<ul style="list-style-type: none"> ✓ Protects against third-party actions ✓ Simplifies and streamlines the coordination and implementation of future projects
A legal basis for the required improvements	<ul style="list-style-type: none"> ✓ The Wastewater CIP becomes largely "non-discretionary" ✓ Political impetus for future required rate increases



Historical Sewer Service Charges

The City has demonstrated its strong commitment to the Wastewater System by repeatedly passing and implementing multi-year rate increases



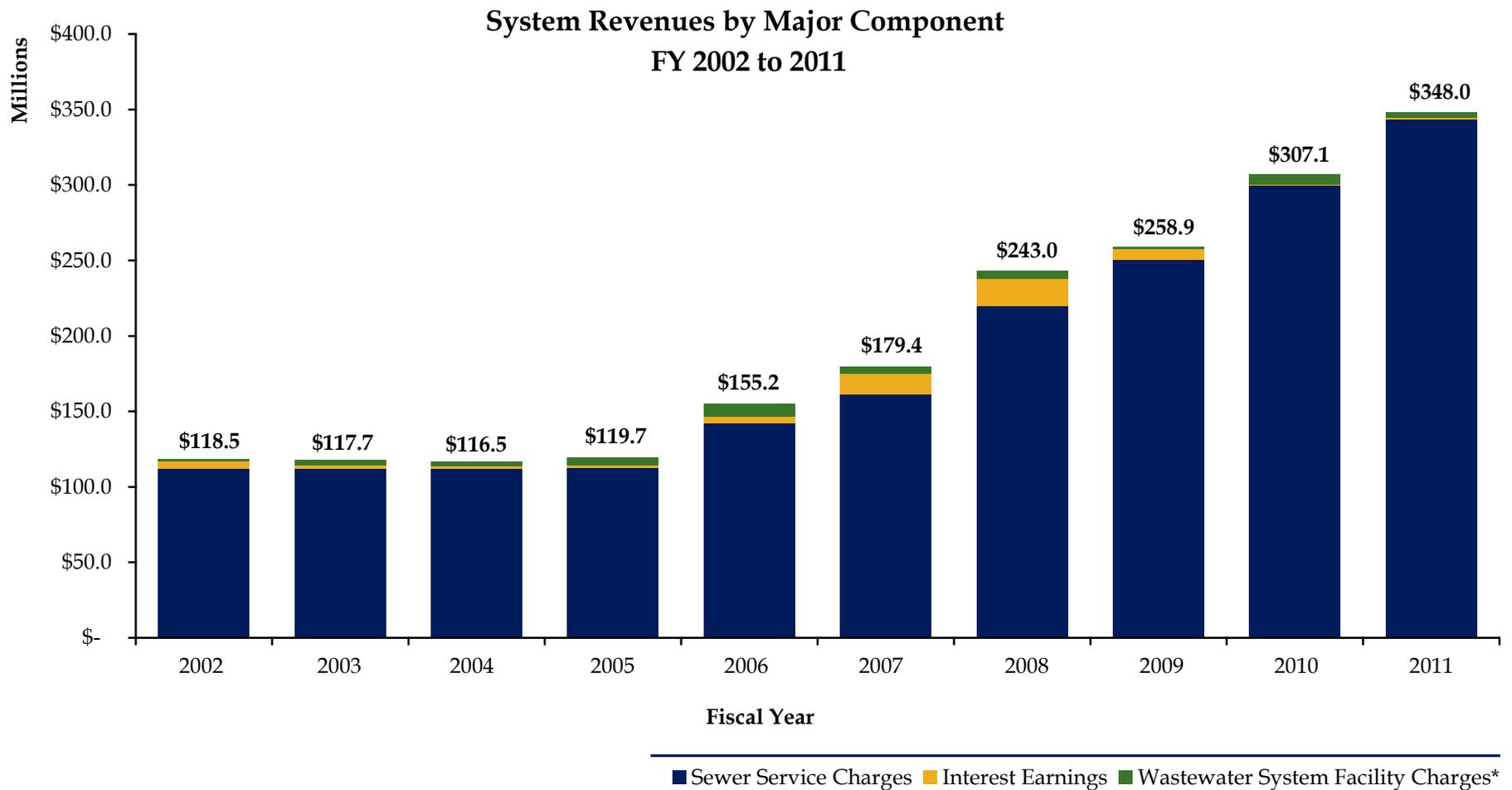
The City has adjusted rates as needed to meet funding requirements for its 20-year Capital Improvement Program - including those projects mandated in its 2010 Consent Decree with the United States EPA

Source: City and County of Honolulu, Department of Environmental Services.



