'25JUL10 AM 10:55 CITY CLERK

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA ʻOIHANA MĀLAMA MOʻOHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAIʻI 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • WEBSITE: honolulu.gov/budget

RICK BLANGIARDI
MAYOR
MEIA

ANDREW T. KAWANO
DIRECTOR
PO'O

CARRIE CASTLE
DEPUTY DIRECTOR
HOPE PO'O

July 8, 2025

The Honorable Tommy Waters
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaiʻi 96813

Dear Chair Waters and Councilmembers:

We recommend the adoption of the accompanying resolution authorizing the issuance and sale of not to exceed $230,000,000 principal amount of Wastewater System Revenue Bonds, Senior Series 2025.

The anticipated use of the bond proceeds will be for various Sewer Improvement Bond Fund projects of the City as appropriated in the capital budget.

If you have any questions, please contact me at (808) 768-3901.

Sincerely,

Andrew T. Kawano
Director

Attachment

APPROVED:

Michael D. Formby, Managing Director
Office of the Managing Director

DEPT. COM. 543

HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

CITY AND COUNTY OF HONOLULU

No. _____

RESOLUTION

AUTHORIZING THE DIRECTOR OF BUDGET AND FISCAL SERVICES TO ISSUE AND SELL NOT TO EXCEED $230,000,000 PRINCIPAL AMOUNT OF WASTEWATER SYSTEM REVENUE BONDS, SENIOR SERIES 2025 AND RELATED MATTERS.

BE IT RESOLVED by the City Council of the City and County of Honolulu, as follows:

ARTICLE I.

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01. ***Series 2025 Resolution.*** (1) This Resolution, authorizing up to $230,000,000 principal amount of Series 2025 Bonds, is supplemental to, constitutes a Series Resolution within the meaning of, and is adopted in accordance with Article X of, Resolution No. 98-193 adopted by the City Council on November 10, 1998, entitled "RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF REVENUE BONDS OF THE CITY AND COUNTY OF HONOLULU, HAWAII, FOR THE PURPOSES OF THE WASTEWATER SYSTEM OF SAID CITY AND COUNTY; COVENANTING AS TO ESTABLISHMENT, MAINTENANCE, REVISION AND COLLECTION OF CHARGES AND RATES FOR THE USE AND SERVICES OF SAID WASTEWATER SYSTEM AND THE COLLECTION AND DISBURSEMENT OF THE REVENUES DERIVED THEREFROM; PLEDGING THE NET REVENUES DERIVED FROM SAID WASTEWATER SYSTEM ON A SENIOR AND SUPERIOR BASIS TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS AS THE SAME FALL DUE; CREATING AND ESTABLISHING CERTAIN FUNDS AND ACCOUNTS; SETTING FORTH THE LIMITATIONS OR CONDITIONS UPON THE ISSUANCE BY THE CITY AND COUNTY OF ADDITIONAL BONDS PAYABLE FROM THE AFORESAID REVENUES; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING" (as amended and supplemented, referred to herein as the "Resolution").

(2) It is hereby found and determined that it is necessary and required that the City and County authorize and issue at this time a Series of Bonds to be designated as herein provided to provide monies to carry out one or more purposes of the City and County.

Section 1.02. ***Definitions.*** (1) All terms which are defined in Section 1.01 of the Resolution shall have the same meanings, respectively, in this Series Resolution as such terms are given in said Section 1.01 of the Resolution, including the term

"Authorized Officer," defined as the Director of Budget and Fiscal Services, any Deputy Director of Budget and Fiscal Services, the Director of Environmental Services, any Deputy Director of Environmental Services or any other officer of the City and County designated by resolution of the City Council.

(2) In addition, as used in this Series Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Series 2025 Bonds" means the Bonds authorized by Article II of this Series 2025 Resolution.

"Series 2025 Resolution" means this Resolution authorizing up to $230,000,000 principal amount of the Series 2025 Bonds.

"Taxable Bonds" means any Series 2025 Bonds which are not intended by the City and County to be Tax-exempt Bonds.

"Tax Certificate" means the Tax Certificate executed by an Authorized Officer of the City and County in connection with the issuance of the Series 2025 Bonds that are Tax-exempt.

(3) Words of any gender shall be deemed and construed to include correlative words of the other genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

(4) The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Series 2025 Resolution, refer to the Series 2025 Resolution.

Section 1.03. ***Authority for the Series 2025 Resolution.*** This Series 2025 Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II.

AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2025 BONDS

Section 2.01. ***Authorization of Series 2025 Bonds.*** A Series of Bonds entitled to the benefit, protection and security of the Resolution is hereby authorized to be issued in an aggregate principal amount not to exceed $230,000,000, pursuant to and subject to the terms, conditions and limitations established in the Resolution and this Series 2025 Resolution. Such Series of Bonds shall be designated as and shall be distinguished from the Bonds of all other Series by the title "Wastewater System Revenue Bonds, Senior Series 2025," with such additional letter or other designations as shall be appropriate to distinguish any subseries from any others (collectively, the "Series 2025 Bonds").

Section 2.02. ***Purposes.*** The purposes for which the Series 2025 Bonds may be issued are to pay the Costs of Improvements authorized in the capital budget of the City and County (including reimbursement to the General Fund of the City and County of the financing costs of certain improvements temporarily funded from the General Fund and including refunding any outstanding obligations of the City and County the proceeds of which were applied to fund such improvements), and, in connection therewith, to make such credit to the Reserve Account, if any, as may be necessary in connection with the issuance of the Series 2025 Bonds, and to pay the costs of issuance of the Series 2025 Bonds.

Section 2.03. ***Delegation of Authority; Certain Limitations.*** (1) There is hereby delegated to any Authorized Officer of the City and County from the Department of Budget and Fiscal Services, subject to the limitations contained herein and in the Resolution and the Act, the power with respect to the Series 2025 Bonds to determine and carry out the following:

(a) The sale of the Series 2025 Bonds at public or private sale, and if at private sale the selection of the purchaser or purchasers or underwriter or underwriters; *provided, however,* that in the case of a private sale the purchase price paid by the purchasers thereof shall not be less than ninety percent (90%) of the principal amount of the Series 2025 Bonds so sold;

(b) The principal amount of Series 2025 Bonds to be issued; *provided, however,* that the principal amount of Series 2025 Bonds shall not exceed $230,000,000;

(c) The specific Improvements, if any, to be financed from the proceeds of the Series 2025 Bonds, if any;

(d) The date or dates, maturity date or dates and principal amount of each maturity of the Series 2025 Bonds or the method for calculating such dates and amounts, the amount and date of each Sinking Fund Installment, if any, or the method for calculating the Sinking Fund Installments and which Series 2025 Bonds are Serial Bonds or Term Bonds, if any, and the Record Date or Record Dates of the Series 2025 Bonds for which the Record Date or Record Dates is other than the fifteenth (15th) day (whether or not a Business Day) of the month next preceding an interest payment date for such Bonds or the forty-fifth (45th) day (whether or not a Business Day) preceding a redemption date;

(e) The interest rate or rates, if any, of the Series 2025 Bonds or the manner of determining such rate or rates, the date from which interest on the Series 2025 Bonds shall accrue, the dates on which interest on the Series 2025 Bonds shall be payable, if any, and if any Series 2025 Bonds are Variable Rate Bonds, the Maximum Interest Rate and the Minimum Interest Rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates; *provided, however,* that the true interest cost (as determined by an Authorized Officer of the City and County, which determination shall be conclusive) on the Series 2025 Bonds shall not exceed eight percent (8%) per annum in the case of Tax-exempt Bonds or ten percent (10%) per annum in the case of Taxable Bonds;

(f) The Series 2025 Bonds which are Capital Appreciation Bonds, if any, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

(g) The Series 2025 Bonds which are Deferred Income Bonds, if any, the Valuation Dates for such Bonds, the Appreciated Value on each such Valuation Date and the Interest Commencement Date for such Bonds;

(h) If Series 2025 Bonds are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Series 2025 Bonds;

(i) If Series 2025 Bonds are Option Bonds, (i) provisions regarding tender for, purchase or redemption thereof and payment of the purchase or Redemption Price thereof, and (ii) provisions regarding the appointment of a Remarketing Agent;

(j) The denomination or denominations of and the manner of numbering and lettering the Series 2025 Bonds;

(k) The Series 2025 Bonds which are Book Entry Bonds, if any, and the Depository therefor;

(l) The Paying Agent or Paying Agents for the Series 2025 Bonds and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Series 2025 Bonds;

(m) The Redemption Price or Redemption Prices, if any, and, subject to Article V of the Resolution, the redemption terms, if any, for the Series 2025 Bonds; *provided, however,* that the Redemption Price of Series 2025 Bonds at the election or direction of the City and County shall not be greater than one hundred three percent (103%) of the principal amount of the Series 2025 Bonds to be redeemed, plus accrued interest thereon to the date of redemption; provided that the Redemption Price for any redemption of Taxable Bonds may be such higher price as may be appropriate for the sale of such Bonds;

(n) Provisions for the sale or exchange of the Series 2025 Bonds and for the delivery thereof;

(o) The form of the Series 2025 Bonds and the form of the Paying Agent's certificate of authentication thereon;

(p) Whether the Series 2025 Bonds shall be entitled to the benefit of the Common Reserve Account, and if so entitled, the amount of the Common Reserve Account Requirement and the method of funding or providing for such Common Reserve Account Requirement, and any provisions with respect to subaccounts therein, if applicable, and the Revenues and application thereof, as provided in Article VI of the Resolution;

(q) If the Series 2025 Bonds shall not be entitled to the benefit of the Common Reserve Account, whether a Separate Series Reserve Account shall be established for the Series 2025 Bonds, and if so determined to be established, the amount of such Separate Series Reserve Account Requirement and the method of funding or providing for such Separate Series Reserve Account Requirement, the terms and provisions and credit quality of any Support Facility to be deposited therein, and any provisions with respect to subaccounts therein, if applicable, and the Revenues and application thereof, as provided in Article VI of the Resolution;

(r) Directions for the application of the proceeds of the Series 2025 Bonds;

(s) [reserved]

(t) Whether a Support Facility shall be obtained or an Interest Rate Exchange Agreement shall be entered into with respect to the Series 2025 Bonds and, if any Series 2025 Bonds are option Bonds, (i) the appointment of a Support Facility Provider which shall supply a Support Facility with respect to such Series 2025 Bonds; and (ii) provisions for the establishment of separate accounts in which amounts drawn under a Support Facility for the Series 2025 Bonds are to be deposited

(u) Which Series 2025 Bonds are to be issued as Tax-exempt Bonds and which, if any, are to be issued as Taxable Bonds; and

(v) Any other provisions deemed advisable by such Authorized Officer of the City and County, not in conflict with the provisions hereof or of the Resolution.

(2) Such Authorized Officer from the Department of Budget and Fiscal Services shall execute one or more Series Certificates evidencing determinations or other actions taken pursuant to the authority granted herein or in the Resolution, such Series Certificate or Series Certificates shall be acknowledged and agreed to by any Authorized Officer of the City and County from the Department of Environmental Services, and any such Series Certificate shall be conclusive evidence of the action or determination of such Authorized officers as to the matters stated therein.

(3) All Series 2025 Bonds of like maturity and tenor issued pursuant to this Series 2025 Resolution shall be identical in all respects, except as to denominations, numbers and letters.

Section 2.04. ***Authority to Enter Into Agreements.*** (1) In the event the Series 2025 Bonds are sold at private sale as provided in clause (a) of subsection (1) of Section 2.03, any Authorized Officer of the City and County from the Department of Budget and Fiscal Services is hereby authorized to execute, and any Authorized Officer of the City and County from the Department of Environmental Services is hereby authorized to acknowledge and agree to, one or more Bond Purchase Contracts in the name and on behalf of the City and County in substantially the forms attached as Exhibit A hereto, which form is hereby approved, with such changes, insertions and omissions as may be approved by such Authorized officers, such execution and acknowledgment and agreement being conclusive evidence of such approval. Any Authorized Officer of the City and County from the Department of Budget and Fiscal Services is hereby further authorized to enter into such Bond Purchase Contract or Bond Purchase Contracts with BofA Securities, Inc., or such other underwriter or underwriters or such other purchaser or purchasers as such Authorized Officer of the City and County may select.

(2) The form of the Continuing Disclosure Certificate, attached as Exhibit B hereto, is hereby approved. Any Authorized Officer of the City and County from the Department of Budget and Fiscal Services is hereby authorized to execute a Continuing Disclosure Certificate substantially in such form, with such changes, insertions and omissions as may be approved by such Authorized Officer, such execution being conclusive evidence of such approval.

(3) The form of the Paying Agent Agreement by and between the City and County and a financial institution as paying agent thereunder, attached as Exhibit D hereto, is hereby approved. Any Authorized Officer of the City and County is hereby authorized to select a qualified financial institution to serve as paying agent and to execute the Paying Agent Agreement in the name and on behalf of the City and County substantially in such form, with such changes, insertions and omissions as may be approved by such Authorized Officer, such execution being conclusive evidence of such approval.

Section 2.05. ***Official Statements.*** (1) The form of a Preliminary Official Statement, attached as Exhibit C hereto, is hereby approved. The distribution in connection with the offering and sale of the Series 2025 Bonds of a Preliminary Official

Statement in such form, with such changes, insertions and omissions as an Authorized Officer of the City and County from the Department of Environmental Services deems advisable, is hereby authorized.

(2) Any Authorized Officer of the City and County from each of the Department of Budget and Fiscal Services and the Department of Environmental Services is hereby authorized to execute and deliver, in the name and on behalf of the City and County, a final Official Statement in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as such Authorized Officers deem advisable, and to permit the distribution of said Official Statement in connection with the offering and sale of the Series 2025 Bonds. Any such officers are also hereby authorized to provide for the distribution of any supplement to the Official Statement providing for updates of any financial and operating information of the City and County and the Wastewater System required to be delivered on around the date of delivery of the Series 2025 Bonds.

Section 2.06. ***Execution of Documents.*** Any Authorized Officer of the City and County is hereby authorized to execute and deliver, in the name and on behalf of the City and County, any and all documents and instruments, and to do and cause to be done any and all acts and things, said Authorized Officer deems necessary or advisable in connection with the offering, sale and issuance of the Series 2025 Bonds and to carry out the transactions contemplated by this Series 2025 Resolution.

ARTICLE III.

EXECUTION AND AUTHENTICATION OF THE SERIES 2025 BONDS

Section 3.01. ***Execution and Authentication of Series 2025 Bonds.*** (1) Pursuant to the provisions of Section 4.02 of the Resolution, the Mayor of the City and County is hereby authorized and directed to execute the Series 2025 Bonds by his or her manual or facsimile signature, the Director of Budget and Fiscal Services of the City and County is hereby authorized and directed to countersign the Series 2025 Bonds by his or her manual or facsimile signature, and the seal or a facsimile of the seal of the City and County shall be affixed to or printed on the Series 2025 Bonds.

(2) If a Paying Agent for the Series 2025 Bonds is appointed as provided in clause (I) of subsection (1) of Section 2.03, such Paying Agent is hereby authorized to

authenticate by manual or facsimile signature the Series 2025 Bonds, and deliver the same to or upon the order of the City and County, in such amounts and at such times as such Paying Agent shall be directed in writing by an Authorized Officer.

ARTICLE IV.

APPLICATION OF PROCEEDS

Section 4.01. ***Application of Proceeds and Deposit of Moneys.*** On the date of delivery of the Series 2025 Bonds, the proceeds of the sale of the Series 2025 Bonds shall be applied in accordance with the written direction of any Authorized Officer given pursuant to Section 2.03(1)(r) of this Series 2025 Resolution.

ARTICLE V.

SPECIAL COVENANTS

Section 5.01. ***Tax Status.*** The interest on the Series 2025 Bonds designated, pursuant to Section 2.03(1)(u) hereof, as Tax-exempt Bonds is intended to be excluded from gross income for purposes of federal income taxation. In order to maintain such exclusion, the City and County affirms that the tax covenant made in Section 8.13 of the Resolution shall apply to such Series 2025 Bonds. In furtherance of the foregoing, the City and County shall comply with the provisions of the Tax Certificate executed by any Authorized Officer of the City and County in connection with the Tax-exempt Series 2025 Bonds.

Section 5.02. ***Survival of Covenant.*** The obligation of the City and County to comply with the provisions of the Tax Certificate with respect to any required payments to the Department of the Treasury of the United States of America shall remain in full force and effect so long as the City and County shall be required by the Code to make such payments, notwithstanding that the Tax-exempt Series 2025 Bonds are no longer outstanding.

ARTICLE VI.

MISCELLANEOUS

Section 6.01. ***Effect of Article and Section Headings and Table of Contents.*** The heading or titles of the several articles and sections hereof, and any

table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of the Series 2025 Resolution.

Section 6.02. ***Effectiveness.*** The Series 2025 Resolution shall become effective immediately upon its adoption.

BE IT FINALLY RESOLVED, that copies of this resolution be transmitted to the Director of Budget and Fiscal Services and to the Chief of Treasury.

INTRODUCED BY:

_____

_____

_____

_____

_____

_____

DATE OF INTRODUCTION: _____

_____

_____ _____

Honolulu, Hawai'i Councilmembers

Report Title:
Issuance and Sale of Wastewater System Revenue Bonds, Series 2025

Description:
Recommendation of the adoption of the Resolution authorizing the issuance and sale of a not to exceed principal amount of Wastewater System Revenue Bonds.

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

EXHIBIT A

FORMS OF BOND PURCHASE CONTRACTS

BOND PURCHASE AGREEMENT
for
City and County of Honolulu, Hawaii
Wastewater System Revenue Bonds

$000,000,000
Senior Series 2025B
First Bond Resolution

September ___, 2025

Director of Budget and Fiscal Services
Director of Environmental Services
City and County of Honolulu
530 South King Street
Honolulu, Hawaii 96813

Ladies and Gentlemen:

The undersigned, BofA Securities, Inc. (the "Representative"), on behalf of itself and _____ (together, the "Underwriters"), hereby offer to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with the City and County of Honolulu (the "City and County"). Upon the City and County's acceptance of this offer, this Bond Purchase Agreement will be binding upon the City and County and the Underwriters. This offer is made subject to acceptance by the City and County at or prior to 5:00 P.M., New York time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the City and County at any time prior to such acceptance.

1. Purchase of the Bonds. On the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Underwriters hereby agree to purchase, and the City and County hereby agrees to sell, all and not less than all of the $000,000,000 aggregate principal amount of Wastewater System Revenue Bonds First Bond Resolution, Senior Series 2025B (the "Bonds"). The purchase price for the Bonds shall be $000,000,000.00, representing the aggregate principal amount of the Bonds, plus $00,000,000.00 of net premium, less $000,000.00 being the amount of the Underwriters' compensation pursuant to **Section 3** hereof. The Bonds shall be as provided in Exhibit C Schedule A attached, and shall be issued under the provisions of, Chapter 49, Hawaii Revised Statutes and the Revised Charter of the City and County of Honolulu (collectively, the "Act"), and proceedings of the City Council, including Resolution No. 98-193, CD1, as amended and supplemented (the "First Bond Resolution"), and the applicable Series Resolution relating to the Bonds (collectively, the "Proceedings"), and a Certificate of the Director of Budget and Fiscal Services of the City and County, acknowledged and agreed to by the Director of Environmental Services of the City and County (the "Certificate"), which shall be substantially in the form heretofore received by the Underwriters, with only such changes therein as may be agreed upon by the parties hereto. The Bonds shall be dated, shall have the maturities, shall bear

interest at the rates and payable at the times determined, and shall be subject to redemption, all in accordance with the Certificate, and shall otherwise be as described in the official statement of even date herewith relating to the Bonds (which, together with all appendices thereto and with such changes therein and supplements thereto as are consented to in writing by the Representative, is herein called the "Official Statement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Certificate or, if not defined in the Certificate, in the Official Statement.

