Research Update:

Honolulu City and County Series 2026A-G GO Bonds Rated 'AA+'; Outlook Stable

August 3, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the City and County of Honolulu, Hawaii's series 2026A-G general obligation (GO) bonds, with preliminary par amounts of $89.1 million (series A), $18.6 million (series B), $9.4 million (series C), $1.4 million (series D), $2.0 million (series E), $61.4 million (Series F), and $14.1 million (series G).
- At the same time, we affirmed our 'AA+' long-term rating on Honolulu's previously issued GO debt.
- The outlook is stable.

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Rationale

Security

Honolulu's full faith and credit pledge, including the city's ability to levy ad valorem property taxes without limitation as to rate or amount, secures the 2026 GO bonds.

Series 2026A and 2026B bond proceeds will finance various capital expenditures under the city's capital improvement plan (CIP); the 2026B bonds will specifically be used to fund equipment purchases. Series 2026C bonds are designated as Honolulu Rail Transit Project bonds, and their proceeds will support capital expenditures associated with the project. Series 2026C bond proceeds will constitute Honolulu's non-reimbursable contribution to project costs. And series 2026D through G bond proceeds will be used to refund various serial maturities of previously issued debt for cost savings.

Credit highlights

The 'AA+' rating reflects our view of Honolulu's diversified island economy with a notable tourism draw, healthy financial position with growing reserve balances, and well-embedded financial practices to support long-term fiscal stability. These strengths are somewhat offset by Honolulu's elevated long-term liability profile and unique environmental and affordability challenges that we understand the city is actively working to address.

Broad economic growth, ongoing recovery in tourism activity, reliance on property taxes for operating revenue, and proactive budget management practices support a strong and resilient

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financial position. The city carries a comparatively elevated per capita debt burden, though this is manageable when compared with market value of taxable property. Retirement liabilities are also large, and historical funding discipline issues at the state-shared pension plan have contributed to relatively weaker funded status. The city's proportionate share of the Employees Retirement System of Hawaii's net pension liability was $2.5 billion based on a discount rate of 7% (measurement date June 30, 2024). However, recent system-level changes, including increasing employer contributions, have provided a path toward potential improvement. Furthermore, the city's commitment to funding actuarially based OPEB contributions continues to shrink the size of the net OPEB liability as reflected in a growing OPEB asset position and a 65% funded ratio, with expectations to fully fund the trust by 2034.

Honolulu's elevated debt position is nuanced, as the government directly supports functions that both cities and counties typically provide. After the rail project bonds are accounted for, the debt position remains elevated but is less of an outlier. Other credit risks include affordability concerns and negative demographic trends, growing operating and capital costs, exposure to physical climate risks, and dependence on oil imports for energy generation and a reliance on imports in general, exposing the economy directly to fluctuations in commodity prices. However, our view of Honolulu's strong credit quality will likely be sustained as long as property values remain stable, the city's commitment to structural balance and strong fund balances remain intact, and capital planning remains proactive. Amid the slow recovery in international visitors, we note that tourism in Honolulu has an increasing exposure to the broader U.S. economy, where we expect near-term growth will remain flat as various macroeconomic headwinds continue to test the U.S.'s economic resiliency. For more information on our view of North American credit conditions for third-quarter 2026, see our report, "Credit Conditions North America Q3 2026: Peace Plan Calms The Waters," June 25, 2026.

This spring, widespread flooding across the Hawaiian Islands tied to seasonal Kona Low storms, including Oahu, caused significant damage to property and infrastructure. Direct impacts on Oahu are estimated at $100 million ($70 million in capital improvements and $30 million in operational costs). While the city and state work with the Federal Emergency Management Agency for reimbursement of eligible expenses, strong reserve and liquidity levels should provide sufficient flexibility to fund recovery efforts, even if federal aid is delayed. For more details, see our report, "Hawaii Counties Are Poised To Weather Recent Storms With Credit Quality Intact," April 3, 2026.