Predictability of Rates and Revenues

The monthly Base Charge comprises approximately 70% of Sewer Service Charge revenues



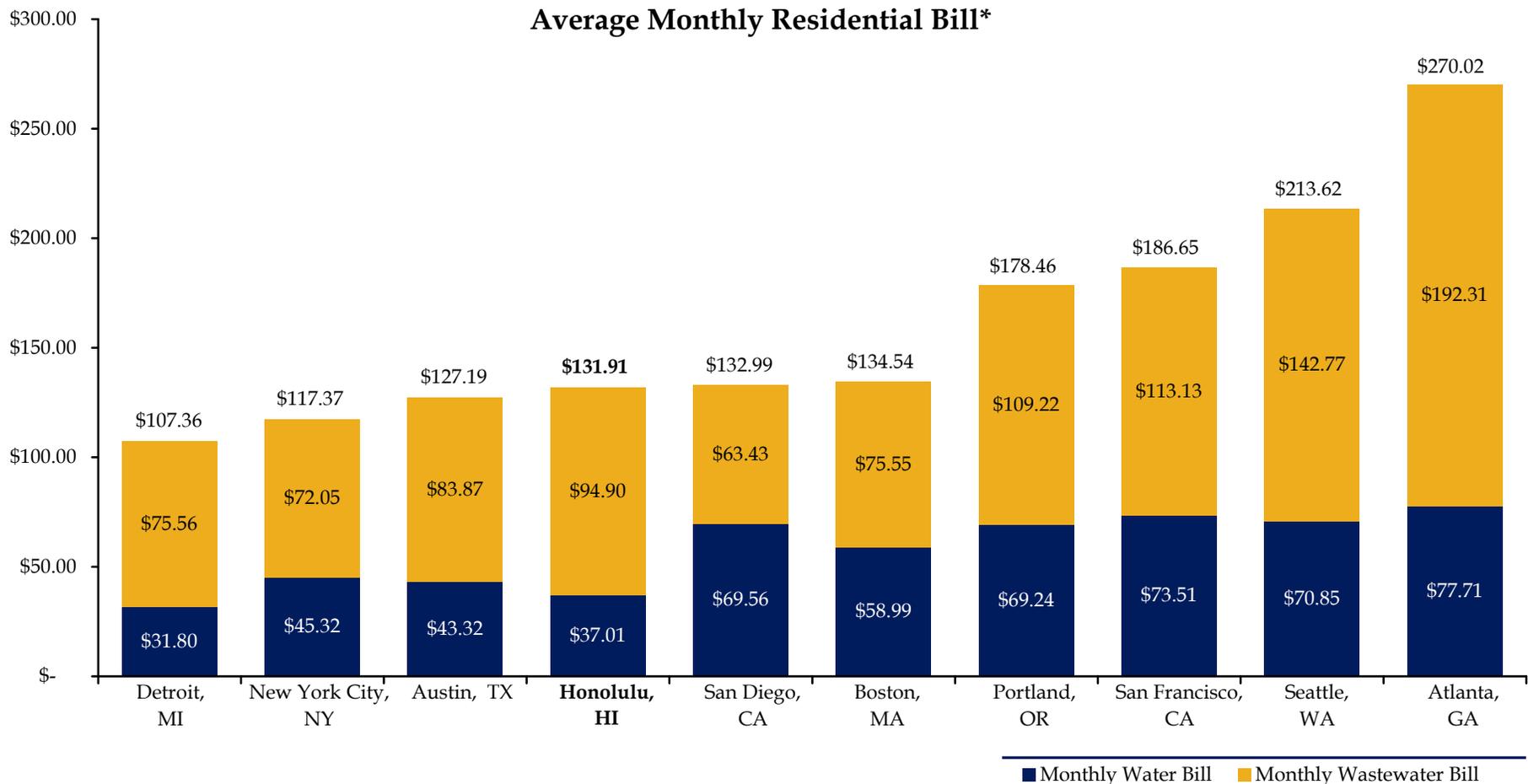
Source: City and County of Honolulu, Department of Environmental Services.

* Wastewater System Facility Charges are not included in Revenues when calculating debt service coverage on Senior and Subordinate Obligations.