In addition to the terms defined elsewhere in this Bond Purchase Agreement, as used in this Bond Purchase Agreement, the following terms shall have the indicated meanings:

"Exchange Act" shall mean the Securities Exchange Act of 1934, as the same shall from time to time be supplemented or amended.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule 15c2-12" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the Exchange Act, as said rule shall from time to time be supplemented or amended, together with all interpretive guidances or other interpretations or explanations thereof that are promulgated by the SEC, except to the extent such interpretive guidances, interpretations or explanations have no binding legal effect and are generally regarded by the municipal securities industry as not being legally correct.

"SEC" shall mean the United States Securities and Exchange Commission.

Proceeds of the Bonds will be applied, as described in the Official Statement: (i) to fund the cost of certain additions and improvements to the City and County's wastewater system; and (ii) to pay certain costs of issuance relating to the Bonds.

The Underwriters intend to make an initial public offering of all of the Bonds at not in excess of the initial public offering prices or less than the yields as set forth in the Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

At 11:00 A.M., New York time, on September ___, 2025, or at such earlier or later time or date as shall be agreed upon by the Representative and the City and County (such time and date being herein referred to as the "Closing Date"), the City and County will deliver to the Underwriters the Bonds (in definitive typewritten form and bearing CUSIP numbers), duly executed by the City and County, and the other documents herein mentioned, and the Underwriters will accept such delivery and pay the purchase price of the Bonds in immediately available funds. Delivery and payment as aforesaid shall in each case be made by electronic means or at such physical location in Honolulu, Hawaii, as shall have been mutually agreed upon by the City and County and the Representative, except that the Bonds shall be delivered through the facilities of The Depository Trust Company ("DTC") in New York, New York or at such other place and in such manner as shall have been mutually agreed upon by the City and County and the Representative. The Bonds shall be made available to the Underwriters in New York,

New York, not later than one (1) securities market business day before the Closing Date for the purposes of inspection and packaging.

The Bonds shall be issued initially in fully registered form, each Bond to be in a denomination equal to and representing the total amount of Bonds maturing on a particular date, and registered in the name of CEDE & Co., as nominee for The Depository Trust Company, New York, New York.

2. Disclosure Documents. Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing Date the City and County shall deliver to the Underwriters a final Official Statement relating to the Bonds dated the date hereof (such Official Statement, including the cover page, and all appendices attached thereto, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the City and County, Bond Counsel, Underwriters' Counsel and the Representative, is referred to herein as the "Official Statement") and such additional conformed copies thereof as the Representative may reasonably request in sufficient quantities to comply with Rule 15c2-12, rules of the MSRB and to meet potential customer requests for copies of the Official Statement. The Underwriters agree to file a copy of the Official Statement, including any amendments or supplements thereto prepared by the City and County, with the MSRB on its Electronic Municipal Markets Access ("EMMA") system. The City and County shall execute the Official Statement by an authorized officer of the City and County. The Official Statement shall be in substantially the same form as the Preliminary Official Statement of the City and County, dated August 29, 2024, as supplemented (as supplemented, the "Preliminary Official Statement"), and, other than information previously permitted to have been omitted by Rule 15c2-12, the City and County shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative. The Underwriters hereby agree to cooperate and assist in the preparation of the Official Statement. The City and County hereby agrees to deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the SEC. The City and County hereby ratifies, confirms and approves the use and distribution by the Underwriters prior to the date hereof of the Preliminary Official Statement, and confirms that the City and County deemed the Preliminary Official Statement final and complete as of the date thereof, except for the omission of certain information permitted to be omitted under Rule 15c2-12; and hereby authorizes the Underwriters, in connection with the offer and sale of the Bonds, to use and distribute the Official Statement and other documents, certificates and statements furnished by the City and County to the Underwriters in connection with the transactions contemplated by this Bond Purchase Agreement. In order to assist the Underwriters in complying with Rule 15c2-12, the City and County will undertake, pursuant to a Certificate of the Director of Budget and Fiscal Services (the "Disclosure Certificate"), to provide certain annual financial information and notices of the occurrence of certain events pursuant to Rule 15c2-12. A description of this undertaking is set forth in the Preliminary Official Statement and in the Official Statement.

3. Underwriters' Compensation. The Underwriters shall receive as total compensation for its services the sum of $000,000.00, which is the difference between the price

paid to the Underwriters by purchasers of the Bonds and the price paid by the Underwriters to the City and County as provided in **Section 1** hereof.

4. Representations, Warranties and Covenants of the City and County. The City and County hereby represents and warrants to and covenants with the Underwriters as follows:

(a) The City and County is a political subdivision of the State of Hawaii (the "State"), the Director of Budget and Fiscal Services (the "Finance Director") is the head of the Department of Budget and Fiscal Services of the City and County, and the Director of Environmental Services (the "Environmental Director") is the head of the Department of Environmental Services of the City and County, and, under the Constitution and laws of the State, including the Act, and pursuant to the Proceedings, the City and County has, and at the Closing Date will have, full legal right, power and authority (i) to issue the Certificate and to enter into this Bond Purchase Agreement, (ii) to execute and deliver the Disclosure Certificate, (iii) to issue, sell and deliver the Bonds pursuant to the Certificate as provided herein, and (iv) to carry out and consummate the transactions contemplated by this Bond Purchase Agreement, the Certificate, the Disclosure Certificate and the Official Statement.

(b) The City and County has complied, and at the Closing Date will in all respects be in compliance, with the Act, the Proceedings, the Certificate and the Disclosure Certificate.

(c) The Preliminary Official Statement as of its date, and as of the date hereof was and is true, correct and complete in all material respects and did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(d) At the time of the City and County's acceptance hereof, the Official Statement is true, complete, correct and final in all material respects, and at the time of delivery thereof to the Underwriters and at all times subsequent thereto up to and including the Closing Date, the Official Statement will be true, correct, complete and final in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) During the period of 25 days beginning with the later of (i) the date the Bonds are delivered by the City and County to the Underwriters or (ii) the date upon which the Underwriters retain no unsold balance of any Bonds for sale to the public, if any event shall occur as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, the Director of Budget and Fiscal Services and the Director of Environmental Services of the City and County shall forthwith notify the Representative of any such event of which he or she has actual knowledge and shall cooperate fully in the preparation and furnishing of any supplement to the Official Statement necessary, in the opinion of the Representative, so that the

statements therein as so supplemented will not be misleading in the light of the circumstances existing at such time.

(f) The City and County will cooperate with the Underwriters in taking all necessary action for the qualification of the Bonds for sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Representative designates and the continuation of such qualifications in effect so long as required for the distribution thereof, provided that the City and County shall not be required to take any action that would subject it to general service of process in any jurisdiction where it is not now so subject.

(g) The City and County has (i) duly adopted the Proceedings and issued the Certificate, (ii) duly authorized and approved the execution and delivery of this Bond Purchase Agreement and the Disclosure Certificate, (iii) duly authorized and approved the performance by the City and County of its obligations contained in the Proceedings, the Certificate, this Bond Purchase Agreement and the Disclosure Certificate and the transactions contemplated by such documents and the Official Statement, and (iv) duly authorized and approved, upon satisfaction of the conditions set forth herein, the issuance and delivery of the Bonds.

(h) The City and County is not in breach or violation of or default under any applicable law, rule or regulation of the United States or of the State or of any department, division, agency or instrumentality thereof, or any applicable order, judgment or decree of any court or other governmental agency or body, which breach, violation or default would result in a material adverse change in the financial position or results of operations of the Wastewater System (as defined in the Proceedings) or materially adversely affect the properties or assets of the Wastewater System, and the City and County is not in breach or violation of or in default under any bond, note, loan agreement, resolution, certificate, agreement or other instrument to which the City and County is a party or by which it is bound or to which any of its property is subject, which breach, violation or default might result in a material adverse change in the financial position or results of operation of the Wastewater System or materially adversely affect the properties or assets of the Wastewater System. The execution and delivery of this Bond Purchase Agreement, the Disclosure Certificate, and the Bonds, the adoption of the Proceedings, the issuance of the Certificate and the Bonds, and the fulfillment of the terms and provisions hereof and thereof, will not conflict with or constitute a breach or violation of or default under any such applicable law, rule, regulation, order, judgment, decree, bond, note, loan agreement, resolution, certificate, agreement or other instrument, and the City and County has no reason to believe that any such conflict, breach, violation or default will exist on the Closing Date.

(i) No authorization, approval, consent or order of or filing or registration with any court or governmental agency or body is required for the valid authorization, execution, issuance, sale or delivery of the Bonds or the exclusion from gross income of interest thereon for federal income tax purposes or the valid adoption by the City and County of the Proceedings, the issuance of the Certificate or the execution and delivery of this Bond Purchase Agreement, and the Disclosure Certificate, except (i) such action as shall have been taken by the City and County prior to the Closing Date, (ii) the filing of an information return with respect to the Bonds as required by Section 149(e) of the Internal Revenue Code of 1986 (the "Code") and (iii) such action as may be required to qualify the Bonds for sale under the blue sky or other securities laws of any jurisdiction.

(j) The City and County has obtained all permits and licenses required for the construction and operation of Wastewater System, as it now exists and, if applicable, as contemplated to be expanded with the proceeds of the Bonds, or will have obtained all such permits and licenses not later than the date required therefor before any expansions are built or placed in service, as the case may be, and all such permits and licenses, to the extent obtained, are currently in full force and effect. All rates and charges with respect to the Wastewater System as described in the Official Statement have been approved by all necessary governmental bodies, and all such rates and charges are in full force and effect and have not been rescinded, nor has any action been taken to modify or rescind any such rates or charges.

(k) At the time of the City and County's acceptance hereof, no action, suit, proceeding, inquiry or investigation at law or in equity was pending or, to the actual knowledge of the Director of Budget and Fiscal Services or the Director of Environmental Services of the City and County, threatened, in any court, public board or body, in any way affecting the legal existence of the City and County or the title of the officers of the City and County to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or in any material way adversely affecting the collection of revenues or assets of the Wastewater System, the validity or enforceability of the Bonds, the Proceedings, the Certificate, the Disclosure Certificate or this Bond Purchase Agreement or the power or authority of the City and County with respect thereto.

(l) The financial statements of the Sewer Fund contained or referenced in the Preliminary Official Statement and the Official Statement present fairly the financial position of such Fund as of the respective dates and the results of its operations and changes in financial position for the periods specified therein. Subsequent to the respective dates of the most recent financial statements included in the Official Statement, there has been no material adverse change in the financial position or results of such Fund except as set forth or contemplated in the Official Statement.

(m) The Certificate and the Bonds conform to the descriptions thereof contained in the Official Statement, and the Bonds, when duly issued and authenticated in accordance with the Certificate and delivered to the Underwriters as provided herein, will be validly issued and outstanding obligations of the City and County, entitled to the benefits of the Certificate and payable from the sources therein specified.

(n) The City and County has executed and delivered, or will execute and deliver on or before the Closing Date, each of the Proceedings, the Certificate, this Bond Purchase Agreement, and the Disclosure Certificate. Each of the Proceedings, the Certificate, this Bond Purchase Agreement and the Disclosure Certificate constitutes, or will, as of the Closing Date, constitute, a legal, valid and binding obligation of the City and County enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. To the actual knowledge of the Director of Budget and Fiscal Services and the Director of Environmental Services of the City and County, each of the Proceedings, the Certificate, this Bond Purchase Agreement and the Disclosure Certificate has been executed and delivered, or will be executed and delivered on or before the Closing Date, by each respective signatory and is currently in full force and effect or, as of the Closing Date, will be in full force and effect.

(o) During the past five years, except as otherwise disclosed in the Preliminary Official Statement and the Official Statement, the City and County has not failed to materially comply with any previous undertaking relating to continuing disclosure of information pursuant to Rule 15c2-12.

(p) Any certificates executed by any officer of the City and County and delivered to the Underwriters pursuant hereto or in connection herewith shall be deemed a representation and warranty of the City and County as to the accuracy of the statements therein made.

5. Conditions to the Obligations of the Underwriters.

(a) The obligation of the Underwriters to purchase the Bonds on the Closing Date shall be subject to the accuracy of the representations and warranties on the part of the City and County herein, to the accuracy of the statements of officers of the City and County made pursuant to the provisions hereof, to the performance by the City and County of its obligations hereunder to be performed on or before the Closing Date and to the following additional conditions precedent:

(1) The Proceedings, the Certificate and the Disclosure Certificate shall have been duly adopted, issued, executed and delivered, as applicable, by the City and County and shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Representative, and the City and County shall have duly adopted and there shall be in full force and effect such additional resolutions as in the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") shall be necessary or appropriate in connection with the Proceedings, the Certificate and the Disclosure Certificate, with the issuance of the Bonds and with the transactions contemplated thereby and hereby. No default shall have occurred and be continuing under the Proceedings or the Certificate, and no event shall have occurred and be continuing which with the lapse of time or the giving of notice or both would constitute such a default.

(2) Subsequent to the City and County's acceptance of this Bond Purchase Agreement, there shall not have occurred any event materially and adversely affecting the City and County or the transactions contemplated hereby which, in the reasonable opinion of the City and County or of the Representative, is required to be set forth in an amendment or supplement to the Official Statement (whether or not the Official Statement shall have been amended or supplemented to set forth such event).

(3) Subsequent to the City and County's acceptance of this Bond Purchase Agreement, the market price of general credit or revenue obligations issued by states or political subdivisions thereof, or the market price of obligations of the character of the Bonds, shall (in the reasonable judgment of the Representative) not have been materially and adversely affected by (i) a tentative decision with respect to legislation reached by a committee of the House of Representatives or Senate of the U.S. Congress or an official pronouncement by the Chairman of any such committee with respect to any such legislation, legislation introduced in or enacted by the Congress of the United States, or passed by either House of the Congress or recommended to the Congress for passage by the President of the United States or by the

Secretary of the U.S. Treasury Department, or favorably reported for introduction or passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or an official pronouncement by the Congressional sponsor of any such pending legislation, or legislation pending in the Congress of the United States shall be amended, or legislation introduced in or enacted by the legislature of the State of Hawaii or a decision rendered by a court of the United States or the State of Hawaii or by the United States Tax Court, or a ruling, order, official statement, or regulation (final, temporary or proposed) made by the Treasury Department of the United States or the Internal Revenue Service or other federal or State of Hawaii authority, with respect to federal or State of Hawaii taxation upon interest received on the Bonds or obligations of the general character of the Bonds, which in any such case may have the purpose or effect of changing, directly or indirectly, the federal income tax consequences or State of Hawaii tax consequences of interest on the Bonds or obligations of the general character of the Bonds in the hands of the holders thereof; or (ii) a tentative decision with respect to legislation reached by a committee of the House of Representatives or Senate of the U.S. Congress or an official pronouncement by the Chairman of any such committee with respect to any such legislation, legislation introduced in or enacted by the Congress of the United States, or passed by either House of the Congress or recommended to the Congress for passage by the President of the United States or by the Chairman of the SEC, or favorably reported for introduction or passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or an official pronouncement by the Congressional sponsor of any such pending legislation, or legislation pending in the Congress of the United States shall be amended, or a decision rendered by a court of the United States, or a ruling, order, official statement, or regulation (final, temporary or proposed) made by or on behalf of the SEC, or any other governmental agency having jurisdiction of the subject matter, to the effect that the Bonds or obligations of the general character of the Bonds are not exempt from registration under, or other requirements of, the Securities Act of 1933, as amended, or that the Certificate is not exempt from qualification under, or other requirements of, the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of the Bonds or obligations of the general character of the Bonds as contemplated hereby or by the Official Statement is or would be in violation of the federal securities laws as amended and then in effect; or (iii) the United States shall have become engaged in hostilities, whether or not a war shall have been declared, or there shall have occurred an escalation of any hostilities involving the armed forces of any country, or any other national emergency or national calamity relating to the effective operation of the United States Government or of the financial community which, in the Representative's opinion, materially adversely affects the market price of the Bonds; (iv) there shall have occurred a general suspension of or material limitation of trading on The New York Stock Exchange or other national securities exchange as the result of an event affecting the national economy, or minimum or maximum prices for trading shall have been established on any such exchange and be in force, or minimum or maximum ranges for prices for securities shall be in force on any such exchange; (v) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force or being enforced, or have increased materially from those now in force or being enforced with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of, the Underwriters; or (vi) a general suspension of trading on the New York Stock Exchange, or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities

on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental authority having jurisdiction; or (vii) a general banking moratorium declared by either federal or New York or Hawaii authorities having jurisdiction.

(4) On or prior to the Closing Date, no order, ruling, regulation, decree or injunction of any court of competent jurisdiction or of any governmental body or authority shall have been issued, and no judicial proceeding shall have been commenced, nor shall any legislation have been enacted, with the purpose or effect of prohibiting the issuance, offering, sale or distribution of the Bonds as contemplated hereby or by the Official Statement or performance by the City and County of its obligations under the Proceedings, the Certificate, the Disclosure Certificate or this Bond Purchase Agreement in accordance with their respective terms.

(5) At or prior to the Closing, the Representative shall have received the following documents, in each case satisfactory in form and substance to the Representative: duly executed or certified copies of: (i) the Proceedings; (ii) the Certificate; (iii) the Disclosure Certificate; (iv) this Bond Purchase Agreement; and (v) the Official Statement.

(6) The Representative shall have received the opinion of Bond Counsel with respect to the Bonds, dated the Closing Date, substantially in the form attached to the draft Official Statement heretofore received by the Underwriters, together with a supplemental opinion of Bond Counsel, addressed to the Representative on behalf of the Underwriters, dated the Closing Date, in substantially the form attached as **Exhibit A**.

(7) The Representative shall have received an opinion, dated the Closing Date, of Corporation Counsel to the City and County substantially in the form attached as **Exhibit B**.

(8) The Representative shall have received opinions, dated the Closing Date, of Dentons US LLP and Katten Muchin Rosenman LLP, co-counsel to the Underwriters, in form and substance satisfactory to the Representative.

(9) The Representative shall have received a certificate, dated the Closing Date, signed by the Director of Budget and Fiscal Services and the Director of Environmental Services, to the effect that (i) the representations and warranties of the City and County contained herein are true and correct in all material respects on and as of the Closing Date; (ii) to the actual knowledge of said officers the information and statements, including financial statements, of or pertaining to the Wastewater System and the Sewer Fund contained in the Official Statement were and are correct in all material respects; (iii) insofar as the City and County and its affairs, including the financial affairs of the Wastewater System and the Sewer Fund, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iv) insofar as the descriptions and statements, including financial data, contained in the Official Statement, of or pertaining to non-governmental bodies or governmental bodies other than the Department of Environmental Services are concerned, such descriptions,

statements and data have been obtained from sources believed by the City and County to be reliable, and the City and County has no reason to believe that they are untrue or incomplete in any material respect; (v) no litigation is pending or, to the actual knowledge of such officers, threatened in any court in any way adversely affecting the legal existence of the City and County or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, or materially and adversely affecting the right of the City and County to collect Wastewater System revenues to pay the principal of and interest on the Bonds, or in any way materially and adversely contesting or affecting the validity or enforceability of the Bonds, the Proceedings, the Certificate, the Disclosure Certificate or this Bond Purchase Agreement or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the power of the City and County or its authority with respect to the Bonds, the Proceedings, the Certificate, the Disclosure Certificate or this Bond Purchase Agreement (but in lieu of or in conjunction with such certificate, the Representative may, in its sole discretion, accept certificates or opinions of Corporation Counsel to the City and County, acceptable to the Representative, that in the opinion of such counsel the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); (vi) to the actual knowledge of said officer, no event materially and adversely affecting the City and County or the transactions contemplated hereby has occurred since the date of the Official Statement which, in the reasonable opinion of the City and County, is required to be set forth in an amendment or supplement to the Official Statement (whether or not the Official Statement shall have been amended or supplemented to set forth such event); (vii) the City and County has the full legal right, power and authority to carry out and consummate the transactions contemplated hereby and by the Official Statement; and (viii) the City and County has complied with all the requirements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date.

