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DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

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August 23, 2024

The Honorable Radiant Cordero, Chair
and Members
Committee on Budget
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Cordero and Councilmembers:

SUBJECT: Amending Bill 36 (2024) –Wastewater System Revenue Commercial Paper

During the August 20, 2024 Budget Committee meeting, Budget Chair Cordero noted possible referencing errors in Bill 36 (2024). Consequently, BFS' Bond Counsel confirmed that in Section 7 of the bill, Hawai'i Revised Statutes (HRS) Section 49-8 was cited, when instead HRS Section 49-5 should have been cited.

Due to this referencing error, BFS is requesting to amend Bill 36 (2024) to the attached proposed Bill 36 (2024), FD1 which corrects the citation error for consideration at third reading during the full City Council meeting on September 4, 2024.

Thank you for giving BFS the opportunity to correct the error and amend this bill. Please contact me at (808) 768-3901, if you have questions or need clarification.

Sincerely,

Andrew T. Kawano
Director

Attachment

APPROVED:

Michael D. Formby
Managing Director

DEPT. COM. 631 BUD

HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **36(2024), FD1**
(Proposed)

A BILL FOR AN ORDINANCE

AUTHORIZING THE ISSUANCE AND SALE AND SPECIFYING CERTAIN TERMS OF WASTEWATER SYSTEM REVENUE COMMERCIAL PAPER OF THE CITY AND COUNTY OF HONOLULU IN AN AGGREGATE OUTSTANDING PRINCIPAL AMOUNT NOT TO EXCEED FOUR HUNDRED MILLION DOLLARS ($400,000,000.00) OUTSTANDING AT ANY ONE TIME, FOR THE PURPOSE OF REFUNDING ALL OR A PART OF ANY OUTSTANDING WASTEWATER SYSTEM REVENUE INDEBTEDNESS OF THE CITY AND COUNTY OR PAYING THE COST OF ANY EQUIPMENT OR OTHER IMPROVEMENT AUTHORIZED PURSUANT TO ANY CAPITAL BUDGET ORDINANCE RELATING TO THE WASTEWATER SYSTEM OF THE CITY AND COUNTY; AUTHORIZING THE DIRECTOR OF BUDGET AND FISCAL SERVICES TO DETERMINE CERTAIN TERMS OF SUCH COMMERCIAL PAPER; PROVIDING FOR THE RETIREMENT OF ANY INDEBTEDNESS TO BE REFUNDED; AND PROVIDING FOR OTHER ACTIONS RELATED TO THE ISSUANCE, SALE AND DELIVERY OF SUCH COMMERCIAL PAPER.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose, Findings and Determinations. The purpose of this ordinance is to authorize the City and County of Honolulu to issue wastewater system revenue commercial paper in order to facilitate the use of such debt. Furthermore, the Council of the City and County of Honolulu (the "City and County") hereby finds and determines: (1) pursuant to proceedings of the Council of the City and County (the "Council"), the City and County has heretofore issued and expects in the future to issue wastewater system revenue bonds (the "Wastewater System Revenue Bonds") to pay the costs of improvements for which appropriations are made in the capital budget ordinances of the City and County to the Wastewater System of the City and County (the "Wastewater System" or "Wastewater System Enterprise"), and from time to time the City and County issues refunding obligations to refund Wastewater System Revenue Bonds in order to achieve debt service savings or more level annual debt service; (2) the City has heretofore paid from various funds of the City and County on an interim basis the cost of capital improvements to be financed with the proceeds of Wastewater System Revenue Bonds pending the issuance of such Wastewater System Revenue Bonds; (3) the City and County has heretofore paid from various funds of the City and County or from proceeds of Wastewater System Revenue Bonds the cost of capital improvements constituting equipment authorized to be acquired pursuant to the capital budget ordinances of the City and County; (4) the City and County could achieve further debt service savings, increased financial management control and other benefits if the City and County had a source of funds for interim and short-term financing, both for improvements to the Wastewater System, including equipment, and for refunding

Wastewater System Revenue Bonds on an interim basis; and (5) it is advisable, expedient and in the best interest of the City and County to authorize the issuance, sale and delivery of commercial paper from time to time for the purpose of refunding all or a portion of any Wastewater System Revenue Bonds or for the purpose of paying costs of capital equipment and other improvements to the Wastewater System on an interim or short-term basis.