Comparative Utility Rates

Honolulu's water & wastewater rates compare favorably to other metropolitan utilities



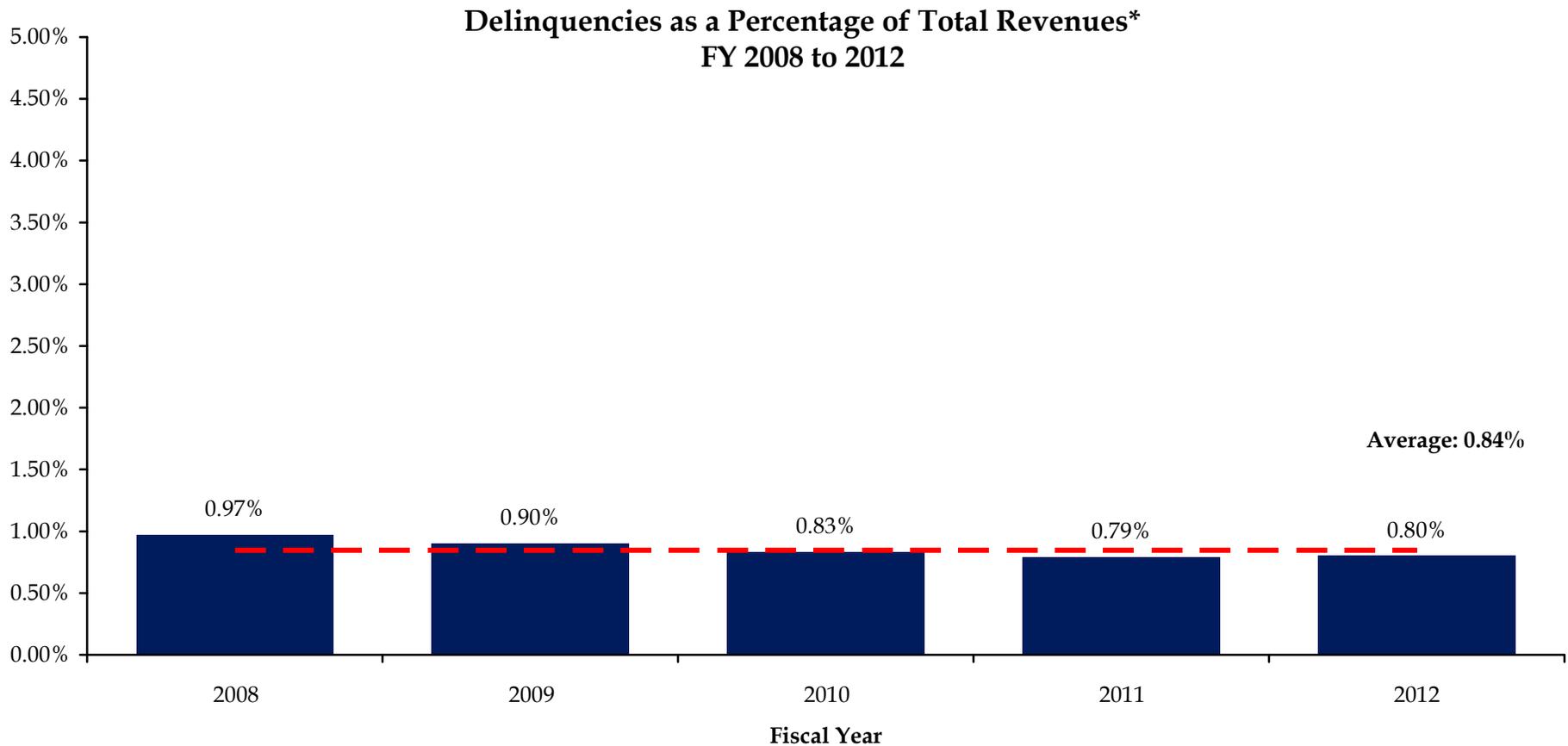
Source: Respective utility websites.

* Monthly bill figures are current for calendar year 2012 or FYE 2013. Comparison of residential water & wastewater bills is based on minimum meter size and average billable flows of 10,000 gallons per month or 13 hundred cubic feet (HCF).



System Delinquency Rates

The Wastewater System's delinquency rates consistently have been low



Should bills not be paid, the authority exists, and has been exercised, to terminate City water service for nonpayment

Source: City and County of Honolulu, Department of Environmental Services.