(10) The Representative shall have received rating letters evidencing that the Bonds have been rated "___" by Fitch Ratings and "___" by S&P Global.

(11) The Representative shall have received a copy of the Blue Sky Survey with respect to the Bonds.

(12) The Representative shall have received such additional certificates, instruments and other documents as it may reasonably request to evidence the truth and accuracy as of the Closing Date of the representations and warranties of the City and County herein and the due performance or satisfaction by the City and County at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City and County.

(b) The City and County will furnish the Representative with such conformed copies of such opinions, certificates, letters and documents as the Representative reasonably requests. If the City and County shall be unable to satisfy or cause to be satisfied any condition to the obligations of the Underwriters contained in this Bond Purchase Agreement and the satisfaction of such condition shall not be waived by the Representative, this Bond Purchase Agreement shall terminate, and neither the Underwriters nor the City and County shall have any further obligations or liabilities hereunder except as otherwise provided in **Section 8**.

6. Conditions to the Obligations of the City and County. The obligations of the City and County to issue and sell the Bonds to the Underwriters will be subject to performance by the Underwriters of their obligations hereunder and to the receipt by the City and County on the Closing Date of the opinion of Bond Counsel, dated the Closing Date, substantially in the form attached to the Official Statement, and such other certificates, letters and documents from the Underwriters or others as the City and County may reasonably request to evidence facts necessary for Bond Counsel to render such opinion.

7. Survival of Certain Representations and Obligations. The City and County and the Underwriters hereby agree that the respective agreements, representations, warranties and other statements of the City and County and of the Underwriters and their respective officers set forth in or made pursuant to this Bond Purchase Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of the Underwriters or the City and County and will survive the Closing Date. In addition, the obligations of the City and County under **Section 8(a)** below will survive in the event of a failure to close.

8. Expenses.

(a) The City and County will pay or cause to be paid from funds available to it all expenses incident to the performance of its obligations under this Bond Purchase Agreement and the fulfillment of the conditions imposed hereunder, including but not limited to the cost of preparing, printing and mailing the Preliminary Official Statement, the Official Statement and any supplement thereto (except to the extent payable by the Underwriters pursuant to **Section 8(b)** below), the cost of preparing and mailing the Bonds, the Proceedings, the Certificate, the Disclosure Certificate, and any amendments or supplements thereto, in reasonable quantities, and all other documents prepared in connection with the transactions contemplated by this Bond Purchase Agreement, the expenses of the City and County, the fees and expenses of Bond Counsel and Corporation Counsel for the City and County, the fees charged by investment rating agencies with respect to the Bonds, and the fees and expenses of any auditors retained by the City and County in connection with the transactions contemplated herein. In addition, certain of the foregoing expenses, as determined by the Underwriters and the City and County, may be paid by the Underwriters on behalf of the City and County and deducted from the Purchase Price otherwise payable to the City and County at Closing. To the extent that the Underwriters, in order to facilitate the transactions hereunder, have advanced funds to pay any expenses of the City and County incidental to this Bond Purchase Agreement and the transactions hereunder (including, but not limited to, transportation, lodging, meals and other ancillary costs of City and County representatives associated with the financing), the City and County shall reimburse the Underwriters for such advances as part of the expense component of the Underwriters' compensation hereunder.

(b) The Underwriters will pay or cause to be paid the cost of preparing, printing and mailing any amendment or supplement to the Official Statement resulting from a determination by the Underwriters to change the initial offering prices or yields set forth in the Official Statement; all advertising costs and other expenses incurred by the Underwriters in connection with the sale of the Bonds and the qualification of the Bonds for sale under the blue sky and other securities laws of the several states; counsel for the Underwriters; the fees and

expenses of DTC with respect to the deposit of the Bonds; and the charge of the CUSIP Service Bureau for the assignment of CUSIP numbers for the Bonds. Certain expenses of the Underwriters may be in the form of inclusion in the expense component of the Underwriters' discount.

9. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the City and County in establishing the issue price of the Bonds (the "Tax-Exempt Bonds") and shall execute and deliver to the City and County at Closing an "issue price" or similar certificate, substantially in the form attached as **Exhibit C**, together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Representative, the City and County and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Tax-Exempt Bonds.

(b) The City and County represents that it will treat the first price at which 10% of each maturity of the Tax-Exempt Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) The Representative confirms that the Underwriters have offered the Tax-Exempt Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the Official Statement. Schedule A attached to Exhibit C also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Tax-Exempt Bonds for which the 10% test has not been satisfied and for which the City and County and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Tax-Exempt Bonds, the Underwriters will neither offer nor sell unsold Tax-Exempt Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriters have sold at least 10% of that maturity of the Tax-Exempt Bonds to the public at a price that is no higher than the initial offering price to the public.

The City and County acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each underwriter to comply with the requirements for establishing the issue price of the Tax-Exempt Bonds, including, but not limited to, the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Tax-Exempt Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing the issue price of

the Tax-Exempt Bonds, including, but not limited to, the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Tax-Exempt Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Tax-Exempt Bonds, including, but not limited to, the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City and County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the requirements for establishing the issue price of the Tax-Exempt Bonds, including, but not limited to, the hold-the-offering-price rule as applicable to the Tax-Exempt Bonds.

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A)(1) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity or all Tax-Exempt Bonds of that maturity have been sold to the public and (2) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, (B) promptly notify the Representative of any sales of the Tax-Exempt Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Tax-Exempt Bonds to the public (each such term being used as defined below), and (C) acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public; and

(ii) any agreement among underwriters relating to the initial sale of the Tax-Exempt Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Tax-Exempt Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Tax-Exempt Bonds of that maturity or all Tax-Exempt Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

(e) The Underwriters acknowledge that sales of any Tax-Exempt Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party to an underwriter,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City and County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Tax-Exempt Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Tax-Exempt Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Tax-Exempt Bonds to the public),

(iii) a purchaser of any of the Tax-Exempt Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Bond Purchase Agreement by all parties.

10. No Advisory or Fiduciary Role. The City and County acknowledges and agrees that: (i) the Underwriters are not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the City and County and the Underwriters have financial and other interests that differ from those of the City and County; (iii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the City and County and have not assumed any advisory or fiduciary responsibility to the City and County with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City and County on other matters); (iv) the only contractual obligations the Underwriters have to the City and County with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (v) the City and County has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

11. Notices. All communications hereunder will be in writing, and, if sent to the Representative or the Underwriters, will be mailed or delivered to BofA Securities, Inc., 333

S. Hope St., Suite 3820, Los Angeles, California 90071, Attention: Frank X. Lauterbur, Managing Director; or, if sent to the City and County, will be mailed or delivered and confirmed to it at the address set forth above.

12. Governing Law. This Bond Purchase Agreement shall be construed and administered under the laws of the State of Hawaii.

13. Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Successors. This Bond Purchase Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors, and no other person will have any right or obligation hereunder.

15. Entire Agreement. This Bond Purchase Agreement, when accepted by the City and County in writing as provided herein, shall constitute the entire agreement of the parties hereto with respect to the offer and sale of the Bonds and the transactions related thereto and supersedes all prior agreements and understandings between the Parties with respect to the issuance and sale of the Bonds. No modification, alteration, supplement or amendment to this Bond Purchase Agreement shall be binding upon any of the parties hereto until such modification, alteration or amendment is reduced to writing and executed by all of the parties hereto.

(The remainder of this page is blank; the signature page follows)

BOFA SECURITIES, INC., as Representative
of the Underwriters herein named

By:_____
Authorized Signatory

Accepted this _____ day of September, 2024

CITY AND COUNTY OF HONOLULU

By: _____
Andrew T. Kawano
Director of Budget and Fiscal Services

By:_____
Roger Babcock, Jr., Ph.D., P.E.
Director of Environmental Services

Approved as to form and legality:

_____
Dana M.O. Viola
Corporation Counsel
City and County of Honolulu

EXHIBIT A
TO
BOND PURCHASE AGREEMENT

[FORM OF BOND COUNSEL'S SUPPLEMENTAL OPINION]

September ___, 2024

BofA Securities, Inc.
Los Angeles, California

_____
Los Angeles, California

_____.
Honolulu, Hawaii

_____
Honolulu, Hawaii

Re: City and County of Honolulu Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B

Ladies and Gentlemen:

This letter is provided pursuant to Section 5(a)(6) of the Bond Purchase Agreement dated September ____, 2024 (the "Purchase Contract"), by and between BofA Securities, Inc., _____. and _____ (the "Underwriters") and the City and County of Honolulu (the "City and County"), providing for the purchase of $000,000,000 aggregate principal amount of Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B (the "Bonds"). The Bonds are being issued pursuant to proceedings of the City Council of the City and County, including resolutions adopted by the City Council (collectively, the "Resolution"), and a Certificate of the Director of Budget and Fiscal Services of the City and County dated as of September ___, 2025 (the "Certificate"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Certificate or, if not defined in the Certificate, in the Bond Purchase Agreement.

We have delivered our final legal opinion (the "Bond Opinion") as bond counsel to the City and County concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the City and County. You may rely on the Bond Opinion as though the same were addressed to you.

In connection with our role as bond counsel to the City and County, we have reviewed the Purchase Contract, the Certificate, an opinion of the Corporation Counsel of the City and County, certificates of the City and County 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 original delivery of the Bonds on 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 original delivery of the Bonds on the date hereof. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City and County. 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 third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Certificate, the Resolution, and the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, 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 foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any property described in or as subject to the lien of the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy (except as expressly set forth in numbered paragraph 3 below), completeness or fairness of the Official Statement dated September ___, 2025 (the "Official Statement") or other offering material relating to the Bonds and express no view 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 or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Certificate is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by, and constitutes a valid and binding agreement of, the City and County.

3. The statements contained in the Official Statement under the captions "THE SENIOR SERIES 2025 BONDS" (excluding any reference to the book-entry system or global clearance procedures), "SECURITY FOR THE BONDS (excluding any information relating to reserve account balances)," "TAX MATTERS," and in Appendix B, entitled "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTIONS," to the Official Statement, excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Bonds, the Certificate, or set out in the content of the Bond Opinion are

accurate in all material respects.

This letter is furnished by us as bond counsel to the City and County. No attorney-client relationship has existed or exists between our firm and you in connection with the Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as the underwriters of the Bonds, is solely for your benefit as underwriters in connection with the original delivery of the Bonds on the date hereof, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT B
TO
BOND PURCHASE AGREEMENT

[FORM OF OPINION OF CORPORATION COUNSEL]

September___, 2025

BofA Securities, Inc.,
On behalf of the Underwriters
Los Angeles, California

Re: City and County of Honolulu
Wastewater System Revenue Bonds (First Bond Resolution) $000,000,000 Senior Series 2025A

Ladies and Gentlemen:

The Department of the Corporation Counsel acts as counsel for the City and County of Honolulu (the "City and County"), and in such capacity, the following opinion is delivered. This opinion is delivered pursuant to the requirement of Section 5(a)(7) of the Bond Purchase Agreement with the City and County, dated September ___, 2025 (the "Bond Purchase Agreement"), relating to the Bonds identified above (the "Bonds"). Terms used and not otherwise defined herein shall have the meanings assigned to them in the Bond Purchase Agreement. We are of the following opinions:

(1) The City and County is a duly organized and existing political subdivision of the State of Hawaii, with full power under the Constitution and laws of the State, including the Act, to enact and approve the Proceedings, to authorize the Bonds, the Certificate, the Disclosure Certificate, the Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement, and to perform its obligations thereunder and contemplated thereby.

(2) The Director of Budget and Fiscal Services and the Director of Environmental Services have the power to execute and deliver the Certificate and the Bond Purchase Agreement, and the Director of Budget and Fiscal Services has the power to execute, issue and deliver the Bonds and to execute and deliver the Disclosure Certificate.

(3) Based upon the information provided to us in the course of our participation in the preparation of the Official Statement and in reliance thereon, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, we have no reason to believe that the Official Statement, under the captions "The City and County and the Department" and "Pending Wastewater System Litigation" (except for the financial and statistical data included therein and assumptions with respect thereto, as to which no opinion is expressed), as of its date contained, or as of the date

hereof contains, any untrue statement of a material fact, or as of its date omitted, or as of the date hereof omits, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) No litigation is pending or, to my actual knowledge, threatened in any court in any way affecting the legal existence of the City and County or the title of its officers and other officials to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or the pledge of the revenues from the wastewater system of the City and County to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Certificate, the Disclosure Certificate or the Bond Purchase Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the City and County or its authority with respect to the Bonds, the Certificate, the Disclosure Certificate or the Bond Purchase Agreement, other than that which may have been disclosed in the Official Statement.

In the rendering of this opinion, we express no opinion as to the application of the Federal law of the United States or the laws of any state regarding the documents referred to in this opinion other than the State of Hawaii.

We are furnishing this letter to you pursuant to **Section 5** of the Bond Purchase Agreement solely for the benefit of the Underwriters thereunder. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Bonds. We disclaim any obligation to update this letter.

Very truly yours,

Dana M.O. Viola
Corporation Counsel
City and County of Honolulu

EXHIBIT C
TO
BOND PURCHASE AGREEMENT

FORM OF ISSUE PRICE CERTIFICATE

City and County of Honolulu, Hawaii
Wastewater System Revenue Bonds

$000,000,000
Senior Series 2025B
First Bond Resolution

The undersigned, BofA Securities, Inc. (the "Representative"), on behalf of itself and _____. and _____ (together, the "Underwriting Group"), named in the Bond Purchase Agreement dated September ___, 2025 (the "Bond Purchase Agreement") between the City and County of Honolulu (the "City and County") and the Representative, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Sale of the General Rule Maturities***. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) The Underwriting Group offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, the members of the Underwriting Group have agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, they would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any unsold Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms***.

(a) *General Rule Maturities* means those Maturities of the Bonds listed in

Schedule A hereto as the "General Rule Maturities."

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City and County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City and County with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038, and other federal income tax advice that it may give to the City and County from time to time relating to the Bonds. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

BOFA SECURITIES, INC., as Representative of the Underwriters

By: _____
Authorized Signatory

Dated: September ____, 2025

SCHEDULE A

SALE PRICES OF THE BONDS

$000,000,000
Senior Series 2025B
First Bond Resolution

Year (July 1)	Principal Amount ($)	Interest Rate (%)	Yield (%)	Price	
2041					C
2042					C
2043					C
2044					C
2045					C
2046					C

$00,000,000 ____% Term Bonds due July 1, _____, Priced: _____C to yield _____%

$000,000,000 _____% Term Bonds due July 1, _____, Priced: _____C to yield _____%

C Priced to July 1, 2035 first optional redemption date

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

EXHIBIT B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of Honolulu, Hawaii (the "City and County") in connection with the issuance of $_____ Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B (the "Bonds"). The Bonds are being issued pursuant to Chapter 49, Hawaii Revised Statutes, and the Revised Charter of the City and County of Honolulu, as amended (collectively, the "Act"), and the proceedings of the City Council, including Resolution No. 98-193, CD1, as amended and supplemented by Resolution No. 06-266, CD1 and Resolution No. 10-283 (First Bond Resolution), and the Series Resolution relating to the Bonds, and Certificate of the Director of Budget and Fiscal Services of the City and County, acknowledged and agreed to by the Director of Environmental Services of the City and County dated _____, 2025 (the "Certificate"). The City and County covenants and agrees as follows:

Section 1. ***Purpose of the Disclosure Certificate.*** This Disclosure Certificate is being executed and delivered by 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) (the "Rule").

Section 2. ***Definitions.*** In addition to the definitions set forth in the Certificate, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means 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" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, 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.

"Department" means the Department of Environmental Services of the City and County.

"Dissemination Agent" means 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.

"*Financial Obligation*" means, for purposes of the Listed Events set out in Section 5(a) or (b) of this Disclosure Certificate, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Events" means any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" means 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*.

"Official Statement" shall mean the Official Statement, dated _____, 2025, prepared and distributed in connection with the initial sale of the Bonds.

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

"Rule" means 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, 2026, provide to the MSRB an Annual Report that 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. If the City and County's fiscal year changes, the City and County, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(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 other than the City and County). If the City and County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City and County shall send a notice to the MSRB in substantially the form attached as Exhibit A. The audited financial statements of the Department 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.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City and County) file a report with the City and County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. ***Content of Annual Reports.***

(a) The Annual Report shall contain or incorporate by reference the following information:

(i) Audited financial statements of the Department for the prior fiscal year, 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 Department's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement relating to the Bonds, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available;

(ii) Budgeted revenues and expenditures of the Department for the current fiscal year;

(iii) To the extent not provided in the audited financial statements, historical information of the type shown in Tables 23 and 24 of the Official Statement, entitled "Department of Environmental Services Sewer Fund Enterprise Fund Statement of Revenues, Expenses and Charges in Retained Earnings (Deficit)" and "Department of Environmental Services Sewer Fund Enterprise Fund Balance Sheet," respectively; and

(iv) To the extent not provided in the audited financial statements, historical information of the type shown in Tables 21 and 22 of the Official Statement, entitled "Outstanding Wastewater Revenue Bonds" and "Revenue Bond Debt Service Requirements," respectively.

(b) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

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

If the inclusion or format of the information referenced above is changed in any future official statement, thereafter the Annual Report shall instead 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.

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, not later than ten New York securities market business days after the occurrence of the event:

i. Principal and interest payment delinquencies;

ii. Non-payment related defaults, if material;

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

iv. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability. Notices of Proposed Issue (IRS Form 5701 TEB)) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

vii. Modifications to rights of Bondholders, if material;

viii. Optional or unscheduled Bond calls, if material, and tender offers;

ix. Defeasances;

x. Release, substitution, or sale of property securing repayment of the Bonds, if material;

xi. Rating changes;

xii. Bankruptcy, insolvency, receivership or similar event of the City and County;

xiii. The consummation of a merger, consolidation, or acquisition involving the City and County or the sale of all or substantially all of the assets of the City and County, 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, if material;

xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

xv. Incurrence of a financial obligation of the City and County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City and County, any of which affect Bond holders, if material; or

xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City and County, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (xii) 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, 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.

(c) 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.

(d) 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 (10) 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.

(e) The City and County intends to comply with the Listed Events described in Section 5(a)(xv) and Section 5(a)(xv), and the definition of "Financial Obligation" in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

Section 6. ***Termination of Reporting Obligation.*** The City and County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Bonds, or upon delivery to the City and County or the Dissemination Agent (if other than the City and County) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. 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 Section 5(c).

Section 7. ***Dissemination Agent.*** From time to time, the City and County may 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. If at any time there is not any other designated Dissemination Agent, the City and County shall be the Dissemination Agent. The initial Dissemination Agent shall be the City and County. The sole remedy of any party against the Dissemination Agent shall be nonmonetary and specific performance. The Dissemination Agent shall not be responsible for the form or content of any Annual Report, notice of Listed Event, or other document furnished to the Dissemination Agent by the City and County. The Dissemination Agent shall receive reasonable compensation for its services provided hereunder. The Dissemination Agent may resign at any time by providing at least 60 days' notice to the City and County.

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 all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, 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 Certificate for amendments to the Certificate with the consent of Holders, or (ii) does not, in the opinion of the City and County, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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 Section 5(c), 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 or the Dissemination Agent (if other than the City and County), as the case may be, 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 Certificate, and the sole remedy under this Disclosure Certificate in the event of any failure of the City and County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. ***Duties, Immunities and Liabilities of Dissemination Agent.*** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City and County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the City and County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. ***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.

Date: _____, 2025

Andrew T. Kawano
Director of Budget and Fiscal Services
City and County of Honolulu

The above and foregoing certificate is hereby approved as to form and legality this __ th day of _____, 2025.