SECTION 2. Authorization of Commercial Paper. Pursuant to Chapter 49, Hawai'i Revised Statutes, as amended, and the Revised Charter of the City and County, there are hereby authorized for issuance and sale from time to time wastewater system revenue notes (the "Commercial Paper" and each a "Commercial Paper note") of the City and County, including renewals and extensions thereof, in an aggregate principal amount at any one time outstanding not to exceed Four Hundred Million Dollars ($400,000,000), for the purpose of (a) refunding all or a part of any Wastewater System Revenue Bonds and any Commercial Paper and any reimbursement obligations to the provider of any credit or liquidity facility as the Director of Budget and Fiscal Services shall determine to be in the best interest of the City and County; (b) paying the cost of any improvements to the Wastewater System, including equipment, for which an appropriation is made in a capital budget ordinance and for which Wastewater System Revenue Bonds are authorized to be issued, in advance of the issuance of such Wastewater System Revenue Bonds, or, in the case of equipment, instead of the issuance of Wastewater System Revenue Bonds; and (c) paying all costs incurred in the issuance of such Commercial Paper and the refunding of any Wastewater System Revenue Bonds. The proceeds of the Commercial Paper shall be applied as provided in Section 8 hereof.

SECTION 3. Details of Commercial Paper. The Commercial Paper authorized for issuance and sale in Section 2 hereof may be issued and sold in such amounts at any time and from time to time as shall be determined by the Director of Budget and Fiscal Services to be in the best interest of the City and County, but not later than July 1, 2035, as such date may be extended by ordinance of this Council. The Commercial Paper shall be issued in fully registered form without coupons in the denominations of $100,000 or any integral multiple thereof, or in such other denominations as the Director of Budget and Fiscal Services shall determine. Each Commercial Paper note shall be dated the date of its issuance and shall have a term of one to 270 days, as determined by the Director of Budget and Fiscal Services upon consultation with the dealer of the Commercial Paper, and having due regard to the debt and financial policies of the City and County and the Wastewater System Enterprise. The Commercial Paper notes shall be numbered from 1 upwards in chronological order of delivery or shall be numbered in any other manner as the Director

of Budget and Fiscal Services shall determine. The Commercial Paper shall bear interest at such rates per annum, not exceeding twelve percent (12%) per annum, as shall be approved by the Director of Budget and Fiscal Services, and interest on each Commercial Paper note shall be payable, together with principal, on the maturity date of such Commercial Paper note. The Director of Budget and Fiscal Services is hereby authorized and directed to determine, in accordance with and subject to the provisions of this ordinance, the designation of the Commercial Paper; the dates of issuance, amounts and maturity dates of the Commercial Paper; the registration privileges and place or places at which such Commercial Paper may be paid or registered, which may include the office of the Director of Budget and Fiscal Services; any redemption or defeasance provisions relating to the Commercial Paper; and all other details of the Commercial Paper.

SECTION 4. Issuance and Sale of Commercial Paper. Commercial Paper which refunds other Commercial Paper or Wastewater System Revenue Bonds or reimbursement obligations to the provider of any credit or liquidity facility, and any obligation to the provider of any credit or liquidity facility to reimburse such provider for amounts drawn under its facility to pay Commercial Paper, constitutes refunding bonds pursuant to Section 49-20, Hawai'i Revised Statutes, and the authorization in this Ordinance for the Director of Budget and Fiscal Services to issue and sell such Commercial Paper, and to enter into agreements under which the City and County incurs such obligations to the provider of any credit or liquidity facility, shall constitute a continuing authorization to sell such refunding bonds for the period and subject to the terms of Section 3 hereof. The Director of Budget and Fiscal Services is hereby authorized and directed to enter into such issuing and paying agent agreements, dealer agreements, or functionally similar agreements as may be necessary or desirable for the purpose of providing for the issuance and sale of the Commercial Paper.

SECTION 5. Payment of Commercial Paper. The principal of and interest and premium, if any, on the Commercial Paper shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. The maturing principal of the Commercial Paper shall be payable from the proceeds of Wastewater System Revenue Bonds of the City and County, from the proceeds of Commercial Paper, or from other revenue funds of the Wastewater System.