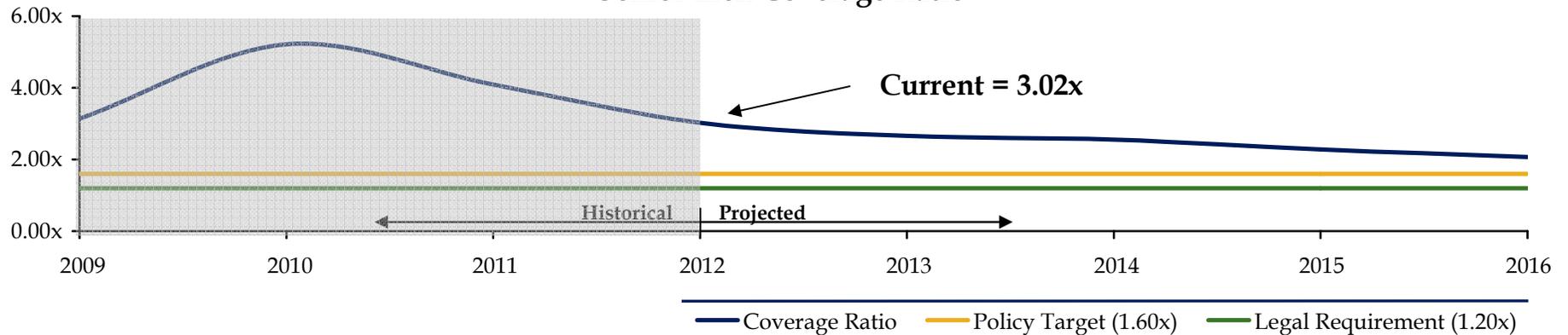
* Includes accounts that are greater than 60 days past due.



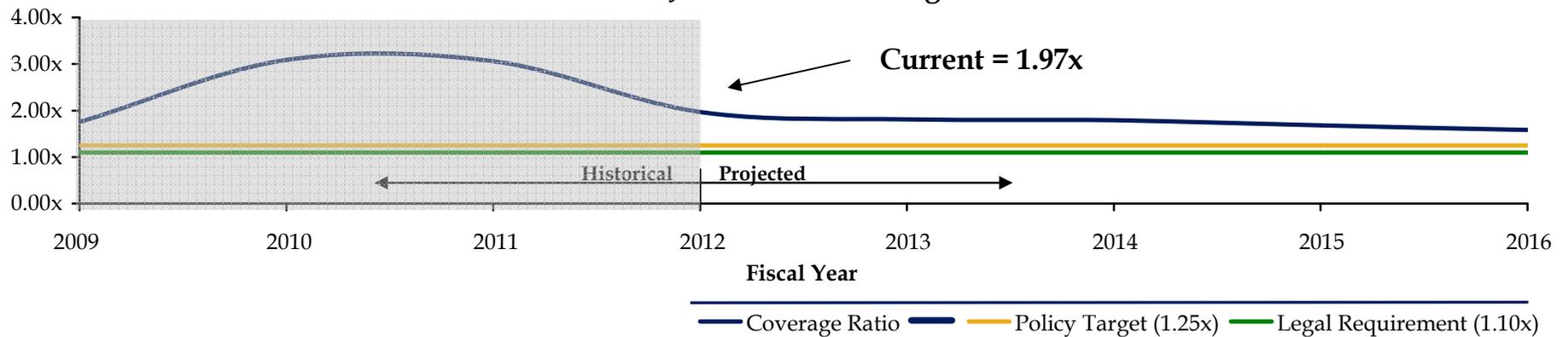
Debt Service Coverage

Historical and projected Debt Service Coverage Ratios are robust

Senior Lien Coverage Ratio



Senior & Junior Lien Coverage Ratio



System Facility Charges (connection fees) are not pledged and are not included in coverage calculations