Dana M.O. Viola
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, Hawaii
Name of Bond Issue:	Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B
Date of Issuance:	_____, 2025

NOTICE IS HEREBY GIVEN that the City and County of Honolulu, Hawaii (the "City and County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated _____, 2025, executed by the City and County for the benefit of the holders and beneficial owners of the above-referenced Bonds. The City and County anticipates that the Annual Report will be filed by _____.

Dated:

CITY AND COUNTY OF HONOLULU, HAWAII

By: _____
Authorized Signatory

EXHIBIT C

FORM OF PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2025 Bonds, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. As of this date, this Preliminary Official Statement has been deemed "final" by the City and County for purposes of SEC Rule 15c2-12(b)(1) except for the omission of certain information permitted by SEC Rule 15c2-12(b)(1).

PRELIMINARY OFFICIAL STATEMENT DATED [_____], 2025

NEW ISSUE
FULL BOOK-ENTRY
NEW ISSUE BOOK-ENTRY ONLY

RATINGS:
Fitch: [__]
S&P: [__]
(See "Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County of Honolulu, Hawaii, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2025 Bonds (defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Series 2025 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Series 2025 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is of the opinion that the Series 2025 Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel 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 Series 2025 Bonds. See "TAX MATTERS" in this Official Statement.

$[_____]*
City and County of Honolulu
Wastewater System Revenue Bonds
Senior Series 2025B
First Bond Resolution

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

The City and County of Honolulu Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B (the "Series 2025 Bonds") are issuable 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 Series 2025 Bonds, purchases of the Series 2025 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 Series 2025 Bonds will not receive physical delivery of Series 2025 Bond certificates; payment of the principal of and interest and any premium on the Series 2025 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 Series 2025 Bonds may be made in the denomination of $5,000 or any integral multiple thereof.

The Series 2025 Bonds bear interest payable on January 1 and July 1 of each year, commencing July 1, 2026. The Series 2025 Bonds are subject to redemption prior to the stated maturity thereof as described herein. Proceeds of the Series 2025 Bonds will be used to: (i) fund the cost of certain additions and improvements to the wastewater system owned by the City and County of Honolulu (the "City and County"), and (ii) pay the costs of issuance of the Series 2025 Bonds.

The Series 2025 Bonds will be issued by the City and County under a bond resolution, as supplemented (the "First Bond Resolution"), pursuant to which the City and County has previously issued bonds and may issue additional bonds on a parity with the Series 2025 Bonds, as described herein. The Series 2025 Bonds are limited special obligations of the City and County payable solely from, and secured solely by a pledge of, the Net Revenues, proceeds of Bonds held or set aside under the First Bond Resolution, and certain funds and accounts established by the First Bond Resolution, on a parity with all other Bonds issued under the First Bond Resolution. Such pledge of the Net Revenues is senior and superior to any pledge of Net Revenues to secure obligations issued under any other bond resolution.

The Series 2025 Bonds are not a general or moral obligation of the State of Hawaii or any political subdivision thereof, including the City and County, and the faith and credit of the State of Hawaii or any political subdivision thereof, including the City and County, are not pledged to the payment of the principal of, premium, if any, or interest on the Series 2025 Bonds, and no holder of the Series 2025 Bonds shall have the right to compel the exercise of the taxing power of the State of Hawaii or any political subdivision thereof, including the City and County, in connection with any default with respect to the Series 2025 Bonds.

This cover page contains certain information for quick reference only. It is not a summary of the bond issue. Prospective investors must read the entire Official Statement (including the Appendices) to obtain information essential to the making of an informed investment decision.

The Series 2025 Bonds are offered when, as and if issued and received by the Underwriters, and are subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City and County. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Dentons US LLP, Honolulu, Hawaii, and Katten Muchin Rosenman LLP, New York, New York. It is expected that the Series 2025 Bonds in definitive form will be available for delivery to DTC, in New York, New York, on or about September__, 2025.

BofA Securities

Dated: September __, 2025

* *Preliminary, subject to change.*

MATURITY SCHEDULE

$[_____]*
City and County of Honolulu
Wastewater System Revenue Bonds
Senior Series 2025B Bonds
(First Bond Resolution)

Year (July 1)*	Principal Amount*	Interest Rate	Price	Yield	CUSIP† (438701)

* *Preliminary, subject to change.*

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright® 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein are provided by CGS. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City and County of Honolulu, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2025 Bonds.*

City and County of Honolulu
State of Hawaii
(Incorporated 1907)

MAYOR
Rick Blangiardi

CITY COUNCIL

Tommy Waters
Chair

Matt Weyer
Vice Chair

Radiant Cordero
Floor Leader

Esther Kia'āina

Scott Nishimoto

Val A. Okimoto

Tyler Dos Santos-Tam

Augie Tulba

Andria Tupola

DIRECTOR OF BUDGET AND FISCAL SERVICES
Andrew T. Kawano

DIRECTOR OF ENVIRONMENTAL SERVICES
Roger Babcock, Jr., Ph.D., P.E.

CORPORATION COUNSEL
Dana M.O. Viola

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the City and County in any way, regardless of the level of optimism communicated in the information. The City and County is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY AND COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

* * * * *

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell the Series 2025 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 Series 2025 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 SERIES 2025 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE SERIES 2025 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

Page

INTRODUCTORY STATEMENT 1

ESTIMATED SOURCES AND USES OF PROCEEDS 3

THE SERIES 2025 BONDS 3

- General 3
- Optional Redemption 3
- Selection for Redemption 3
- Notice of Redemption 4

SECURITY FOR THE BONDS 4

- General 4
- Funds and Accounts 5
- Rate Covenant With Respect to the Senior Bonds 7
- Additional Bonds and Refunding Bonds Under the First Bond Resolution 7

THE CITY AND COUNTY AND THE DEPARTMENT 9

- Purpose and Powers 9
- Department Principal Officers 10
- Department Work Force 10
- Emergency Preparedness 10

THE WASTEWATER SYSTEM 11

- Introduction 11
- General Description of Existing Facilities 11
- Environmental Compliance 12
- PFAS and PFOS 13
- Red Hill Bulk Fuel Storage Facility 14
- Projected Customer Growth 14

CAPITAL IMPROVEMENT PROGRAM 15

- Criteria for Ranking CIP Projects by Priority 15
- Classification of CIP Projects 16
- 2025-2029 Capital Improvement Program 16
- 2025-2034 Capital Improvement Program 17
- 2016-2035 Capital Improvement Program 18
- Climate Change Preparation 19

HISTORICAL AND PROJECTED REVENUES, EXPENSES AND COVERAGES 21

CERTAIN FINANCIAL, OPERATING AND OTHER INFORMATION AND STATISTICS 22

- Management's Discussion of Financial Performance 22
- Billing and Collection 22
- Ten Largest Customers 23
- Certain Operating and Financial Statistics 23
- Rates and Charges 28

Page

DEBT AND FINANCIAL POLICIES AND INDEBTEDNESS 31

- General 31
- Investments 31
- Indebtedness 31
- Potential Commercial Paper Indebtedness 32
- No Obligations Subject to Mandatory Purchase or Acceleration 32

FINANCIAL STATEMENTS 34

EMPLOYEE RELATIONS AND EMPLOYEE BENEFITS 37

- Employee Relations 37
- Employee Benefits 39

OTHER INFORMATION REGARDING THE CITY AND COUNTY OF HONOLULU 54

- Federal Funding Risk 54
- Federal Tax Risk 57
- Climate Change, Sea Level Rise and Resilience 54
- Storm Water 57
- Natural Disasters 57
- Cybersecurity 58
- Landfill 58

PENDING WASTEWATER SYSTEM LITIGATION 59

COVID-19 60

RATINGS 60

UNDERWRITING 60

TAX MATTERS 61

APPROVAL OF LEGAL PROCEEDINGS 62

CONTINUING DISCLOSURE 63

MISCELLANEOUS 63

Appendix A: Economic and Demographic Factors

Appendix B: Summary of Certain Provisions of the First Bond Resolution

Appendix C: Book-Entry Only System

Appendix D: Proposed Form of Continuing Disclosure Certificate

Appendix E: Proposed Form of Opinion of Bond Counsel

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

$[_____]*
City and County of Honolulu
Wastewater System Revenue Bonds
Senior Series 2025B Bonds
(First Bond Resolution)

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the appendices, provides certain information in connection with the issuance by the City and County of Honolulu (the "City and County") in the State of Hawaii (the "State" or "Hawaii") of $[_____]* aggregate principal amount of Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B (the "Series 2025 Bonds").

The Series 2025 Bonds are to be issued under and secured by the First Wastewater Revenue Bond Resolution adopted by the City Council of the City and County on November 10, 1998 (as amended and supplemented from time to time, the "First Bond Resolution"), and the Series 2025 Resolution adopted by the City Council of the City and County on [_____], 2025 (the "Series 2025 Resolution"). The Series 2025 Bonds are also to be issued under a certain Bond Series Certificate of the City and County dated the date of this Official Statement, relating to the Series 2025 Bonds (the "Series 2025 Certificate").

The capitalization of any word below not conventionally capitalized indicates that such word is defined in the First Bond Resolution, the Series 2025 Certificate or this Official Statement. A glossary of certain terms used in this Official Statement and the First Bond Resolution is set forth in Appendix B under "Summary of Certain Provisions of the First Bond Resolution – Certain Definitions."

Proceeds of the Series 2025 Bonds will be used to: (i) fund the cost of certain additions and improvements to the wastewater system owned by the City and County and (ii) pay the costs of issuance of such Series 2025 Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS" below.

The Series 2025 Bonds are the 37th series of bonds (each a "Series" and collectively the "Senior Bonds") issued under and pursuant to the First Bond Resolution and will be secured by and entitled to the protection of the First Bond Resolution on a parity with all Senior Bonds heretofore issued and to be hereafter issued under and pursuant to the First Bond Resolution. The Series 2025 Bonds are limited special obligations of the City and County payable solely from, and secured solely by a pledge of, the Net Revenues, proceeds of Series 2025 Bonds held or set aside under the First Bond Resolution, and certain funds and accounts established by the First Bond Resolution. Such pledge of the Net Revenues is senior and superior to any pledge of the Net Revenues to secure obligations issued under any other bond resolution. See "SECURITY FOR THE BONDS."

As of [_____], 2025, the City and County had $[_____] principal amount of Senior Bonds outstanding. As of such date, the City and County also had $[_____] principal amount of bonds outstanding secured by Net Revenues on a subordinate basis to the Senior Bonds (collectively, the "Junior Bonds"). The Junior Bonds were issued by the City and County under a Second Wastewater Revenue Bond Resolution adopted by the by the City Council of the City and County on November 10, 1998 (as amended and supplemented from time to time, the "Second Bond Resolution"). The Junior Bonds, together with the Department's outstanding State Revolving Fund loans, are considered to be "Subordinate Obligations" for purposes of the First Bond Resolution. All outstanding Senior Bonds and Subordinate Obligations are fixed rate obligations. See "DEBT AND FINANCIAL POLICIES AND INDEBTEDNESS – Indebtedness" herein.

The Department of Environmental Services (the "Department") was created on July 1, 1998, as part of a city-wide reorganization. The Department has the full and complete authority to manage, control and operate the Wastewater System owned or managed and under the jurisdiction of the City and County, including all materials, supplies, equipment and properties used or useful in connection with the Wastewater System. Previously, the Department of Wastewater Management, created by a City Charter change effective July 1, 1993, provided operation, maintenance, planning, design and construction of wastewater

* Preliminary, subject to change.

facilities in the City and County. The City Charter and Chapter 49, Hawaii Revised Statutes (the "Act") empower the City and County to issue revenue bonds in its name for the purposes of the Wastewater System. See "THE CITY AND COUNTY AND THE DEPARTMENT."

[***To be confirmed/updated***] [As of June 30, 2024, the Wastewater System serviced approximately 149,000 separate accounts and a population of approximately 780,000, which is approximately 78% of the total resident population of the City and County based on the 2023 data book. The service area covers nearly 600 square miles. The customer base includes the residential population, business and industrial users, and other users located in the service area. Of the approximately 149,000 accounts, approximately 141,000 are residential, which generate approximately 95% of the total revenue from sewer service charges, and the remaining approximately 8,000 accounts are non-residential, which generate approximately 5% of the total revenue from sewer service charges. In the Fiscal Year ended June 30, 2025, the average total volume of wastewater processed by the Wastewater System was approximately 100.18 million gallons per day ("MGD"), an increase of 4% from Fiscal Year 2023.] See "THE WASTEWATER SYSTEM."

[***To be confirmed/updated***] [The Department is currently undertaking a capital improvement program adopted by the Department and approved by the City Council (the "2025-2029 Capital Improvement Program"). The 2025-2029 Capital Improvement Program is projected to cost approximately $4.6 billion (in inflated dollars, i.e., adjusted from 2025 dollars) and is being undertaken for the purposes, among others, of meeting the requirements of certain consent decrees, permits, or administrative orders entered into by the Department with Federal and State regulatory bodies and reliably serving projected growth in the number of customers served by the Wastewater System. The 2025-2029 Capital Improvement Program is part of the Department's 2016-2035 twenty-year capital improvement program (the "2016-2035 Capital Improvement Program"). The 2016-2035 Capital Improvement Program is projected to cost approximately $9.1 billion (in inflated dollars) and has been undertaken for the same basic purposes as the 2025-2029 Capital Improvement Program. The cost of the 2016-2035 Capital Improvement Program, including the 2025-2029 Capital Improvement Program, is expected to be financed primarily from: (i) proceeds of Senior Bonds and Subordinate Obligations (including Clean Water State Revolving Fund loans) previously issued and currently available, (ii) proceeds of additional Senior or Junior Bonds (including the Series 2025 Bonds)and Subordinate Obligations (currently expected to consist primarily of Clean Water State Revolving Fund loans) to be issued in the future, (iii) Net Revenues of the Wastewater System, and (iv) Wastewater System Facilities Charges.] See "CAPITAL IMPROVEMENT PROGRAM."

Pursuant to the Act and the City Charter, the City Council has the power to impose, prescribe and collect rates, rentals, fees or charges for the use and services of, and the facilities furnished by, the Wastewater System so that the Wastewater System will be and remain self-sustaining. The rates, rentals, fees or charges imposed and prescribed are required to produce revenues which will be at least sufficient to pay debt service on all revenue bonds issued for the purposes of the Wastewater System, including the Senior Bonds and the Subordinate Obligations, to provide reserves therefor, to pay the costs of operation, maintenance and repair of the Wastewater System, and to carry out the covenants of all resolutions authorizing the issuance of revenue bonds for the purposes of the Wastewater System, including the First Bond Resolution and the Second Bond Resolution. The rates and charges fixed and imposed by the City Council are not subject to approval by any federal or state regulatory bodies. See discussion under "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND COVERAGES."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of the proceeds of the Series 2025 Bonds are set forth below:

Sources of Funds:	Total
Par Amount	$
[Plus/Less] Original Issue [Premium/Discount]	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Project Fund	$
Underwriters' Discount	
Costs of Issuance	
Total Uses of Funds	$

THE SERIES 2025 BONDS

General

The Series 2025 Bonds will be dated as of the date of their issuance and will bear interest at the rates and mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Series 2025 Bonds will be issued in minimum denominations of $5,000 principal amount. Interest will accrue on the Series 2025 Bonds from the date of their issuance and will be due and payable semiannually on January 1 and July 1 of each year, commencing July 1, 2026. U.S. Bank Trust Company, National Association (successor in interest to U.S. Bank National Association) will serve as the initial Paying Agent for the Series 2025 Bonds.

The Series 2025 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2025 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 Series 2025 Bonds, individual purchases of the Series 2025 Bonds will be made in book-entry form only (the "Book-Entry System"), in authorized denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2025 Bonds. Principal of and interest on the Series 2025 Bonds will be paid to the Securities Depository, which will in turn remit such principal and interest to its Direct Participants (as defined in Appendix C, "Book-Entry Only System"), for subsequent distribution to Indirect Participants (as defined in Appendix C, "Book-Entry Only System") and Beneficial Owners (as defined in Appendix C, "Book-Entry Only System") of the Series 2025 Bonds. The Series 2025 Bonds may be transferred or exchanged in the manner described in the Series 2025 Bonds and as referenced in accompanying proceedings of the City and County. See Appendix C, "Book-Entry System" for certain information regarding the Book-Entry System maintained by DTC, as Security Depository.

Optional Redemption

The Series 2025 Bonds maturing on or after July 1, 20__ are subject to redemption prior to the stated maturity thereof at the option of the City and County on or after July 1, 20__, in whole or in part at any time, from any maturities selected by the City and County (in its sole discretion), at a redemption price equal to 100% of the principal amount of the Series 2025 Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

Selection for Redemption

If less than all of the Series 2025 Bonds are called for redemption, the City and County will designate the maturities from which the Series 2025 Bonds are to be redeemed. For so long as the Series 2025 Bonds are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Series 2025 Bonds, if fewer than all of the Series 2025 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2025 Bonds to be redeemed shall be selected by lot in accordance with DTC procedures; provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See Appendix C, "Book-Entry System."

If the Series 2025 Bonds are not registered in book-entry form and if fewer than all of the Series 2025 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2025 Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Series 2025 Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

Notice of redemption of any Series 2025 Bond is required to be mailed not less than 30 days prior to the redemption date to the holder of such Series 2025 Bond at its address as it appears on the registry books kept pursuant to the provisions of the First Bond Resolution. Notice of redemption of Series 2025 Bonds will be given by the Paying Agent.

Each notice of redemption is required to state: (i) the title of the Series 2025 Bonds to be redeemed, the subseries designation thereof (if any), the redemption date, the place or places of redemption and the redemption price payable upon such redemption; (ii) if less than all the Series 2025 Bonds are to be redeemed, the distinctive number of the Series 2025 Bonds to be redeemed, (iii) that the interest on the Series 2025 Bonds, or on the principal amount thereof to be redeemed, designated for redemption in such notice shall cease to accrue from and after such redemption date; and (iv) that on such date there will become due and payable on each such Series 2025 Bond the principal amount thereof to be redeemed at the then applicable redemption price and the interest accrued on such principal amount to the redemption date. Each notice of redemption mailed to the holder of a Series 2025 Bond to be redeemed must, if less than the entire principal sum thereof is to be redeemed, also state the principal amount thereof to be redeemed and, if less than the entire principal sum of a Series 2025 Bond all of the principal of which matures on the same day is called for redemption, that such Series 2025 Bond must be surrendered to the Paying Agent in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Series 2025 Bond or Series 2025 Bonds equaling in principal amount that portion of the principal sum not to be redeemed of the Series 2025 Bond to be surrendered.

Any notice of optional redemption may state that such redemption may be conditional upon the receipt by the Paying Agent on the date fixed for redemption of moneys sufficient to pay in full the redemption price of the Series 2025 Bonds proposed to be redeemed. If the notice contains such condition, and moneys sufficient to pay in full the redemption price of the Series 2025 Bonds proposed to be redeemed shall not be 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 Series 2025 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 Series 2025 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 the failure to redeem, all Series 2025 Bonds surrendered for redemption shall be promptly returned to the holder or holders by the Paying Agent.

For so long as a book-entry only system is in effect with respect to the Series 2025 Bonds, notice of redemption, or notice of rescission of any conditional notice of redemption, of Series 2025 Bonds to be redeemed is to be mailed by the Paying Agent to the Securities Depository or its nominee. Any failure of the Securities Depository or of its nominee, or of a direct or indirect participant, to notify a beneficial owner of Series 2025 Bonds of any redemption will not affect the sufficiency or validity of the redemption of the Series 2025 Bonds to be redeemed. See "– Book-Entry System" below for a description of the book-entry only system. Neither the City and County nor the Paying Agent can give any assurance that the Securities Depository, or direct or indirect participants, will distribute such redemption notices to the beneficial owners of the Series 2025 Bonds, or that they will do so on a timely basis.