The rating reflects our view of the following for Honolulu:

- A diversified economy and extremely large tax base, with unique local control to adjust property taxes to support the operating budget. The city's economic strengths are highlighted by Honolulu's position as the center of the state economy (including about 70% of the state's population), the trade and logistics gateway to the other Hawaiian Islands, home to a sprawling and strategically important federal and military presence, and Hawaii's most popular tourist destination. With the presence of Joint Base Pearl Harbor, other military installations, multiple campuses of the state university system, and the state government, government employment is the largest employment sector at about 21% of the total. Relative to the nation, Honolulu's measures of per capita income and economic output are near the national average, with additional economic strength stemming from the city's large tourism draw and stable presence of government employment. Long-term risks to the local economy include elevated social capital risks, given aging demographics, and a substantially higher cost of living that could affect the state and local economy over the long term if trends intensify. Despite recent policy initiatives to support affordable housing developments and ease zoning and permitting regulations, housing-related challenges are likely to persist at least through the medium term;

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- A strong and stable financial position, with robust reserves and expectation for ongoing budgetary balance. For fiscal 2026, the city expects to be balanced operationally; however, results could reflect certain uses of the fund balance that had been set aside for hazard pay settlement agreements. Beyond the impacts of the one-time payouts, we understand that Honolulu plans to continue building its financial cushion by contributing to the fiscal stability reserve in both 2026 and 2027. The maintenance of its reserve strength remains a key priority of the city, as reflected in planned contributions to reserves as well as recent actions taken to maintain reserves in the face of unexpected one-time costs, including the use of federal COVID recovery funding to free up existing budget capacity to finance one-time hazard pay settlements with its labor unions. The 2027 budget includes the use of $373 million in the fund balance (12% less than the previous year), though this reflects Honolulu's historical practice of including the fund balance as an available resource, as well as its conservative assumptions. Although near-term risk to the overall budget is limited, we acknowledge the city's budget exposure to various enterprise functions (transit, solid waste, among others) that currently receive relatively sizable general fund subsidies;
- Tenured executive leadership, with well-defined financial management and oversight practices, including a robust budget development process that incorporates historical trend analysis, data support from external sources, and multiyear forecasting. The governing body is provided regular quarterly financial updates on budget status and investments. Honolulu also has an extensive CIP process that is monitored and updated. The city has formal policies for investment and debt management as well as a formalized reserve policy requiring that the reserve for the fiscal stability fund be maintained at a minimum of 5% of expenditures, with a target of 8%, as well as an informal goal to maintain total liquidity equal to a year of operating expenditures. Our view of Honolulu's management also reflects the city's actions to manage risks associated with climate change, other physical risks, and cyber security threats;
- An elevated debt and liability profile with above average fixed carrying costs, partially due to the somewhat aggressive debt repayment schedule for the Honolulu Authority for Rapid Transit (HART) project. Honolulu has historically issued debt annually to fund a portion of its CIP, and we expect this practice will continue in the near term, limiting the chance of significant debt moderation in the short term. HART, however, expects minimal future bond financing based on financial forecasts for the current scope of the project. Currently, the city has about $676.5 million of GO debt outstanding for the HART project, which is payable from, but not legally secured by, revenue from a 0.5% general excise and use tax (GET) surcharge levied by the state, 50% of the proceeds of the 3% transient accommodations tax (TAT) levied on the island of Oahu (coterminous with Honolulu) or OTAT, and a 1% statewide TAT. Revenue from these sources is available through 2031, coinciding with the maturity of all rail-project-related GO bonds. Dedicated GET and TAT surcharge revenue is on target to meet or exceed projections, limiting practical effects on the general fund.
- A predictable revenue environment, limited expenditure mandates that impact long-term budget balance, and considerable flexibility to adjust the city's primary source of operating revenue, property taxes. For more information on our institutional framework assessment for Hawaii counties, see "Institutional Framework Assessment: Hawaii Local Governments," Sept. 9, 2024.
- Exposure to acute and chronic climate risks--such as sea-level rise, wildfires, and extreme weather--could cause economic and budgetary stress. To mitigate these risks, the city's Office of Climate Change, Sustainability, and Resiliency (established 2016) manages updated resiliency, climate action, and disaster mitigation plans. Notable recent initiatives include the 2024 "Climate Ready Oahu" adaptation strategy and the 2025 creation of a Climate Resiliency

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Fund, financed by 0.5% of annual property tax proceeds. Additionally, following the 2023 Maui wildfires, Honolulu developed a wildfire action guide and management working group. While Oahu faces similar wildfire risks to Maui, its capacity for rapid response is bolstered by a significant military presence.