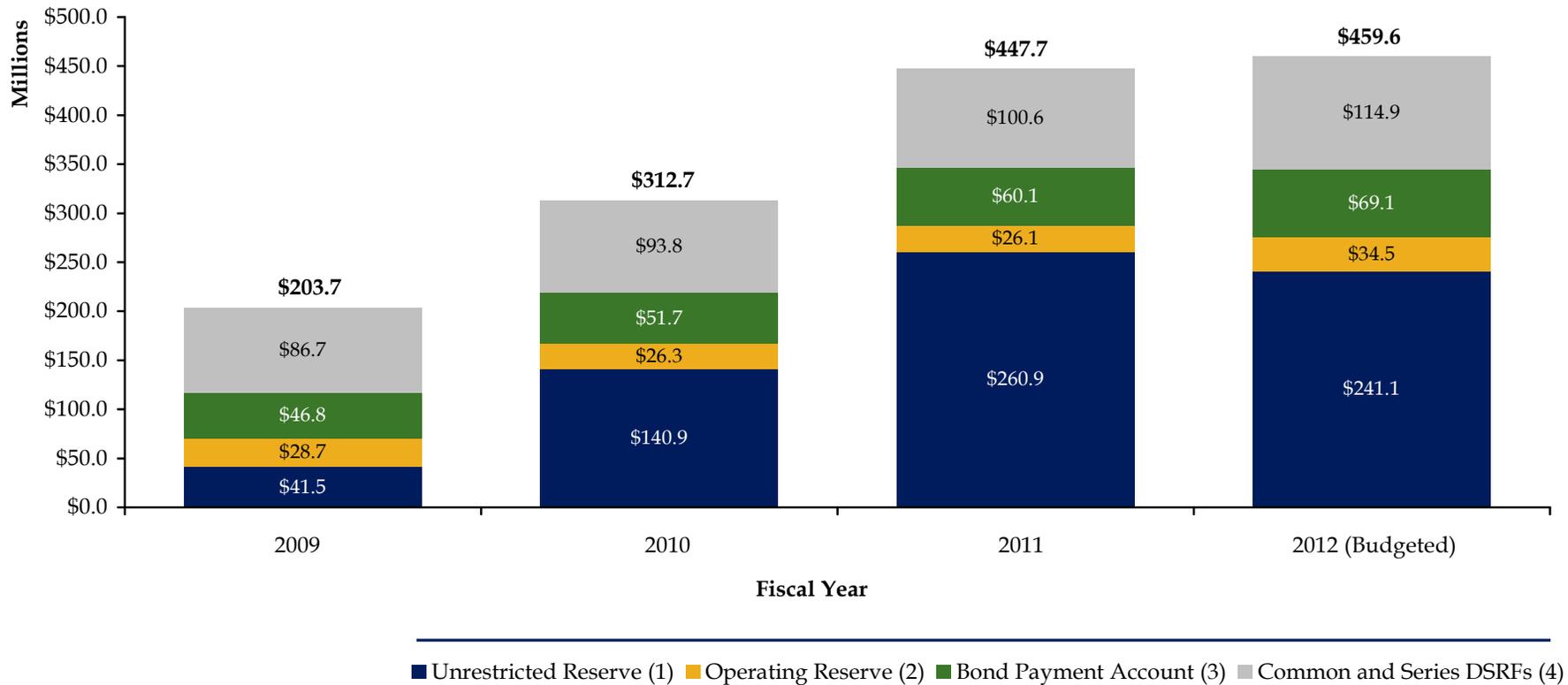
Source: City and County of Honolulu, Wastewater System Revenue Bonds, Senior Series 2011A Official Statement (page 23).

Note: Projected revenues include BABs/RZEDBs subsidies.



System Reserves

Strong financial margins have allowed the Department to build liquidity



The Department has increased the use of net income for capital projects going forward

Source: City and County of Honolulu, Department of Environmental Services.

- (1) Equal to ending cash balance less operating and bond reserves. Includes federal BABs/RZEDBs subsidy in the rate stabilization fund.
- (2) Equal to 3 months of current year operating expenses (as required by policy).
- (3) Equal to 50 percent of following fiscal year's debt service obligation (due July 1).
- (4) The amount shown represents cash deposits in the common and series debt service reserve funds.