SECURITY FOR THE BONDS

General

The Bonds issued under and pursuant to the First Bond Resolution, including the Series 2025 Bonds, are limited special obligations of the City and County. Pursuant to the First Bond Resolution as further described below, the Senior Bonds are equally and ratably payable and secured under the First Bond Resolution, except that the City and County has reserved the right under the First Bond Resolution to afford a particular Series of Bonds additional or different security through a Support Facility, escrow funds, or the establishment of separate funds and accounts with respect to a particular Series of Bonds funded from sources other than the Net Revenues. As discussed further below, the Series 2025 Bonds are limited special obligations of the City and County payable solely from, and secured solely by a pledge of, the Net Revenues, proceeds of Series 2025 Bonds held or set aside under the First Bond Resolution, and certain funds and accounts established by the First Bond Resolution. Such pledge of the Net Revenues is senior and superior to any pledge of the Net Revenues to secure obligations issued under any other bond resolution.

Under the First Bond Resolution, Net Revenues means, with respect to any period, the Revenues during such period less amounts required to pay Operation and Maintenance Expenses. Revenues means the moneys, including any moneys collected from the City and County or any department thereof other than the Department, derived by the Department from the rates, rentals, fees and charges prescribed for the use and services of, and the facilities and commodities furnished by, the Wastewater System. Revenues include: (i) all income, receipts, profits, and other moneys derived from the furnishing or supplying of the services, facilities and commodities through the Wastewater System; (ii) all income from investments of moneys held under the First Bond Resolution except the Rebate Account, the Subordinate Obligation Account or the Reimbursable Obligation Account; (iii) all payments made by Counterparties pursuant to Interest Rate Exchange Agreements; and (iv) moneys and Investment Securities transferred from the Rate Stabilization Account to the Sewer Fund within ninety (90) days following the end of a Fiscal Year. Certain items do not constitute Revenues under the First Bond Resolution, including certain deposits subject to refund, certain contributions in-aid-of construction and assessment, impact and other similar fees imposed and collected by the City and County, income, fees, charges, receipts, profits or other moneys derived by the Department from the ownership or operation of any separate utility system, and certain gifts, grants and donations, moneys and Investment Securities transferred from the Sewer Fund to the Rate Stabilization Account within ninety (90) days following the end of a Fiscal Year, or Wastewater System Facility Charges.

The pledge of the Net Revenues for the security and payment of the Senior Bonds under the First Bond Resolution is superior to the pledge and security for Subordinate Obligations and Reimbursable Obligations authorized to be issued pursuant to the First Bond Resolution. Subordinate Obligations are obligations of the City and County that are payable from Net Revenues after payment of Senior Bonds, but before payment of Reimbursable Obligations. The City and County's outstanding Subordinate Obligations currently consist of the Junior Bonds and State Revolving Fund loans. The State Revolving Fund Loans are secured by a pledge of Net Revenues subordinate to the Senior Bonds and the Junior Bonds. Reimbursable Obligations are general obligation bonds that are payable from moneys in the City and County's general fund, subject to reimbursement from Net Revenues after payment of Senior Bonds and Subordinate Obligations. As of [_____], 2025, the City and County had $[_____] principal amount of outstanding Subordinate Obligations (consisting of $[_____] Junior Bonds and $[_____] of State Revolving Fund loans) and has no outstanding Reimbursable Obligations. See "DEBT AND FINANCIAL POLICIES AND INDEBTEDNESS."

The Series 2025 Bonds will constitute Senior Bonds under the First Bond Resolution. The Series 2025 Bonds are the 37th Series of Bonds to be issued under the First Bond Resolution. The City and County expects to issue additional Bonds under the First Bond Resolution on a parity with the Series 2025 Bonds.

The Series 2025 Bonds are not a general or moral obligation of the State or any political subdivision thereof, including the City and County, and the faith and credit of the State or any political subdivision thereof, including the City and County, are not pledged to the payment of the principal or redemption price of or interest on the Series 2025 Bonds, and no holder of the Series 2025 Bonds shall have the right to compel the exercise of the taxing power of the State or any political subdivision thereof, including the City and County, in connection with any default with respect to the Series 2025 Bonds.

Funds and Accounts

The various funds and accounts established under or pledged by the First Bond Resolution, the flow of Revenues through such funds and accounts, the rights and remedies of Bondholders under the First Bond Resolution and other related matters are summarized in Appendix B, "Summary of Certain Provisions of the First Bond Resolution."

First Bond Resolution and Senior Bonds. The City and County has established the Sewer Fund by ordinance. Revenues are deposited in the Sewer Fund. The First Bond Resolution establishes in the Sewer Fund a Debt Service Account, a Rate Stabilization Account, a Renewal and Replacement Account and a Wastewater General Account, all of which are pledged as security for the payment of debt service on all Senior Bonds subject to the terms and provisions of and the exceptions provided in the First Bond Resolution. The First Bond Resolution also establishes a Common Reserve Account in the Sewer Fund and permits the establishment in the Sewer Fund of one or more Separate Series Reserve Accounts. The Common Reserve Account is pledged as additional security for the payment of debt service on the Senior Bonds of such Series designated by the City and County to be entitled to the benefit of the Common Reserve Account. Each Separate Series Reserve Account is pledged as additional security for the payment of debt service on the Senior Bonds of such individual Series designated by the City and County to be entitled to the benefit of such Separate Series Reserve Account. Although the First Bond Resolution establishes a Common Reserve Account

and Separate Series Reserve Accounts, no Senior Bonds, including the Series 2025 Bonds, are entitled to the benefit of the Common Reserve Account or a Separate Series Reserve Account.

The debt service on and redemption price of the Senior Bonds are payable from the Debt Service Account in the Sewer Fund. In the event of a deficiency in the Debt Service Account, debt service on and redemption price of particular Senior Bonds are payable from the Common Reserve Account or the Separate Series Reserve Accounts, as applicable, but only if such Senior Bonds are entitled to the benefit of such reserve accounts.

It is the City and County's practice to deposit and maintain moneys in the Sewer Fund in an amount which is reasonable and necessary for working capital and reserves. The Rate Stabilization Account is to be used to stabilize the rates and charges of the Wastewater System. The Rate Stabilization Account is to be maintained in an amount as provided in the Annual Budget and is to be funded from: (i) Revenues but only after paying the Operation and Maintenance Expenses and after transferring required amounts to other funds and accounts as provided in the First Bond Resolution, and (ii) transfers from the Wastewater General Account. In addition, federal interest subsidies received with respect to the Senior Series 2009C and 2010B Bonds, if any, will be deposited in the Rate Stabilization Account and subsequently transferred to the Sewer Fund for so long as such Bonds remain outstanding. The Renewal and Replacement Account is to be used to pay the costs of improvements to or reconstruction of the Wastewater System, repairs, major or extraordinary repairs and renewals or replacements of the Wastewater System and under certain conditions, as set forth in the First Bond Resolution, to meet deficiencies in the Debt Service Account, the Common Reserve Account, Separate Series Reserve Accounts, if any, the Subordinate Obligation Account and the Reimbursable Obligation Account, and will be maintained in an amount provided for in the Annual Budget. The Wastewater General Account may be used for any lawful purpose of the City and County, including funding of the Rate Stabilization Account, and under certain conditions, may be used to meet deficiencies in the Sewer Fund, the Common Reserve Account, Separate Series Reserve Accounts, if any, the Renewal and Replacement Account, the Rebate Account, the Subordinate Obligation Account and the Reimbursable Obligation Account.

The First Bond Resolution also establishes in the Sewer Fund a Rebate Account, a Subordinate Obligation Account and a Reimbursable Obligation Account. Such accounts are not pledged as security for the Series 2025 Bonds, or any other Senior Bonds. The funds in the Subordinate Obligation Account are to be used to pay debt service on and redemption price of Subordinate Obligations, including the Junior Bonds, provide necessary debt service reserves and other reserves and pay other costs related to Subordinate Obligations. The funds in the Reimbursable Obligation Account are to reimburse the General Fund for payments of debt service on and redemption price of Reimbursable Obligations. The funds in the Rebate Account are to be used to pay required rebates to the United States Treasury Department incurred in respect of the Bonds.

The First Bond Resolution also establishes in the Sewer Fund the Wastewater System Facility Charge Account. Wastewater System Facility Charges collected by the Department are deposited in the Wastewater System Facility Charge Account. The Wastewater System Facility Charge Account is pledged under the First Bond Resolution as security for the payment of debt service on and redemption price of the Senior Bonds. However, if any amounts are used to pay debt service on or redemption price of the Senior Bonds, the Wastewater System Facility Charge Account must be reimbursed from the Net Revenues with the priority set forth in the First Bond Resolution. The Wastewater System Facility Charges are not considered to be Revenues under the First Bond Resolution.

The City and County has also established by ordinance the Improvement Fund. The First Bond Resolution establishes in the Improvement Fund an Improvement Account and permits the establishment within the Improvement Account of one or more Series Improvements Subaccounts and one or more Series Improvement Interest Subaccounts. Proceeds of Senior Bonds issued under the First Bond Resolution are to be deposited in the Improvement Account or a Series Improvement Subaccount pending application to pay the Costs of Improvements. Proceeds of Senior Bonds issued under the First Bond Resolution which are to be used to pay capitalized interest on the Senior Bonds of a Series during the period of construction of an Improvement and for six months thereafter must be deposited in a Series Improvement Interest Subaccount. The Improvement Account, each Series Improvement Subaccount and each Series Improvement Interest Subaccount (but not the Improvement Fund) are pledged under the First Bond Resolution as security for the payment of debt service on and redemption price of the Senior Bonds.

Rate Covenant With Respect to the Senior Bonds

The City and County is required by the First Bond Resolution, among other things, to fix, charge and collect such rates and other charges as shall be required in order that in each Fiscal Year the Net Revenues shall not be less than the Net Revenue Requirement for such Fiscal Year. The Net Revenue Requirement means with respect to any Fiscal Year or any period, an amount equal to the greater of: (i) the sum of (a) the Aggregate Debt Service in such Fiscal Year or such period and (b) the Required Deposits for such Fiscal Year or such period; or (ii) 1.20 times the Aggregate Debt Service in such Fiscal Year plus 1.00 times the aggregate Support Facility Reimbursement Obligations outstanding as of the end of such Fiscal Year. Net Revenues means, with respect to any period, the Revenues during such period less amounts required to pay Operation and Maintenance Expenses. Aggregate Debt Service means, for any period and as of any date of computation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds. Support Facility Reimbursement Obligations are obligations of the City and County to directly reimburse the Support Facility Provider of a Support Facility for amounts paid thereunder or a Counterparty under an Interest Rate Exchange Agreement for amounts paid, whether or not such obligation to reimburse is evidenced by a promissory note or similar instrument.

Failure by the City and County to comply with the foregoing rate covenant in any Fiscal Year will not constitute an Event of Default under the First Bond Resolution so long as the City and County complies with the provisions of the First Bond Resolution described below. Prior to the end of each Fiscal Year the Director of Environmental Services or the Director of Budget and Fiscal Services if requested by the Director of Environmental Services is required by the First Bond Resolution to complete a review of the financial condition of the Department for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the foregoing rate covenant and to make a written certification with respect to compliance or noncompliance. Such review is to take into consideration the completion of any uncompleted Improvements and the issuance of future Series of Senior Bonds if necessary to finance the completion of such Improvements. Such written certification is to set forth a reasonably detailed statement of the actual and estimated Revenues, Operation and Maintenance Expenses, Aggregate Debt Service, and any other estimates or assumptions upon which such determination was based, shall be filed with the City Clerk on or before July 1 in each year. If it is determined in such written certification that the Revenues may not be so sufficient, the Director of Environmental Services or the Director of Budget and Fiscal Services if requested by the Director of Environmental Services must forthwith make a study for the purpose of determining a schedule of fees, rates and charges which, in the opinion of the Director of Environmental Services or the Director of Budget and Fiscal Services, will cause sufficient Revenues to be collected in the following Fiscal Year to comply with such rate covenant, or the Director of Environmental Services or the Director of Budget and Fiscal Services may elect to cause the Consulting Engineer to make such a study and render such certification. The City Council, as promptly as practicable but no later than 120 days following such determination by the Director of Environmental Services or the Director of Budget and Fiscal Services, or receipt of the Consulting Engineer's recommendation, is required to adopt and place in effect a schedule of fees, rates and charges as so determined or recommended. See "CERTAIN FINANCIAL, OPERATING AND OTHER INFORMATION AND STATISTICS – Rates and Charges" for current sewer charges, "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND COVERAGES" for a discussion of the Department's projected rates, revenues and expenses, and "THE CITY AND COUNTY AND THE DEPARTMENT – Purpose and Powers" for a discussion of the rate making powers of the City Council.

Additional Bonds and Refunding Bonds Under the First Bond Resolution

The First Bond Resolution permits the issuance of additional Series of Senior Bonds (exclusive of refunding Bonds) on a parity with the Senior Bonds then Outstanding ("Additional Senior Bonds") for any lawful use or purpose relating to the Wastewater System, including, without limitation, payment of all or a portion of the Costs of Improvements, but only upon compliance as to each such Series with the conditions set forth in the First Bond Resolution. The Series 2025 Bonds are being issued as Additional Senior Bonds under the First Bond Resolution and their issuance is subject to compliance with such conditions, which include delivery to the Director of Budget and Fiscal Services of the following documents or moneys or securities:

1. A written certificate of the City and County stating the amount required to be in the Common Reserve Account, if any, after issuance of the Senior Bonds then to be issued and that the amounts deposited will not be less than the Common Reserve Account Requirement.

2. A written certificate of the City and County stating the amount required to be in the Separate Series Reserve Account established for the Senior Bonds of such Series after issuance of the Senior Bonds then to be issued and that the amounts deposited will not be less than the Separate Series Reserve Account Requirement for the Senior Bonds of such Series, if any.

3. Either:

(I) a written certificate of the City and County based: (i) on audited figures or (ii) to the extent audited figures are not available, on figures taken by an independent certified public accountant from the Department's books and records, showing that the Net Revenues for: (a) the most recent Fiscal Year, or (b) any consecutive 12-month period out of 24 months immediately preceding the month in which such Bonds are issued were not less than 1.20 times the maximum Aggregate Debt Service on all Senior Bonds then Outstanding and on the proposed Series of Senior Bonds in any Fiscal Year plus 1.00 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of the written certificate of the City and County; or

(II) a written certificate of the City and County or Certificate of the Consulting Engineer that the Net Revenues to be derived in each of the five (5) Fiscal Years following the earlier of: (i) the end of the period during which interest is capitalized or, if no interest is to be capitalized, the Fiscal Year in which the proposed Series of Senior Bonds are issued, and (ii) the date on which substantially all Improvements to be financed with the proceeds of the proposed Series of Senior Bonds are expected to commence operations, or, if the proceeds of such Series of Senior Bonds will not be used to fund the Costs of Improvements, the Fiscal Year in which the proposed Series of Senior Bonds are issued, are estimated to be not less than 1.20 times the maximum Aggregate Debt Service on all Senior Bonds then Outstanding and on the proposed Series of Senior Bonds in any such Fiscal Year, plus 1.00 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of such written certificate of the City and County or certificate of the Consulting Engineer.

In determining Net Revenues for purposes of the certificates described above, the City and County or the Consulting Engineer, as the case may be, is permitted, and in certain instances is required, to make certain adjustments as provided in the First Bond Resolution. In addition, the First Bond Resolution requires that certain other adjustments to Net Revenues derived from Debt Service on Variable Rate Bonds and debt service on Bond Anticipation Notes and short-term Subordinate Obligations and Reimbursable Obligations be made for purposes of the written certificates described above. See Appendix B, "Summary of Certain Provisions of the First Bond Resolution."

Senior Bonds may be issued as variable rate bonds, fixed rate bonds, bonds providing for the right of the owner thereof to present the Senior Bond for redemption or purchase prior to maturity, zero interest rate or deep discount bonds, bonds providing for the compounding of interest, or any combination thereof. Senior Bonds may be issued or outstanding from time to time with or without credit enhancement provisions. See Appendix B, "Summary of Certain Provisions of the First Bond Resolution".

The First Bond Resolution also permits the issuance of Senior Bonds ("Senior Refunding Bonds") on a parity with the Senior Bonds then Outstanding to refund all or any part of: (i) a Series of Outstanding Senior Bonds; (ii) Subordinate Obligations; or (iii) Reimbursable Obligations. Senior Refunding Bonds may only be issued by the City and County upon satisfaction of certain conditions set forth in the First Bond Resolution.

A more detailed description of the requirements relating to the issuance of Additional Senior Bonds or Senior Refunding Bonds is set forth in Appendix B under "Summary of Certain Provisions of the First Bond Resolution– Additional Bonds and Refunding Bonds."

The First Bond Resolution also permits the issuance of notes in anticipation of a Series of Senior Bonds if the City and County has theretofore authorized the issuance of such Senior Bonds. The interest on such notes (and any renewal thereof) shall be payable from the proceeds of such notes or other notes or from the proceeds of the sale of the Senior Bonds in anticipation of which such notes are issued. A more detailed description of the provisions for security for payment of such notes and other requirements relating to the issuance of notes is set forth in Appendix B under "Summary of Certain Provisions of the Bond Resolutions – The First Bond Resolution –Bond Anticipation Notes."

THE CITY AND COUNTY AND THE DEPARTMENT

Purpose and Powers

The City and County. 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 small 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 island 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, 2023, the resident population of the State was 1,435,138 and that of Oahu was 995,638, approximately 69.4% 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. There are no active volcanoes on the Island of Oahu. The Kīlauea Volcano, which experienced a low level of activity in 2023, a number of eruptions in 2024 and ongoing eruptions in 2025, is located on the Island of Hawaii, over 200 miles from the City and County. Reference is made to Appendix A, "Economic and Demographic Factors" for certain additional demographic and economic information with respect to the State and the City and County.

City Council and Mayor. The City Council is the governing body of the City and County and consists of nine members, each of whom represents a separate council district. Councilmembers are elected for a four-year term and are limited to two consecutive terms. The current terms of councilmembers for council districts I, III, V, VII and IX will expire on January 2, 2029, while the current terms of councilmembers for council districts II, IV, VI and VIII will expire on January 2, 2027. Pursuant to the City Charter, the City Council has the power, among other things: (i) to exercise the legislative power of the City and County, (ii) to enact operating and capital budget ordinances, (iii) with certain exceptions, to fix fees and charges for services rendered by the City and County, and (iv) to authorize the issuance of revenue bonds for the purpose of initiating, constructing, acquiring, extending, replacing or otherwise improving any revenue-producing facility. The Mayor is the Chief Executive Officer of the City and County. The Mayor is elected to serve a four-year term with a limitation of two consecutive full terms. The Mayor exercises direct supervision over all agencies specifically identified in the City Charter and, through the Managing Director, exercises supervision over all other executive agencies of the City and County.

Department of Environmental Services. The Department was established on July 1, 1998, pursuant to a plan of reorganization which combined certain components of the Department of Wastewater Management, the department which previously administered the Wastewater System, with other administrative departments having compatible functions. The Department, among other things, is charged with the responsibility to administer the planning, design and construction of wastewater facilities, oversee the operation and maintenance of sewer lines, treatment plants and pumping stations, monitor the collection, treatment and disposal of wastewater, provide pumping of cesspools, provide solid waste processing, collection and disposal, promulgate rules and regulations as necessary to administer and enforce requirements established by law, and perform such other duties as may be required by law. The Department consists of five divisions: Wastewater Engineering and Construction, Environmental Quality, Wastewater Treatment and Disposal, Collection System Maintenance, and Refuse Collection and Disposal, plus an Office of Administrative Support. Department programs are funded from two major sources: wastewater programs are funded through the Wastewater Enterprise Sewer Fund, and solid waste programs are funded through the Solid Waste Special Fund. Another City and County Department, the Department of Facilities Management, is responsible for planning, design, operation and maintenance of the City and County's storm water drainage system.