Outlook

The stable outlook reflects our view that Honolulu's diversified and stable economy supports the city's long-term credit quality and that Honolulu will maintain its strong financial position and management profile.

Downside scenario

All else remaining equal, we could lower the rating if the city realizes multiple years of budgetary imbalance, leading to materially weaker fund balance and liquidity. We could also lower the rating if we come to believe that operating subsidies for various enterprises, including transit operations, or high fixed costs will pressure Honolulu's ability to maintain structural balance.

Upside scenario

All else remaining equal, we could raise the rating if the debt and liability burden moderates compared with that of higher-rated peers. We could also consider a higher rating if affordability challenges abate and negative demographic trends reverse course.

Honolulu City and County--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.02
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.35
Debt and liabilities	4.75

Honolulu City and County--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	101	--	101	101
County PCPI % of U.S.	103	--	103	102
Market value ($000s)	354,804,268	346,361,866	343,065,354	305,265,268
Market value per capita ($)	358,119	349,598	346,271	308,245
Top 10 taxpayers % of taxable value	4.8	4.8	4.8	--
County unemployment rate (%)	2.1	2.3	2.6	2.6
Local median household EBI % of U.S.	122	--	122	122
Local per capita EBI % of U.S.	102	--	102	102
Local population	990,743	--	990,743	990,334

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Honolulu City and County--key credit metrics

	Most recent	2025	2024	2023
Financial performance				
Operating fund revenues ($000s)	--	2,088,725	2,012,240	1,776,981
Operating fund expenditures ($000s)	--	1,519,815	1,387,982	1,273,001
Net transfers and other adjustments ($000s)	--	(480,436)	(317,837)	(374,973)
Operating result ($000s)	--	88,474	306,421	129,007
Operating result % of revenues	--	4.2	15.2	7.3
Operating result three-year average %	--	8.9	6.5	1.0
Reserves and liquidity				
Available reserves % of operating revenues	--	45.4	42.8	32.2
Available reserves ($000s)	--	948,924	862,065	572,596
Debt and liabilities				
Debt service cost % of revenues	--	14.2	14.2	12.6
Net direct debt per capita ($)	3,908	4,041	4,074	4,172
Net direct debt ($000s)	3,871,676	4,003,678	4,036,517	4,131,523
Direct debt 10-year amortization (%)	66	--	--	--
Pension and OPEB cost % of revenues	--	17.0	17.0	18.0
NPLs per capita ($)	--	2,545	2,545	2,564
Combined NPLs ($000s)	--	2,521,331	2,521,331	2,539,059

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
New Issue Ratings	
US$1.415 mil GO bnds (Refunding) ser 2026D due 06/30/2027	
Long Term Rating	AA+/Stable
US$14.115 mil GO bnds (Refunding) ser 2026G due 06/30/2035	
Long Term Rating	AA+/Stable
US$18.590 mil GO bnds ser 2026B due 06/30/2035	
Long Term Rating	AA+/Stable
US$2.000 mil GO bnds ser 2026E due 6/30/2031	
Long Term Rating	AA+/Stable
US$61.370 mil GO bnds (Refunding) ser 2026F due 06/30/2037	
Long Term Rating	AA+/Stable
US$89.145 mil GO bnds ser 2026A due 06/30/2052	
Long Term Rating	AA+/Stable
US$9.385 mil GO bnds (Honolulu Rail Transit Project) ser 2026C due 06/30/2052	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Local Government	
Honolulu City & Cnty, HI Unlimited Tax General Obligation	AA+/Stable

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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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