SECTION 6. Execution and Form of Commercial Paper. The Commercial Paper may be lithographed, steel engraved, printed, typewritten or otherwise produced, shall bear the manual or facsimile signatures of the Director of Budget and Fiscal Services or the Deputy Director of Budget and Fiscal Services and of the Mayor of the City and County, shall bear the seal or a facsimile of the seal of the City and County, and, unless

the Director of Budget and Fiscal Services manually signs the Commercial Paper as registrar thereof, shall bear a certificate of authentication to be executed by the issuing and paying agent or similar agent. The Director of Budget and Fiscal Services may elect to effect a book-entry system for the Commercial Paper. The Commercial Paper, the certificate of authentication and any instrument of assignment shall be in the forms prescribed by the Director of Budget and Fiscal Services. The Director of Budget and Fiscal Services may authorize the printing of CUSIP identification numbers upon the Commercial Paper. Such numbers and the printing thereof shall be subject in all respects to the provisions of Section 49-6, Hawai'i Revised Statutes, as amended.

SECTION 7. Sale of Commercial Paper. Without any further authorization from or action by this Council, but subject to the provisions hereof and of applicable law, the Director of Budget and Fiscal Services is hereby authorized to issue and sell the Commercial Paper from time to time, in accordance with Section 49-5, Hawai'i Revised Statutes, as amended, and Section 3 hereof, at such price or prices and upon such terms and conditions as the Director of Budget and Fiscal Services shall approve and determine to be in the best interest of the City and County. Without limiting the generality of the foregoing, the Director of Budget and Fiscal Services is hereby authorized to retain bond counsel, dealers, issuing and paying agents, registrars and financial and accounting consultants, upon such terms and conditions as the Director of Budget and Fiscal Services shall deem advisable and in the best interest of the City and County.

The Director of Budget and Fiscal Services and all officials of the City and County are hereby authorized to take such action and execute such orders, certificates, receipts and other documents as may be necessary in order to effectuate the purposes of this Ordinance and the sale of the Commercial Paper or any portion thereof. Subsequent to the sale of any of the Commercial Paper, the Director of Budget and Fiscal Services shall report the results of such sale to the Council by letter. Such letter may accompany the supplemental summary of indebtedness required to be provided pursuant to Section 47C-3, Hawai'i Revised Statutes, as amended.

From and after the date the Director of Budget and Fiscal. Services shall have sold any of the Commercial Paper hereunder, the Council will take no action to modify, supplement, amend or repeal the provisions of this ordinance in a manner which would have an adverse effect on the ability of the City and County to perform its obligations with respect to any Commercial Paper.

SECTION 8. Application of Proceeds. The proceeds of the Commercial Paper are hereby irrevocably appropriated for the purposes set forth herein, and such

proceeds, together with any other revenue funds of the Wastewater System which are legally available therefor, shall be deposited as determined by the Director of Budget and Fiscal Services and applied as directed by the Director of Budget and Fiscal Services:

(1) to the payment of costs of improvements to the Wastewater System, including equipment, authorized pursuant to any capital budget ordinance of the City and County, to the extent the appropriation for such costs has not lapsed or been satisfied;

(2) to pay the principal of, premium (if any) and interest on any Wastewater System Revenue Bonds or Commercial Paper or obligations to the provider of any credit or liquidity facility to be refunded; and

(3) to pay costs of issuance of the Commercial Paper and any related refunding, including without limitation, the initial fees of any issuing and paying agents or registrars, the fees of any dealers, financial consultants and bond counsel, rating agency fees, escrow agent fees, fees for verification of refunding escrow calculations, fees and expenses for any liquidity or credit enhancement, the cost of preparation of any documentation relating to the Commercial Paper, including any offering document and definitive Commercial Paper, and any cost of publications required by law.

Pending the time the proceeds of the Commercial Paper are required to pay any Wastewater System Revenue Bonds to be refunded as provided in (2) above, the proceeds of such Commercial Paper, together with any other revenue funds of the Wastewater System which are legally available therefor, may be held by the Director of Budget and Fiscal Services in trust for such purposes or may be held by a financial institution selected by the Director of Budget and Fiscal Services to serve as escrow agent under an escrow agreement, such agreement to be in such form and containing such terms and provisions as the Director of Budget and Fiscal Services deems appropriate, and, in either case, invested as permitted by law. The Director of Budget and Fiscal Services is hereby authorized and directed to serve as such escrow agent or to select a qualified financial institution to serve in such capacity, and to determine the form and terms of any such escrow agreement and any fee agreement to be entered into with such financial institution. The Director of Budget and Fiscal Services is hereby further authorized and directed to determine the date or dates upon which the Wastewater System Revenue Bonds or portions thereof are to be redeemed and to give or cause to be given any appropriate notices of such redemption.