Power to Fix and Collect Rates and Charges. By ordinance and resolution, the City Council requires that revenues of the Wastewater System be kept in the Sewer Fund and that the wastewater program shall be self-supporting. Consistent with such requirements, the wastewater program is budgeted as a self-sustaining enterprise for the purpose of determining costs associated with providing wastewater services. Through the adoption of the annual operating and capital budgets, the revenue requirements and wastewater rates are reviewed to determine the adequacy of revenues to meet needs. Pursuant to the Act and the City Charter, the City Council has the power to impose, prescribe and collect rates, rentals, fees or charges for the use and services of, and the facilities furnished by, the Wastewater System so that the Wastewater System will be and remain self-sustaining. The rates, rentals, fees or charges imposed and prescribed are required to produce revenues which will be at least sufficient to pay debt service on all revenue bonds issued for the purposes of the Wastewater System, including the Bonds, and including reserves therefor, to pay the costs of operation, maintenance and repair of the Wastewater System, and to carry out the covenants of all resolutions authorizing the issuance of revenue bonds for the purposes of the Wastewater System, including the First Bond Resolution and the Second Bond Resolution. The rates and charges fixed and imposed by the City Council are not subject to

approval by any federal or state regulatory bodies. Rates and charges are determined on the basis of a recommendation by the Director of Environmental Services and the Mayor, subject to approval by ordinance of the City Council. An ordinance requires three readings and a public hearing for enactment by the City Council.

Department Principal Officers

[***To be confirmed/updated***] The principal officer of the Department includes the Director. The following is a brief biography of the Department's principal officer:

Roger Babcock, Jr., Ph.D., P.E., Director. Dr. Babcock became Director in January 2022. Prior to that, for calendar year 2021, he was Director and Chief Engineer of the Department of Facility Maintenance for the City and County of Honolulu, and prior to that, since 1995, he was a Professor of Civil and Environmental Engineering at the University of Hawaii at Manoa. Dr. Babcock has a Bachelor's degree in Civil Engineering from University of California Davis, a Master's degree in Civil Engineering from California Polytechnic University San Luis Obispo, and a Doctorate in Civil Engineering from University of California Los Angeles. Dr. Babcock is a registered Professional Engineer in Civil Engineering in the States of Hawaii and California.

Department Work Force

[***To be confirmed/updated***] [The Department's current operating budget provides for 1,174 full-time equivalent employees in various managerial, clerical, engineering and operational positions in support of wastewater activities. This workforce, with the exception of 27 excluded and 4 exempt employees, comprises five separate bargaining units—one each for blue-collar non-supervisory employees, blue-collar supervisory employees, white-collar non-supervisory employees, white-collar supervisory employees, and professional and scientific employees.]

The City and County has collective bargaining agreements with each of the Hawaii Government Employees Association ("HGEA"), which represents the bargaining units for blue-collar supervisory, white-collar non-supervisory, white-collar supervisory, and professional and scientific employees, and United Public Workers ("UPW"), which represents the bargaining unit for blue-collar non-supervisory employees. See "EMPLOYEE RELATIONS AND EMPLOYEE BENEFITS – Employee Relations."

Reference is made to "EMPLOYEE RELATIONS AND EMPLOYEE BENEFITS – Employee Benefits" herein for a discussion of health care benefits, pension benefits and other post-employment benefits for which Department employees are eligible.

Emergency Preparedness

[***To be confirmed/updated***] [The City and County maintains a comprehensive emergency management program that encompasses preparedness, mitigation, response and recovery from all hazards, whether natural, technological or human caused. These efforts are coordinated by the Department of Emergency Management and include the active participation and partnership of stakeholders from all City and County agencies, including the Department, and key non-profit and private sector entities.

On a day-to-day basis the City and County's emergency management activities focus on planning, training and exercising with stakeholders to ensure readiness to respond and recover from future events, delivering community outreach and education programs, and supporting initiatives and administering grant programs aimed at long-term risk reduction. The City and County maintains a Multi-Hazard Mitigation Plan, which is approved by FEMA and updated every 5 years, and conducts an annual threat and hazard risk assessment and stakeholder preparedness report as part of these efforts. The threat assessment and preparedness report inform priorities for an annual training and exercise schedule focused on building and sustaining core capabilities critical for effective emergency management. Annually, the City and County hosts a weeklong Makani Pahili (Strong Wind) Hurricane Exercise in conjunction with the State and holds or participates in a number of other exercises throughout the year focused on specific hazards and/or functional areas. Through its training program, the City and County has built and maintains a Type III Incident Management Team with personnel from first responder agencies that can be deployed locally or statewide to manage complex incidents. Training delivery also focuses on developing the knowledge and skills across all City and County

agencies and partners necessary to support a range of response and recovery functions. For example, among the 2024 priorities are training on mass care services and disaster finance and cost recovery.

The City and County also maintains an Emergency Operations Plan and supporting operational guides that address the emergency organization, roles and procedures utilized to execute response and recovery activities during larger emergencies and disasters. These plans establish triggers for alert and warning of the public and the activation of the Oahu Emergency Operation Center, the joint physical location where response partners convene to share information and coordinate actions. The plan includes a number of Hazard Annexes, which contain more detailed procedures for specific hazards that may impact the City and County. Examples include Annexes for Tsunami, Hurricane, Flood and Fire. After each exercise and real-world response, the City and County holds After-Action Review, outcomes of which are addressed in a Corrective Action Program to ensure continuous improvement of these plans.

The wildfire threat is one of the hazards considered in the City and County's mitigation and response plans. The Multi-Hazard Mitigation plan contains a risk assessment and identifies communities at risk. Response plans identify triggers for when the City and County will activate its Emergency Operations Center in response to wildfire and agencies that will report to support response efforts. Plans also detail procedures for alert and warning of the public and contain template alert messages to ensure information is rapidly disseminated. Given the recent tragic events on Maui and the changing climate, there is renewed focus on the wildfire threat and the City and County is actively re-visiting existing departmental and City and County wide hazard assessment and response plans and protocols. The City and County is also actively deploying personnel to support the Maui response efforts, not only to provide much needed mutual aid support, but also to better understand firsthand what lessons can be learned to enhance both prevention and preparedness for wildfires that may impact Oahu. The City and County will also be looking at wildfire mitigation projects to pursue with hazard mitigation funding that will be made available to the state following this disaster. In the past five years, the City and County has not experienced any natural disasters (including flood, wind and wildfire) that has materially impacted the operation of the wastewater system.

The Department also maintains emergency procedures for all critical infrastructure, including but not limited to its wastewater pumping stations and its wastewater treatment plants. These procedures ensure this infrastructure will have the resources, such as manpower, electricity and fuel, to continue functioning in the event of an emergency. Additionally, the Department's largest wastewater treatment plants – Sand Island, Honouliuli, and Kailua – are staffed 24 hours a day, seven days a week, as are several support facilities, including fueling stations.] See also "CAPITAL IMPROVEMENT PROGRAM - Climate Change Preparation."

THE WASTEWATER SYSTEM

Introduction

[***To be confirmed/updated***] [As of June 30, 2024, the Wastewater System serviced approximately 149,000 separate accounts and a population of approximately 780,000, which is approximately 78% of the total resident population of the City and County based on the 2023 data book. The service area covers nearly 600 square miles. The customer base includes the residential population, business and industrial users, and other users located in the service area. Of the approximately 149,000 accounts, approximately 141,000 are residential, which generate approximately 95% of the total revenue from sewer service charges, and the remaining approximately 8,000 accounts are non-residential, which generate approximately 5% of the total revenue from sewer service charges. See "CERTAIN FINANCIAL, OPERATING AND OTHER INFORMATION AND STATISTICS." In the Fiscal Year ended June 30, 2024, the average total volume of wastewater processed by the Wastewater System was approximately 100.18 MGD, an increase of 4% from Fiscal Year 2023. The average volume of wastewater processed by private systems during the same period was approximately 0.30 MGD.]

General Description of Existing Facilities

[***To be confirmed/updated***] [The Wastewater System serving the island of Oahu is divided into eight wastewater basins for planning purposes: East Mamala Bay, West Mamala Bay, Kailua/Kaneohe/Kahaluu, North Oahu (West), North Oahu (East), Central Oahu, Waianae and Waimanalo. Each basin is served by a major wastewater treatment plant ("WWTP"). The function of each WWTP is to treat wastewater by removing or reducing organic and inorganic materials to levels that satisfy federal and state permit requirements for the discharge of such wastewater into the ocean, streams, reservoirs or injection wells. In addition to wastewater treatment plants, the Wastewater System includes collection, pumping and other related facilities with approximately 2,100 miles of pipe, 71 pumping stations, and four preliminary treatment facilities.

A description of the wastewater basins and major facilities is as follows:

East Mamala Bay. The largest and the most densely populated basin is East Mamala Bay. Approximately 393,000 people reside in East Mamala Bay, representing approximately 40% of the resident population of the entire island. The basin is served by the Sand Island WWTP, a primary treatment plant, and the largest treatment facility in the Wastewater System in terms of wastewater flow. The treatment plant has a primary treatment capacity of 90 MGD, and in Fiscal Year 2024, average daily flows were 55.02 MGD.

West Mamala Bay. West Mamala Bay is the second largest basin and includes Ewa, Central Oahu as far north as Mililani, and the Halawa to Pearl City area. The population of the basin area is approximately 343,000, or 35% of the estimated population of Oahu. The basin is served by the Honouliuli WWTP, which is the second largest treatment plant in the Wastewater System, with a treatment design capacity of 38 MGD. In Fiscal Year 2024, average daily flows were 27.43 MGD. The secondary treated effluent is provided to a recycled water facility.

Kailua/Kaneohe/Kahaluu. The third largest basin includes the communities of Kailua, Kaneohe, and Kahaluu and surrounding areas in the eastern part of the island. The eastern portion of Oahu is also referred to as the Windward basin area. The basin area population is approximately 109,500, or approximately 11% of the island's population. The basin is served by the Kailua Regional WWTP, the third largest treatment plant in the Wastewater System. The Kailua WWTP has a design capacity of 15.25 MGD and in Fiscal Year 2024 average daily flows were approximately 10.92 MGD.

North Oahu (East and West). Most of the North Oahu area does not have centralized sewer service though there are three small facilities, including the Kahuku WWTP (0.4 MGD capacity, secondary), the Pa'alaa Kai WWTP (0.13 MGD capacity, secondary), and the formerly privately operated Laie Water Reclamation Facility (WRF) (0.9 MGD capacity, tertiary) which the City and County began operating on November 1, 2006. In Fiscal Year 2024, these facilities treated average daily flows of .17 MGD, .07 MGD and .49 MGD, respectively.

Central Oahu. Central Oahu (with a population of approximately 42,600, including military bases and the communities of Wahiawa and Whitmore Village) is served by the Wahiawa WWTP (2.3 MGD capacity, disinfected secondary). The average daily flows were 1.25 MGD in Fiscal Year 2024.

Waianae. The Waianae basin serves the west coast of the island, which has a population of approximately 53,000. The Waianae WWTP has the capacity to process 5.2 MGD at a secondary level. Average daily flows were 4.33 MGD in Fiscal Year 2024.

Waimanalo. The Waimanalo basin is served by the Waimanalo WWTP, a secondary plant with sand filtration and a capacity to process an average daily flow of 1.10 MGD. The City and County acquired ownership of the plant from the State of Hawaii in June 2014 after having operated the plant for the State since its opening. The WWTP serves the Waimanalo community, with a population of approximately 11,100. In Fiscal Year 2024 average daily flows were .50 MGD.

The Sand Island WWTP, the Honouliuli WWTP and the Kailua Regional WWTP are the three largest WWTPs. The remaining WWTPs provide treatment of wastewater to the rest of the island. Though the four basin areas of Central Oahu, North Oahu (East and West), Waianae, and Waimanalo comprise the majority of the geographical area of the island, the population density is much lower in comparison to the East and West Mamala Bay and the Kailua/Kaneohe/Kahaluu basin areas. The combined population of the four basin areas is about 14% of the total population of Oahu. The total design capacity of the WWTPs in the four basin areas is approximately 10.03 MGD and the wastewater flow in Fiscal Year 2024 was 6.82 MGD. A private wastewater system provides collection and treatment for the community of Hawaii Kai. The Hawaii Kai system has an average flow of 3.90 MGD, including flows from the City and County's Kuliouou Wastewater Pumping Station ("WWPS"). The system processes about 3.9% of the average flow of the City and County's Wastewater System.]

Environmental Compliance

[***To be confirmed/updated***] [The WWTPs and other facilities operated by the Department are governed by permits issued by the State of Hawai'i, Department of Health ("DOH"), including National Pollutant Discharge Elimination System

("NPDES") Permits; Underground Injection Control Permits; Wastewater Management Permits; and Clean Air Branch Covered Source and Non-Covered Source Permits.

On June 26, 2023, DOH issued a Notice of Violation and Order ("NOVO") for the Kailua Regional Wastewater Treatment Plant. The NOVO was settled and closed on October 31, 2024.

In addition, during the course of operating the Wastewater System, occasional events of non-compliance with other permits, laws, and regulations occur, including:

- Wastewater spills, which are subject to reporting pursuant to the NPDES Permits and DOH regulations.
- Exceedance of interim effluent limits set forth in the 2010 Consent Decree for the Sand Island WWTP, which is reported monthly with the discharge monitoring reports for the plant if any occur.
- Exceedance of effluent limits set forth in the NPDES Permits for the WWTPs, which are reported monthly with the discharge monitoring reports for the plants if any occur.
- On August 11, 2020, DOH issued a Notice of Apparent Violation and Request for Information regarding the City's Honouliuli WWTP. The City and County responded on September 10, 2020.
- No other incident of noncompliance is subject to existing or threatened enforcement.

In addition to the pending cases discussed above, on December 17, 2010, and subsequently amended on March 27, 2012, a Consent Decree was entered among the City and County, the United States Environmental Protection Agency ("USEPA"), DOH and several non-governmental organizations to settle certain previous environmental lawsuits relating to the City and County's wastewater system. The consent decree outlines a program of improvements to the wastewater collection and treatment systems. 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 collection system portion of the Consent Decree was closed with EPA and DOH approval via letter dated January 28, 2021, with a final collection system project completed by the agreed-upon deadline of May 31, 2022. The City and County also completed secondary treatment upgrades to the Honouliuli WWTP prior to the consent decree deadline of June 1, 2024. Improvements to the Sand Island WWTP are on schedule to meet the consent decree deadline of December 31, 2035.

Additionally, the City and County is currently complying with the terms of an Administrative Order on Consent ("AOC") for the Kailua Regional WWTP, entered into with the EPA effective September 28, 2023.]

See "CAPITAL IMPROVEMENT PROGRAM" below.

PFAS and PFOS

[***To be confirmed/updated***] [Regulatory developments at the State and federal level may result in new NPDES limits and other requirements for Perfluoroalkyl substances ("PFAS") and other "forever chemicals" in effluent and for sludge disposal/reuse. These requirements may increase operating and capital expenses for the wastewater enterprise.

Contaminants of emerging concern including flame retardants, PFAS and perfluorooctane sulfonate ("PFOS"), typically enter municipal wastewater through bathing, cleaning, laundry and the disposal of unused products. Secondary treatment facilities remove some of these contaminants, even though they are not specifically designed for this purpose. Currently there are no water quality standards for most of these compounds; therefore, the Department's permits do not contain effluent limitations for them.

As water quality standards are developed for new chemical compounds and improved analytical techniques become available, additional source control measures, public education and outreach, and additional or advanced treatment processes may be necessary to achieve compliance. The Department is actively engaged with regulatory officials, permitting

authorities, and the water industry in the development of these regulatory matters, and is closely monitoring regulatory developments related to PFAS and PFOS compounds. The Department recently participated in a year-long nationwide Water Research Foundation study to determine the occurrence of a wide range of PFAS in wastewater treatment plants, and establish a relationship between PFAS occurrence and wastewater treatment plant type, among other objectives. The Department is also participating in an EPA-funded, statewide study of PFAS/PFOS in wastewater influent, effluent and sludges. Additionally, the Department initiated a system-wide sampling study for PFAS compounds on February 28, 2024. The study involves quarterly sampling and analysis for 40 PFAS compounds in influent, effluent, and sludge from five WWTPs discharging into receiving waters. In addition, single effluent samples will be analyzed from ten Significant Industrial Users (SIU) discharging to Sand Island WWTP. To date, two quarterly sampling events have occurred and five SIUs have been sampled.]

Red Hill Bulk Fuel Storage Facility

[***To be confirmed/updated***] [In November 2021, fuel was released from the United States Navy's Red Hill Bulk Fuel Storage Facility, which sits above Oahu's primary drinking water supply, the Southern Oahu Basal Aquifer. In response, the City and County of Honolulu Board of Water Supply shut down its largest water source on Oahu, the Halawa Shaft, which historically delivered on average approximately 20% of the water supply to metropolitan Honolulu.

The Halawa Shaft was not contaminated by the spill, but was shut down as a precaution. The spill did contaminate the Navy's Red Hill water shaft, and fuel-contaminated water was pumped into the distribution system that provides drinking water to various locations in and around Red Hill, including but not limited to the Aliamanu Military Reservation, the Coast Guard residences of Red Hill, and residential areas located on Joint Base Pearl Harbor-Hickam.

In December 2021, the Army and Navy separately contacted the Department to request permission to discharge fuel-contaminated water into the City's sewer system. This request was part of their efforts to flush fuel-contaminated water from their drinking water distribution systems. The Department advised the Army and the Navy to apply for an Industrial Wastewater Discharge Permit for Temporary Discharge Into the City Sewer System ("Permit"), which is the standard procedure for this type of request.

In evaluating the Permit application, based on analysis of the water in the Army and Navy's distribution system, the Department determined that the levels of petro chemicals present in the water were below levels generally present in wastewater and did not present any potential problems for the Department's treatment processes at the Sand Island Wastewater Treatment Plant, where the wastewater would be treated before being discharged through a deep ocean outfall. Therefore, the Department issued Permits to the Army on December 10, 2021 and to the Navy on December 27, 2021.

To ensure protection of the City's wastewater collection system, the Sand Island Wastewater Treatment Plant, and the marine water into which the Sand Island Wastewater Treatment Plant discharges, the Army's and Navy's Permits require that they monitor for several parameters, including pH, Closed-Cup Flashpoint, chlorine, BTEX (benzene, toluene, ethylbenzene, and xylene), Naphthalene, and TPH (Total Petroleum Hydrocarbons). Additionally, the permits require both entities to submit to the Department daily discharge flow amounts and results from wastewater samples taken at the beginning and the end of any scheduled discharges.

The Army's temporary discharge permit was terminated on September 15, 2022 and the Navy's was terminated on December 27, 2023. Additionally, the temporary discharge permit of an Army contractor that was discharging into the City's wastewater collection system from its granulated activated carbon system will expire on June 30, 2026. As of July 8, 2024, the Army has discharged 9,571,540 gallons, the Navy has discharged 319,900 gallons and Weston-ER has discharged 2,233,000 gallons into the City's sewer system. A total of 12,124,440 gallons have been discharged to the City and County's sewer system and received at its Sand Island Wastewater Treatment Plant with no adverse impacts.

The Department believes that the contamination of the spill described above and the discharges described above have not had, and will not have, a material adverse impact on the Department's operations and finances.]

Projected Customer Growth

[***To be confirmed/updated***] As shown in Table 1 below, the resident population in Oahu, the area served by the Wastewater System, is projected to grow modestly through 2040. The average annual population increase between 2020 and 2040

is projected to be 2,609, or roughly 0.4% annually. Consequently, population growth is not a significant driver in the 2016-2035 Capital Improvement Program.