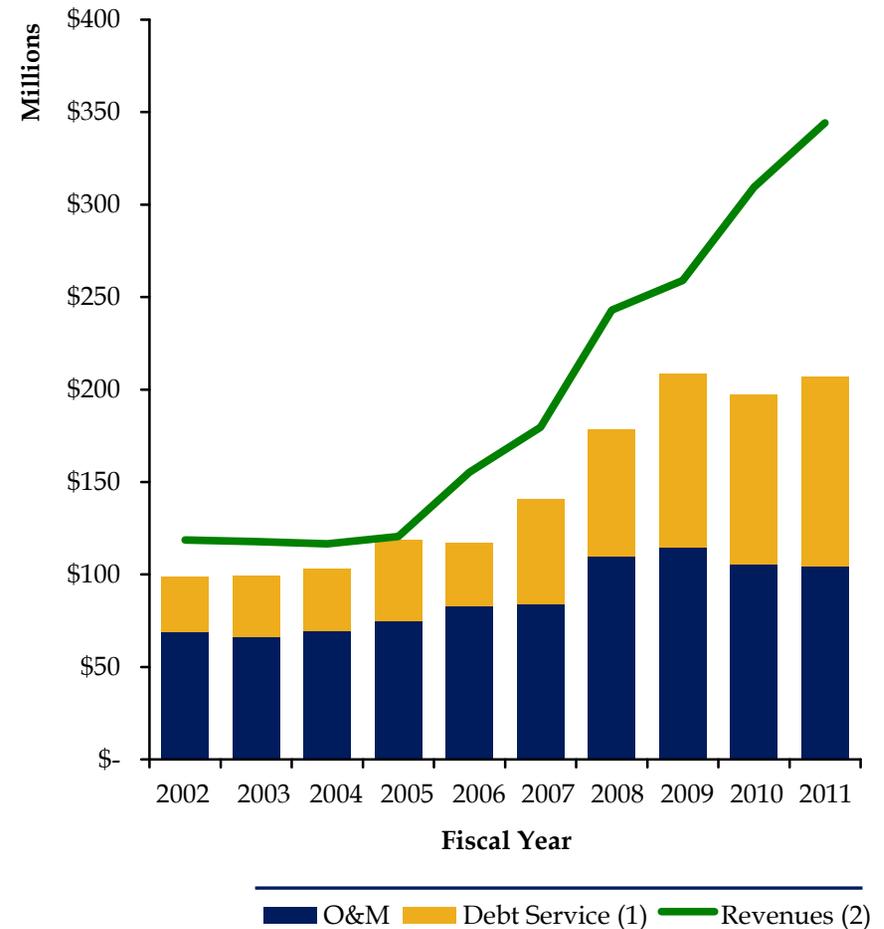
Conservative Financial Management

Conservative financial management has produced predictable and strong financial results

Debt Management

- ✓ 100% conventional fixed rate bonds
- ✓ All DSRFs are cash funded
- ✓ No derivatives exposure
- ✓ Pro-active use of low-cost SRF funding (subordinate to revenue bonds)
- ✓ Build America Bonds subsidy collected in the fiscal year prior to expenditure