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SECTION 9. Security for the Commercial Paper. There are hereby pledged as security for the payment of the principal and interest on the Commercial Paper subject only to the provisions of the Resolution No. 98-193, CD1 (the "Senior Wastewater Bond Resolution") and Resolution 98-195, CD1 (the "Junior Wastewater Bond Resolution" and, together with the Senior Wastewater Bond Resolution, the "Bond Resolutions"), permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolutions: (i) the proceeds of sale of the Commercial Paper pending application thereof in accordance with the provisions hereof or of a Series Resolution or a Series Certificate, (ii) the Net Revenues, and (iii) certain funds and accounts established under Series Certificate or Series Resolution with respect to the Commercial Paper; and the holders of the Commercial Paper shall have a lien on, and a security interest in, such proceeds, Net Revenues, and funds and accounts for such purpose and subject to such provisions of the Bond Resolutions; provided, however, that such lien and security interest for the payment of Commercial Paper may be subordinate to the lien and security interest for the payment of any Bonds referenced in the Bond Resolutions.

SECTION 10. Tax Covenant. The City and County hereby covenants with the holders from time to time of the Commercial Paper that is issued as federally tax-exempt that, so long as any such Commercial Paper shall be outstanding, the City and County shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on such Commercial Paper under Section 103 of the Internal Revenue Code of 1986. Without limiting the generality of the foregoing, the City and County covenants that it will comply with the requirements of any tax certificate of the City and County delivered on the date of delivery and payment for any such Commercial Paper, which tax certificate is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of such Commercial Paper.

SECTION 11. Liquidity and Credit Enhancement. The Director of Budget and Fiscal Services may provide for liquidity or credit enhancement, or both, for the Commercial Paper, for the payment of principal of and interest on the Commercial Paper, if in the judgment of the Director of Budget and Fiscal Services such liquidity or credit enhancement will facilitate the marketing of the Commercial Paper to the advantage of the City and County or will result in debt service cost savings. In connection therewith, the Director of Budget and Fiscal Services is hereby authorized and directed to enter into such line of credit agreement, letter of credit agreement, insurance agreement or other agreement as will provide such liquidity or credit enhancement, or both, upon such terms and conditions as the Director of Budget and Fiscal Services deems necessary and proper.

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SECTION 12. Council Approval for Refunding of Wastewater System Revenue Bonds. Any use of Commercial Paper for the purpose of paying the principal, premium or interest on any Wastewater System Revenue Bonds, other than Commercial Paper, to be refunded shall require prior Council consent and approval through the adoption of an appropriate resolution.

SECTION 13. Repeal of Conflicts. All ordinances and resolutions, and any portions of ordinances and resolutions, heretofore enacted or adopted by the Council which are in conflict or inconsistent with any provision of this ordinance shall be and are hereby repealed to the extent of such conflict or inconsistency.

A BILL FOR AN ORDINANCE

SECTION 14. Effective Date. This ordinance takes effect upon its approval.

INTRODUCED BY:

_____

_____

_____

_____

_____

DATE OF INTRODUCTION: _____

_____

_____ _____
Honolulu, Hawai'i Councilmembers

APPROVED AS TO FORM AND LEGALITY:

_____
Deputy Corporation Counsel

APPROVED this _____day of _____, 20 ____.

_____
RICK BLANGIARDI, Mayor
City and County of Honolulu

Report Title:
Authorizing the issuance and sale and specifying certain terms of wastewater system revenue commercial paper of the City and County of Honolulu in an aggregate outstanding principal amount not to exceed $400,000,000.

Description:
The issuance, sale and delivery of Wastewater System Revenue commercial paper from time to time for the purpose of paying costs of improvements, equipment, and other improvements, including costs of issuance and refunding, to the Wastewater System on an interim or short-term basis.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.