Almost all of growth between the years 2020 and 2040 is expected to occur in West Mamala Bay and Honolulu, including East Mamala Bay and East Honolulu. Of the total population growth projected to occur during this period, approximately 43,025, or 66%, is expected to take place in West Mamala Bay, and approximately 21,140, or 33%, is expected to occur in East Mamala Bay.

Table 1
Actual and Projected Resident Population
by Basin, Oahu, 2020-2040

Basin	Actual 2020	Projected 2040	2020-2040 Average Annual Change
Kahuku, Laie (Koolau Loa)	16,593	16,900	15
Kailua, Kaneohe, Kahaluu, Waimanalo (Koolau Poko)	121,275	112,600	-434
East Mamala Bay (Primary Urban Center)	452,739	464,900	608
Kuliouou, Hawaii Kai (East Honolulu)	50,922	59,900	449
West Mamala Bay (Ewa, Central Oahu)	262,475	305,500	2,151
Waianae	51,965	52,400	22
Wahiawa (Central Oahu)	41,667	39,300	-118
North Shore	18,872	17,200	-84
Total	1,016,508	1,068,700	2,609

Source: City and County of Honolulu, Department of Environmental Services; City and County of Honolulu, Department of Planning and Permitting, 2023.

CAPITAL IMPROVEMENT PROGRAM

[***Section and Tables to be confirmed/updated***]

The Department staff manages and updates at least annually a long-range CIP to achieve several goals. The CIP is a long-range planning tool used to estimate project costs and timing of expenditures over a 20-year period, currently through 2035. The Department has developed the 2025-2029 Capital Improvement Program, the 2025-2034 Capital Improvement Program and the 2016-2035 Capital Improvement Program. The 2025-2029 Capital Improvement Program and the 2025-2034 Capital Improvement Program are part of this 20-year plan. The Department develops the CIP with the objective of providing safe and reliable facilities to process the wastewater discharge of all sewer customers throughout Oahu. CIP projects are needed to meet the requirements of the 2010 Consent Decree, for the rehabilitation of existing facilities, the expansion of capacity to accommodate growth, and the improvement of facilities and processes.

Criteria for Ranking CIP Projects by Priority

The Department considers the CIP to be a flexible tool which allows the Department staff to determine the impact of adjusting the phasing and priority of projects. As of July 1, 2024, the long range CIP covering the 20-year period from 2016 through 2035 included a list of projects with estimated appropriations totaling approximately $11.8 billion (in inflated dollars). Many of the projects shown in the CIP may not begin in the year specified or at all if needs change. The Department staff has developed a policy for ranking the CIP projects by priority to determine order and timing of projects. The policy is shown in the following table, with the highest priority criteria listed first:

Table 2

Priority for CIP Projects

Priority Class	Description
I	Safety and public health – immediate
II	Protection of the environment – immediate
III	Permit and regulatory compliance – immediate
IV	Completion of ongoing projects
V	Preventive
VI	Funding requirements
VII	System expansion
VIII	Other

The rankings are intended as guidelines for CIP project planning rather than as rigid categories or criteria, not as hard and fast rules. A project considered in a low priority class may be upgraded to a high priority position in the CIP due to any number of factors. For example, if a service area is very close to reaching and surpassing the capacity of its wastewater facilities, the expansion of the system in that area rises in priority. System expansion can entail projects which affect permit and regulatory compliance, protection of the environment, or safety and public health. Through the use of these guidelines combined with analyses of funding and other resource constraints, Department staff can develop a CIP which best satisfies the needs of the Department customer base. The 2016-2035 Capital Improvement Program was developed using these CIP guidelines and constitutes the current 20-year CIP.

Classification of CIP Projects

The City and County expects to use various funding sources to finance CIP projects: (i) proceeds of Senior Bonds and Subordinate Obligations previously issued and currently available, (ii) proceeds of additional Senior Bonds or Junior Bonds (including the Series 2025 Bonds) and Subordinate Obligations (currently expected to consist primarily of State Revolving Fund loans) to be issued, (iii) the Net Revenues of the Wastewater System, and (iv) Wastewater System Facility Charges. Revenues from Wastewater System Facility Charges are intended to cover a portion of the project expenditures relating to expansion of the Wastewater System to serve future growth in the number of customers. Revenues from sewer service charges are earmarked for the expenditures resulting from rehabilitation or upgrade of the wastewater system for existing users. To effectively determine the costs to be recouped by these respective charges, the Department makes a fair estimate of the share of costs attributable to expansion and rehabilitation. Where an improvement benefits both existing and future users, the Department identifies the relative portion allocable to each. The classes of CIP projects include system expansion, system upgrade, and replacement/rehabilitation.

System expansion: Improvements which increase the design capacity of treatment, transmission, or support facilities and equipment to accommodate new or future growth. Future users would finance system expansion project costs partially through revenues from Wastewater System Facility Charges.

System upgrade: Improvements which upgrade the service level standard. For example, an upgrade to secondary treatment processes where only primary treatment processes were used. To fairly allocate costs between future and existing users, the portions of upgrade costs attributable to expansion and current use must be identified.

Replacement/rehabilitation: Improvements which replace or rehabilitate facilities serving existing development. Existing users pay the costs of replacement and rehabilitation projects through sewer service charges.

2025-2029 Capital Improvement Program

To meet the 2010 Consent Decree entered into by the Department with Federal and State regulatory bodies and to reliably serve projected growth in the number of customers served by the Wastewater System, the Department has developed and adopted the 2025-2029 Capital Improvement Program. The City and County expects to appropriate approximately $4.6 billion (in inflated dollars) for the 2025-2029 Capital Improvement Program, of which approximately $2.8 billion is projected to be spent

during the 2025-2029 period, with the remaining appropriations expected to be spent following the 2025-2029 period. Table 3 sets forth the projected expenditures by activity during the 2025-2029 period. Table 4 sets forth the projected sources of funding for the expenditures during the 2025-2029 period.

Table 3*

Projected Expenditures by Activity for
2025-2029 Capital Improvement Program
(Dollars in Thousands)

Project	Projected Cost
CIP Projects	$2,742,154
Capital Equipment	50,546
Project Management	9,550
Total	$2,802,250

Table 4*

Projected Sources of Funding for
2025-2029 Capital Improvement Program
(Dollars in Thousands)

Funding Source	Projected Amount
Additional Revenue Bonds	$1,653,714
Senior Series 2024A Bonds	320,000
Net Revenues [1]	693,918
Subordinate Obligations [2]	75,000
Facility Charges [3]	59,618
Total	$2,802,250

** In previous official statements relating to the Department's Wastewater System Revenue Bonds, Table 3 and Table 4 set forth details as projected appropriations. The Department anticipates providing expected expenditure details instead of projected appropriations in Table 3 and Table 4 in future official statements.*

[1] *Cash funded CIP.*

[2] *State Revolving Fund loan proceeds.*

[3] *Fees collected for new Wastewater System connections.*

2025-2034 Capital Improvement Program

The 2025-2034 Capital Improvement Program is part of the 2016-2035 Capital Improvement Program. The City and County expects to appropriate approximately $7.0 billion (in inflated dollars) for the 2025-2034 Capital Improvement Program, of which approximately $6.3 billion is projected to be spent during the 2025-2034 period, with the remaining appropriations expected to be spent following the 2025-2034 period. Table 5 sets forth the projected expenditures by activity during the 2025-2034 period. Table 6 sets forth the projected sources of funding for the expenditures during the 2025-2034 period.

Table 5*

Projected Expenditures by Activity for
2025-2034 Capital Improvement Program
(Dollars in Thousands)

Project	Projected Cost
CIP Projects	$6,152,265
Capital Equipment	100,546
Project Management	9,550
Total	$6,262,361

Table 6*

Projected Sources of Funding for
2025-2034 Capital Improvement Program
(Dollars in Thousands)

Funding Source	Projected Amount
Additional Revenue Bonds	$4,754,855
Net Revenues [1]	1,228,778
Subordinate Obligations [2]	150,000
Facility Charges [3]	128,728
Total	$6,262,361

** In previous official statements relating to the Department's Wastewater System Revenue Bonds, Table 5 and Table 6 set forth details as projected appropriations. The Department anticipates providing expected expenditure details instead of projected appropriations in Table 5 and Table 6 in future official statements.*

[1] *Cash funded CIP.*

[2] *State Revolving Fund loan proceeds.*

[3] *Fees collected for new Wastewater System connections.*

2016-2035 Capital Improvement Program

The 2016-2035 Capital Improvement Program is the current twenty-year CIP the Department has undertaken. The City and County expects to appropriate approximately $12.3 billion (in inflated dollars) for the 2016-2035 Capital Improvement Program, of which approximately $9.1 billion is projected to be spent during the 2016-2035 period, with the remaining appropriations expected to be spent following the 2016-2035 period. Table 7 sets forth the projected expenditures by activity during the 2016-2035 period. Table 8 sets forth the projected sources of funding for the expenditures during the 2016-2035 period.

Table 7*

Projected Expenditures by Activity for
2016-2035 Capital Improvement Program

Project	Projected Cost
CIP Projects	$8,824,637
Capital Equipment	219,926
Project Management	78,282
Total	$9,122,845

Table 8*

Projected Sources of Funding for
2016-2035 Capital Improvement Program
(Dollars in Thousands)

Funding Source	Projected Amount
Revenue Bonds[1]	$6,460,333
Net Revenues [2]	1,947,101
Subordinate Obligations [3]	504,577
Facility Charges [4]	210,834
Total	$9,122,845

** In previous official statements relating to the Department's Wastewater System Revenue Bonds, Table 7 and Table 8 set forth details as projected appropriations. The Department anticipates providing expected expenditure details instead of projected appropriations in Table 7 and Table 8 in future official statements.*

[1] *Includes proceeds from revenue bonds previously issued and proceeds from additional revenue bonds expected to be issued in the future.*

[2] *Cash funded CIP.*

[3] *State Revolving Fund loan proceeds.*

[4] *Fees collected for new Wastewater System connections.*

Climate Change Preparation

[***To be confirmed/updated***] [The Department has begun to incorporate climate change preparations into its CIP. For example, the Sand Island WWTP is being upgraded to provide secondary treatment in accordance with the City's 2010 Consent Decree. The new structures as part of this upgrade are designed to be 16 feet above sea level, which is eight feet higher than the current structures, to safeguard the plant against storm surge and sea level rise. The site improvements included in the initial phases of the secondary treatment project, including new liquid and solids treatment facilities and a new maintenance building, which will be constructed in 2021 through 2026 at a construction cost of approximately $700 million, are designed to this new standard.

The Department is assessing infrastructure throughout its eight wastewater basins to identify additional capital improvements to address potential risks from climate change. The Sand Island, Kailua/Kaneohe and Waianae wastewater basins have significant sewer infrastructure along the coastlines. Initial climate change impact assessment studies were completed for these three basins in 2021. Climate change impact assessment studies are currently being conducted for the Waimānalo, Kahuku, and Paalaa Kai wastewater basins. These studies assess the vulnerability and potential impacts to wastewater facilities and infrastructure from flooding threats and climate change impacts, including coastal erosion, storm surge due to hurricanes, and 100-year flood events. The assessments take into account how various levels of projected sea level rise may enhance these threats, and present recommendations for adaptation strategies, monitoring and implementation.

One impact to the City and County's wastewater collection system from projected sea level rise is the increasing ground water levels with resulting higher infiltration/inflow ("I/I") rates. The Department's CIP includes projects to investigate I/I in the sewer infrastructure along coastline areas, and to rehabilitate sewers and manholes in these areas with the goal of reducing I/I, and in particular I/I with high salinity content. These sewer rehabilitation projects will help to counter the increasing I/I levels anticipated due to sea level rise in the future.

The Department is a key participant in City-wide planning being undertaken to address climate change led by the City's Office of Climate Change, Sustainability and Resiliency ("OCCSR"). OCCSR is the lead agency for the City's Climate Action Plan ("CAP"), 2020-2025, available at https://resilientoahu.org/climate-action-plan. The CAP provides a list of programs, policies and actions aimed at reducing greenhouse gas emissions and improving the City's sustainability and resiliency over the five year period, with the long-term goal of achieving carbon neutrality by 2045. In coordination with the City's CAP, the Department is undertaking a number of actions relating to both wastewater and solid waste to reduce reliance on fossil fuels, increase renewable energy production, and increase beneficial recycling of water and solid waste resources.

The Department began its own energy planning initiative in 2021 to address current and future energy needs for its facilities and vehicle fleet, including planning for improvements and changes needed to address the City's goal of achieving carbon neutrality by 2045, and transitioning City vehicle fleets to electric or renewable technologies by 2035. The focus of the Department's sustainability and carbon reduction program is centered on biogas production and recovery, solar PV and battery

storage, and the transition of fleet vehicles to electric or renewable resources.

The Department completed the upgrade of its UV disinfection system at the Sand Island WWTP in October of 2023. This upgrade has improved efficiency and reduced energy costs, allowing the Department to save about $330,000 per month with 610,400 kWh avoided per month compared to the previous system based on average energy use in 2021 versus 2023.This is a significant savings and will increase moving forward as the average energy cost in 2021 was $.297 per kwh versus in 2023 at $0.397 per kwh.

The Department has completed a new gas service upgrade at the Honouliuli WWTP from Hawaii Gas to power the biogas boilers and allow decommissioning of the plant's biogas treatment system. This saves $250,000.00 in O&M costs and increases the reliability of the boiler due to having pipeline quality natural gas. Hawaii Gas is now able to process more of the biogas from the digesters including about 30% that was being sent to the boiler and flare. This results in increase revenues to the Department of about $350,000.00 per year. Improvements currently in construction at the Honouliuli WWTP include new bio-gas treatment and storage facilities, and combined heat and power recovery facilities. The partnership with Hawaii Gas at Honouliuli WWTP generated $700,000 in net revenue in fiscal year 2023 and helped Hawaii Gas reduce its carbon footprint by 2,050 tons by offsetting Hawaii Gas purchases of synthetic natural gas processed from petroleum products.

Solar Photovoltaic ("PV") systems have been in place at the Kailua WWTP with a 290 kW capacity since 2014.Large Solar PV systems are in included in projects at the Honouliuli WWTP and Sand Island WWTP, with completion scheduled for 2025 to 2026. ENV is currently developing designs for solar PV and battery microgrid projects with EV charging infrastructure to be deployed at 5 selected pump stations, Kailua WWTP, and Honouliuli WWTP. It will incorporate solar PV, battery backup, and the existing diesel generator at each site, maintaining reliable redundancy during a power outage.

The Electric Vehicle program includes both EV vehicles and infrastructure. In 2023, the Department's Office of Administrative Support received its first 2 EV vehicles. Starting in 2024, the Environmental Quality Division will receive 2 vehicles, CSM Division will receive 4 vehicles, and T&D will receive 7 vehicles. At Honouliuli WWTP there will be 16 EV chargers and 112 EV ready parking stalls in 2025. Planning and design is underway for EV infrastructure at the Kailua WWTP and at the CSM Halawa baseyard.

Methane collection and reuse projects at the City's four WWTP's with existing anaerobic digester facilities are on-going or being planned. Currently, most of the energy from methane (biogas) from the Honouliuli WWTP is beneficially used through a partnership with Hawaii Gas, and at Sand Island WWTP through the Synagro contract. Planning is underway to enhance this biogas production through the addition of fats, oils and grease (FOG) to the digesters, along with consideration of alternatives for digesting other bio-waste.]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

HISTORICAL AND PROJECTED REVENUES, EXPENSES AND COVERAGES

[Table and footnotes to be confirmed/updated]

Since its initial revenue bond issue in 1998, the Department has exceeded annual coverage requirements under the First Bond Resolution. Table 9 below sets forth historical revenues, expenses and debt service coverage of the Wastewater System for Fiscal Years 2023 and 2024, budgeted revenues, expenses and debt service coverage of the Wastewater System for Fiscal Year 2025 and the Department's projection of revenues, expenses and debt service coverage of the Wastewater System for Fiscal Years 2026 through 2028.

Table 9

Historical and Projected Revenues, Expenses and Debt Service Coverages
(Fiscal Year Ending June 30)

	Actual		Budgeted	Projected		
	2023	2024	2025	2026	2027	2028
Revenues[1]						
Sewer Service Charges[2,3]	$455,488,000	$455,257,022	$465,333,566	$507,706,237	$553,922,930	$604,331,218
Interest Earnings[4]	$29,160,470	$40,763,783	$14,844,249	$14,144,881	14,399,685	15,268,833
Other Revenues[5]	$3,527,365	$1,420,132	$11,456,667	$11,519,679	$11,583,037	$11,646,744
Total Revenues	$488,175,835	$497,440,937	$491,634,482	$533,370,797	$579,905,652	$631,246,794
Operating Expenses[6]	$172,883,773	$179,940,232	$229,520,455	$229,974,092	$234,466,105	$239,583,340
Net Revenues	$315,292,062	$317,500,705	$262,114,027	$303,396,705	$345,439,547	$391,663,454
Annual Debt Service						
Senior Lien Bonds[7]	$135,418,993	$139,911,301	$150,848,483	$154,136,506	$167,370,591	$181,737,911
D/S Coverage[8]	2.33	2.27	1.74	1.97	2.06	2.16
Senior and Junior Lien Bonds[7, 9]	$167,521,684	$171,717,167	$178,189,248	$162,077,604	$175,431,816	$189,790,861
D/S Coverage[8]	1.88	1.85	1.47	1.87	1.97	2.06
Total Obligations[10]	$203,087,771	$210,306,661	$217,557,884	$200,958,251	$210,863,003	$219,536,559
D/S Coverage[8]	1.56	1.56	1.26	1.57	1.69	1.84

Note: Totals may not add up due to rounding.

[1] Does not include Wastewater System Facility Charges, which are pledged under the First Bond Resolutions but are not defined in the Revenues.

[2] Sewer service charges remained constant for Fiscal Years 2023 and 2024. No changes are planned for Fiscal Year 2025. Projections reflect increases of 9% per year for Fiscal Year 2026 to 2028. Additionally, the Department is projecting increases of 9% per year for Fiscal Years 2029 and 2030.

[3] Budgeted and projected amounts for 2025 and beyond are based on 2023 actual revenue.

[4] The interest rate used to project earnings is 1.25% for Fiscal Year 2025 and each fiscal year thereafter.

[5] Other revenues include overtime reimbursement from contractors for overtime inspection of construction projects. As a widely variable amount, revenue projections are maintained at a lower level beyond budgeted years.

[6] Operating expense projections reflect anticipated operational changes. Salary costs beyond Fiscal Year 2025 are inflated at 3% and fringe benefit costs are inflated at 3% thereafter. Operating expenses do not include debt service, depreciation, or cash expenditures on capital improvements.

[7] Includes actual debt service for outstanding Senior Bonds and estimated debt service for Series 2025 Bonds at current market rates. Assumes a 5.25% interest rate for additional issues of Senior Bonds.

[8] Minimum debt service coverage requirements are: Senior Lien Bonds – 1.2x; Senior and Junior Lien Bonds – 1.1x; Total Obligations – 1.0x. Debt service coverage for Total Obligations includes revenue from System Facility Charges. System Facility Charge revenues are shown in Table 17. The current debt policy resolution establishes debt service coverage ratio targets of 1.6x for Senior Lien Bonds and 1.25x for all Revenue Bonds.

[9] Includes actual debt service for outstanding Junior Bonds.

[10] Includes actual debt service for existing obligations including Senior Bonds and Junior Bonds; Reimbursable General Obligation Bonds; State Revolving Fund loans; and any other debt obligations and assumes future interest rates for Revenue Bonds as indicated above.