Budgeting Practices

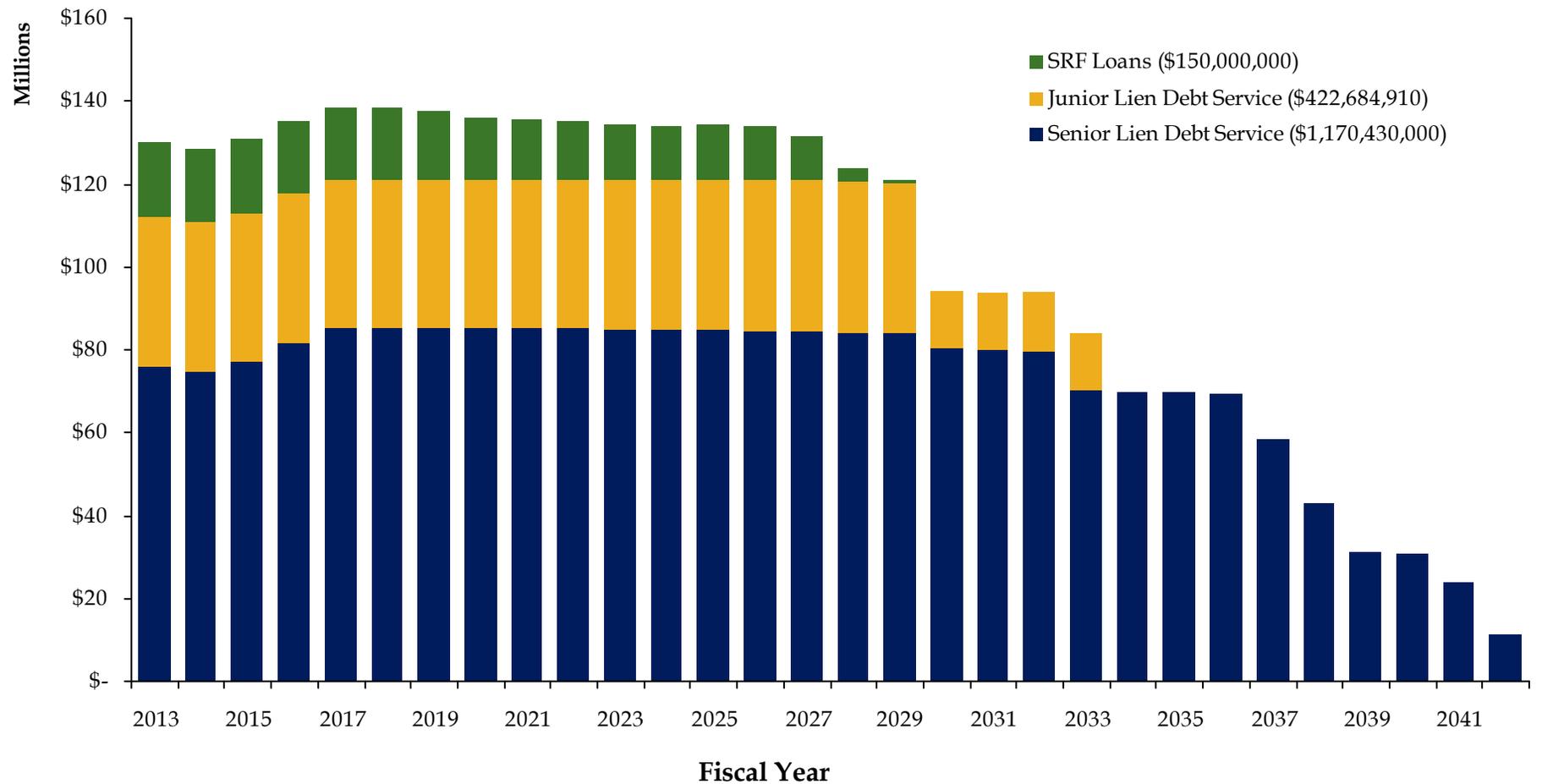


Source: City and County of Honolulu, Department of Environmental Services.
 (1) Includes Revenue Bonds, SRF Loans and Reimbursable G.O. Bonds.
 (2) Excludes Wastewater System Facility Charge revenues.



Outstanding System Debt

Wastewater System Debt Service Profile



Source: City and County of Honolulu, Department of Environmental Services.

Note: Debt service shown is gross of BABs subsidy. SRF Loans as of September 2011. Reimbursable City G.O. bonds are outstanding in the amount of \$1,275,799.



Department's Website

For additional information about the Wastewater System...

Honolulu.gov
Official website of the City and County of Honolulu

Government Agencies and Departments Online Services Business

You are here: Main / Environmental Services / WWM / Wastewater Management

ENV SOLID WASTE Opala.org WASTEWATER STORM WATER ENV OVERVIEW

Wastewater Systems

Each day, ENV collects between 105-110 million gallons daily (mgd) of wastewater from the toilets, sinks and drains from homes and workplaces on Oahu. Through a system of 2,100 miles of pipeline, assisted by gravity and 70 pump stations, the wastewater is delivered to nine wastewater treatment plants, which are spread over the island and either owned or operated by the City and County of Honolulu.

In those plants, the wastewater is screened to remove debris, settled to remove organic solids, and treated to different levels - primary to tertiary - depending on the sophistication of the plant. After the wastewater is processed, the remainder is called effluent. ENV keeps close tabs on effluent through monitoring, discharging it back into the environment by ways of the ocean, reservoir or underground injection wells. In some cases, it is recycled and reused for irrigation and industrial purposes.

There are nearly 900 employees in ENV's divisions of [Collection System Maintenance](#), [Treatment & Disposal](#) and [Environmental Quality](#) who protect public health and the environment through responsible management of wastewater.

[2010 W/W Global Consent Decree](#)

[Wastewater Finances](#)

[Major Sewer Construction Projects](#)

[Customer Service](#)

[Treatment & Disposal](#)

- [Treatment Processes](#)
- [Wastewater Plants](#)
- [Wastewater Treatment Video](#)
- [Collection System Maintenance](#)
- [Cesspools](#)
- [Environmental Quality](#)
- [New Technologies](#)
- [Partner Agencies](#)
- [Dept. of Planning & Permitting](#)
- [Board of Water Supply](#)
- [Dept. of Design & Construction](#)

Downtown to Waikiki Traffic Management Information: <http://www.driveskamai.org>

<http://www.envhonolulu.org/>



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