CERTAIN FINANCIAL, OPERATING AND OTHER INFORMATION AND STATISTICS

Management's Discussion of Financial Performance

In the period since the wastewater program became fully self-supporting in 1993, the program's financial position has been consistently strong. The change to enterprise fund status in 1998 further strengthened the position of the utility through clearer definition of enterprise assets, understanding of their current value, and clarity in responsibilities. The sale of the initial wastewater revenue bonds in 1998, accompanied by a debt and financial policy adopted by the City Council, served to insure a continuing commitment to a strong financial posture for the wastewater enterprise.

In 2011, the City and County adopted a rate ordinance providing for increases in wastewater rates and future rate adjustments for the period from July 1, 2011, through June 30, 2017. In May 2012, the City and County adopted Ordinance No. 12-7 providing for structural, but revenue neutral, changes to wastewater rates from July 1, 2012 through June 30, 2017. See "Rates and Charges" below. Revenues have been sufficient throughout the period to meet all operation and maintenance and debt service requirements, including coverage. The significant base component of the rate structure and growth in customers prevents changes in water use from having a major impact on revenues. The sewer service charge program will remain strong reflecting the high residential component of wastewater customers and the lack of any single large commercial customer.

As part of the commitment to ensure the financial strength of the Wastewater System, the City Council adopted Ordinance No. 05-006 on March 31, 2005, pledging not to transfer Sewer Fund monies to the City and County's General Fund.

The Wastewater System Facility Charge constitutes a minimal amount of the Wastewater System's total revenues, is solely dedicated to expansion, and is not considered when calculating debt service coverage for the Senior Bonds, Junior Bonds and Subordinate Obligations. Revenue fluctuations are due largely to the timing of major development projects. This revenue source reflects the limited growth of service area population and generally only the redistribution of that population. As such, it is not considered a major source of funds on which to base financial capability.

Efforts continue to control expenses, however, cost escalation, additional facilities, and increased operational requirements have resulted in higher operating budgets. Continuing analyses of operational procedures and increased automation opportunities are expected to help control expenses in the long term.

[***To be confirmed/updated***] [The enterprise has continued to maintain a surplus throughout that period. [Revenues are expected to meet projections for Fiscal Years 2025 and 2026]. This consistency in revenues is due to the lack of reliance on a specific business or industry as a major source of revenue. The residential customer class continues to pay water/sewer bills without a significant increase in delinquencies. Further, revenue projections are conservative and have been consistently exceeded in previous years. Net revenues are being increasingly used for cash funding of capital improvement programs in current and future years. [The Department is evaluating the need to implement rate increases for Fiscal Year 2026 and beyond].

In the opinion of the Department, the financial position of the Wastewater System is strong, with a substantial reserve balance which provides reasonable protection against unforeseen events and financial flexibility for the future. Financial planning continues to identify the best alternative to maintain a strong financial posture while providing quality service to the customer and the community at a reasonable price. City Council and administration policies support the continuing revenue levels necessary to provide for current and future requirements.

See Appendix A, "Economic and Demographic Factors," for a discussion of certain economic conditions that could potentially impact the City and County's revenues.

Billing and Collection

[***To be confirmed/updated***] [All Wastewater System sewer service charge billing is done by the Board of Water Supply through inclusion as a separate portion of the water bill. The delinquency rate for this billing program (i.e., the dollar amount of bills more than 60 days past due expressed as a percentage of total revenues) during fiscal years 2022, 2023 and 2024 was 2.2%, 2.0% and 1.7%, respectively. Should bills not be paid, the authority exists, and has been exercised, to terminate water service for nonpayment of water and sewer service charges or to physically disconnect wastewater service. The Department anticipates assuming full control of the sewer billing from the Board of Water Supply by July 2026. The Department believes that

this will result in greater efficiency from an administrative and customer service standpoint. The Department does not expect any adverse impact on delinquencies as a result of the assumption of the sewer billing.]

Ten Largest Customers

[***To be confirmed/updated***] The ten largest customers of the Wastewater System in Fiscal Year 2024 (see table below) account for 6.66% of the annual sewer service charge revenues of the system. The Department has not experienced any significant increases in delinquency rates with these customers or with its entire population of customers as a result of COVID-19.

Table 10

Ten Largest Customers
Fiscal Year 2024[1]

Customer	Sewer Service Charges	Percentage of Sewer Service Charge Revenues
State DOT – Airports Division	$5,977,232.58	1.28%
University of Hawaii	4,964,311.14	1.06
Hilton Hotels Corporation	4,905,761.71	1.05
Hawaii Public Housing Authority	4,141,512.18	0.88
Sheraton Hotels Hawaii	3,262,051.39	0.70
Ala Moana Center	2,341,933.38	0.50
Marriott International	1,829,732.19	0.39
United Laundry Services	1,517,849.54	0.32
B.Y.U. Hawaii	1,180,559.67	0.25
Queens Medical Center	1,074,927.49	0.23
Total	$31,195,871.27	6.66%

[1] *Totals may not add due to rounding.*

Certain Operating and Financial Statistics

Certain operating and financial statistics of the Department are summarized in the following tables. Unless otherwise noted, tables provided herein contain data furnished by the City and County.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 11

[To be confirmed/updated]

WW Customer Accounts as of June 2024*

Customer Class	Sewer Regular Monthly Charges	Cesspool Per Call	Revenue	Percent of Accounts
1 - Public Sewer				
10 - Single family/duplex	134,118	458	$187,693,935.85	90.13%
15 - Mixed residential	203		3,382,731.38	0.14
20 - Multi-family	5,956		110,962,303.26	4.00
25 - Mixed users	356		17,396,143.68	0.24
WW Res Accts	140,633	458	$319,435,114.17	94.51%
30 - Commercial	4,780		61,897,641.07	3.21%
40 - Hotels	227		24,271,766.72	0.15
50 - Industrial	353		1,690,592.39	0.24
61 - US Military Installation	5		570,472.85	0.00
62 - US Non-military	22		501,750.61	0.01
63 - State	213		19,711,888.46	0.14
65 - City	148		1,558,728.41	0.10
70 - Agriculture	3		3,953.93	0.00
80 - Religious	473		2,541,037.65	0.32
Unknown	1,946		36,144,939.43	1.31
WW Non-res Accts	8,170		$148,892,771.52	5.49%
Total WW Accts	148,803	458	$468,327,885.69	100.00%

* *Totals may not add due to rounding.*

Table 12

[To be confirmed/updated]

History of New Sewer Connections by Type

Fiscal Year Ended June 30	Single Family	Multi Family		Nonresidential	Total
	New Units	New Units	ESDUs	ESDUs	ESDUs
2015	156	1,325	927	149	1,233
2016	217	1,681	1,177	143	1,537
2017	300	1,935	1,354	142	1,796
2018	220	514	734	137	1,111
2019	257	63	320	74	651
2020	316	2,056	1,439	128	1,884
2021	422	1,323	926	93	1,441
2022	236	1,476	1,033	49	1,328
2023	456	765	536	96	1,088
2024	167	796	577	58	782
Projected annual growth based on five-year average	319	1,283	902	85	1,305

Table 13

[To be confirmed/updated]

Existing Sewer Users
Fiscal Year Ended June 30, 2024

Customer Classification	Number of Living Units	Number of Equivalent Single-Family Dwelling Units (ESDUs)	Estimated Wastewater Flow (MGD)
Residential			
Single family/duplex	140,436	140,436	42.833
Multi-family residences	135,815	95,071	28.997
Less: Hawaii Kai	(994)	(994)	(0.303)
Total residential	275,257	234,513	71.526
Nonresidential	79,541	79,590	24.275
Infiltration/Inflow			4.379
Total	354,798	314,103	100.18

Table 14

[To be confirmed/updated]

Historic Population
Oahu, 2012 – 2023

July 1, Year	Resident Population	De facto Population[1]
2012	978,295	1,032,051
2013	986,494	1,048,927
2014	988,002	1,059,633
2015	991,755	1,073,199
2016	993,044	1,080,345
2017	986,973	1,083,560
2018	981,076	1,086,524
2019	973,491	1,084,737
2020	1,012,399	1,015,758
2021	1,004,163	1,036,464
2022	994,828	1,045,108
2023	989,408	1,050,626

[1] *Includes visitor population.*
Source: State of Hawaii, Department of Business, Economic Development & Tourism, Data Book 2023.

Table 15

[To be confirmed/updated]

Number of Equivalent Single-Family Dwelling Units (ESDUs)

Fiscal Year Ending June 30	Single-Family Units	Multifamily Units	Multifamily ESDUs	Commercial ESDUs	Total ESDUs
2014	137,689	123,881	86,089	78,472	302,250
2015	137,845	125,206	87016	78,621	303,483
2016	138,062	126,887	88,193	78,764	305,020
2017	138,362	128,822	89,152	78,906	306,816
2018	138,582	129,336	89,886	79,043	307,511
2019	138,839	129,399	90,206	79,117	308,162
2020	139,155	131,455	91,645	79,245	310,046
2021	139,577	132,778	92,571	79,338	311,486
2022	139,813	134,254	93,978	79,387	313,178
2023	140,269	135,019	94,514	79,483	314,266
2024	140.436	135,815	95,071	79,541	315,048

Table 16

[To be confirmed/updated]

Wastewater Flows by Treatment Facility (MGD)[1]

Treatment Facility[2]	Design Capacity[3]	2024 Flow[4]
Sand Island	90.00	55.02
Kahuku WWTP	0.40	0.17
Honouliuli WWTP	38.00	27.43
Waimanalo WWTP	1.10	0.50
Kuliouou WWPS (Hawaii Kai WWTP)[2, 4]	--	--
Wahiawa WWTP	2.30	1.25
Kailua WWTP	15.25	10.92
Waianae WWTP	5.20	4.33
Paalaa Kai WWTP	0.13	0.07
Laie WRF	0.90	0.49
TOTAL:	153.28	100.18

1 *Average day annual flow (ADAF), MGD. Historic flows were, 114.00 for Fiscal Year 2018, 110.07 for Fiscal Year 2019, 107.00 for Fiscal Year 2020, 100.14 for Fiscal Year 2021, 96.31 for Fiscal Year 2022, 96.31 MGD for Fiscal Year 2023, and 100.18 MGD for Fiscal Year 2024.*

2 *Does not include 0.30 MGD of flow from the City and County's Kuliouou WWPS which is treated by the Hawaii Kai WWTP, a private treatment facility.*

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

4 *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.*

Table 17

[To be confirmed/updated]

History of Major Wastewater Revenue Sources

Fiscal Year Ended June 30	Sewer Service Charges[1]	Wastewater System Facility Charges[2]
2013	368,124,784[3]	4,056,750
2014	384,095,528[3]	5,965,191
2015	387,957,158[3]	9,093,869
2016	411,995,764	11,519,323
2017	447,457,260	11,111,800
2018	445,417,028	4,411,314
2019	449,432,641	2,138,555
2020	449,837,447	9,511,395
2021	449,468,320	7,601,551
2022	458,012,000	9,698,715
2023	455,488,000	918,158
2024	455,257,022	10,122,514

1 *Sewer service charge only - does not include connection or lateral installation charges.*

2 *Fluctuations in Wastewater System Facility Charges are due largely to the timing of major development projects.*

3 *Differs from presentation in Table 9 due to the fact that information presented in this Table 17 is presented in conformance with GAAP whereas information in Table 9 is presented in accordance with definitions presented in the First Bond Resolution.*

Rates and Charges

In June 2011, the City and County adopted a rate ordinance providing for increases in wastewater rates and future rate adjustments over the six-year period from July 1, 2011 through June 30, 2017. In May 2012, the City and County adopted Ordinance No. 12-7 providing for structural, but revenue neutral, changes to wastewater rates from July 1, 2012 through June 30, 2017. The schedule of rates under the Ordinance No. 12-7 is intended to allow for financial planning and projection for the Department and the City and County. Tables 18 and 19 below set forth schedules under the Ordinance No. 12-7 for residential and non-residential users, respectively, as currently effective. Table 20 sets forth a schedule of Wastewater System Facility Charge adjustments, effective July 1, 2012 (Ordinance No. 12-7) as currently effective.

[***To be confirmed/updated***] [The Department is undertaking a wastewater rate study to assess the current rate structure and evaluate alternatives, to confirm rate revenue requirements for the improvement program through 2040, and to evaluate the adequacy of the rates and propose revisions as appropriate. The Department has convened a Wastewater Stakeholder Advisory Group of more than 30 participants to provide input on proposed rates, alternative rate structures and affordability initiatives. The wastewater rate study was completed in September 2024. Bill 60, to amend wastewater rates in the Revised Ordinances of Honolulu, was introduced and passed its first hearing at City Council on November 7, 2024. Bill 60 is currently being considered by City Council committees. The Department anticipates Bill 60 will pass all required hearings, be signed by the Mayor and become ordinance in the coming months. The anticipated proposed rate adjustments would take effect during Fiscal Year 2026.]

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 18

Schedule of Residential Sewer Service Charges

Effective as of July 1, 2016

Single-family and duplex dwellings served by city water system per dwelling unit per month:

1. Monthly base charge	$77.55
2. Charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20%; provided that residential users who install and maintain a water meter for submetering nonsewer water shall not have the water consumed reduced by the water irrigation factor.	$4.63

Single-family and duplex dwellings not served by city water system per dwelling unit per month:

$110.89

Multiple-unit dwellings served by city water system per dwelling unit per month:

1. Monthly base charge	$53.32
2. Charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20%; provided that residential users who install and maintain a water meter for submetering nonsewer water shall not have the water consumed reduced by the water irrigation factor.	$4.63

Multiple-unit dwellings not served by city water $86.65

Table 19

Schedule of Non-Residential Sewer Service Charges

Effective as of July 1, 2016

Domestic Strength Wastewater:

1. Metered Water Usage:
   - (1) Monthly base charge per Equivalent Single Family Dwelling Unit (ESDU): $77.55
   - (2) Charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20%: $4.63
2. Metered Wastewater Discharge:
   - (1) Monthly base charge per Equivalent Single Family Dwelling Unit (ESDU): $77.55
   - (2) Charge per 1,000 gallons: $4.63

Extra Strength Wastewater

1. Charge per 1,000 gallons of metered water consumed, the water consumed reduced by the water irrigation factor of 20%, use the following formula: $4.63
   $0.857 + 0.143(SSm/200)$ multiplied by applicable rate
2. Charge per 1,000 gallons of wastewater discharge, use the following formula: $4.63
   $0.857 + 0.143(SSm/200)$ multiplied by applicable rate

Table 20

Schedule of Wastewater System Facility Charges

as of July 1, 2016

(1) Residential wastewater system facility charge per ESDU: $6,616

(2) Low-income housing wastewater system facility charges per ESDU: $1,368

(3) Nonresidential wastewater system facility charge for domestic strength wastewater per ESDU: $6,616

(4) Nonresidential wastewater system facility charge for extra-strength wastewater per ESDU based on the following formula:

Wastewater System Facility Charge for extra-strength wastewater = A + ((SSi/200) x B)

where SSi = the imputed suspended solids loading, in mg/L and applicable values for terms "A" and "B" are set forth as follows:

Terms in Extra-Strength Surcharge Formula

A	B
$5,687	$929

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DEBT AND FINANCIAL POLICIES AND INDEBTEDNESS

General

The City Council, by resolution adopted on November 10, 1998, established the Debt and Financial Policies for the Wastewater System to provide a general framework for the conduct of financial activities and has been in compliance with such policies since their adoption. Such debt and financial policies specify, among other things, that the City and County will target to maintain revenues (excluding Wastewater System Facility Charges) of 1.60 times senior revenue bond debt service and 1.25 times debt service for all revenue bonds, regardless of the priority of lien. It is expected that the City and County will adopt increases in the sewer service charges necessary to meet the debt service coverage requirements prescribed in its debt and financial policies. The debt and financial policies do not constitute an agreement with holders of Bonds, and the City and County has not undertaken any obligation to such holders or any other person to comply with such policies or to meet such targets. Since establishment of these policies in November 1998, the Wastewater System has consistently met or exceeded all policy requirements.

Investments

The City and County manages its own investment portfolio in accordance with State law 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 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. All Sewer Fund investments, except for a single investment agreement holding the common reserve subaccount for the Senior Series 2006 Bonds issued under the First Bond Resolution, are managed as part of the City and County investment pool.

Indebtedness

Table 21 sets forth the Senior Bonds and Junior Bonds of the City and County secured by the Net Revenues under the First Bond Resolution and the Second Bond Resolution as of [_____], 2025, prior to the issuance of the Series 2025 Bonds. Table 22 sets forth the debt service requirements for the Senior Bonds and Junior Bonds, including the Series 2025 Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 21

[*To be updated*]

Outstanding Wastewater Revenue Bonds

Senior Bonds	Original Issue Amount	Amount Outstanding as of [ ], 2025
Senior Series 2015 Bonds	$560,655,000	$185,560
Senior Series 2016 Bonds	418,550,000	351,890,000
Senior Series 2017 Bonds[(1)]	252,520,000	186,240,000
Senior Series 2018 Bonds	273,530,000	244,305,000
Senior Series 2019 Bonds	412,085,000	364,285,000
Senior Series 2020 Bonds	273,670,000	245,785,000
Senior Series 2022 Bonds	241,355,000	241,355,000
Senior Series 2023 Bonds	189,785,000	189,785,000
Senior Series 2024 Bonds	310,160,000	310,160,000
Total	**$2,932,310,000**	**$2,319,365,000**
Junior Bonds		
Junior Series 2015 Bonds	$138,275,000	$73,405,000
Junior Series 2018 Bonds	51,215,000	1,325,000
Junior Series 2019 Bonds	84,825,000	11,245,000
Junior Series 2024 Bonds	57,960,000	57,960,000
Total	**$335,275,000**	**$143,935,000**

(1) *The Senior Series 2017 Bonds were purchased directly by Bank of America, N.A pursuant to a bond purchase contract by and between the City and County and Bank of America, N.A.*

In addition to the outstanding Senior Bonds and Junior Bonds shown above, $[_____] principal amount of State Revolving Fund loans (classified as Subordinate Obligations under the First Bond Resolution) were outstanding as of [_____], 2025. As of [_____], 2025, the City and County had no outstanding Reimbursable Obligations. All of the outstanding Senior Bonds, Junior Bonds, State Revolving Fund loans, and Reimbursable Obligations are fixed rate obligations, and the City and County has not entered into any interest rate swap agreements or other derivative product arrangements with respect to any of these obligations.

Potential Commercial Paper Indebtedness

[***To be confirmed/updated***] [Bill 36(2024), FDI, adopted by the City Council on September 20, 2024, authorizes the issuance and sale by the City and County of Wastewater System Revenue Commercial Paper in an aggregate outstanding principal amount not to exceed $400,000,000 for the purpose of 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 or refunding all or a part of any outstanding Wastewater System revenue indebtedness of the City and County. Bill 36(2024), FDI, provides that any such Wastewater System Revenue Commercial Paper will have a lien on the Net Revenues of the Wastewater System and may be issued on parity with or subordinate to the Outstanding Senior Bonds and Junior Bonds.]

No Obligations Subject to Mandatory Purchase or Acceleration

The City and County currently has no outstanding variable rate obligations subject to purchase by the City and County upon an event of default and no direct bank loans or other obligations subject to acceleration upon an event of default which are, in either case, secured or otherwise supported by the Net Revenues, and no privately placed energy leases. The City and County could in the future incur such obligations under certain circumstances, and such obligations may under certain circumstances be subject to payment in full prior to the payment of the Senior Bonds and the Junior Bonds. The City and County's Senior Series 2017 Bonds were issued pursuant to a private placement but are not subject to acceleration.

Table 22

[To be updated]

Revenue Bond Debt Service Requirements
(Years Ending June 30)[1]

Fiscal Year	Debt Service on Series 2025 Bonds	Debt Service on Outstanding Senior Bonds	Total Senior Debt Service	Debt Service on Outstanding Junior Bonds	Other Debt Service[2]	Total Debt Service
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
2049						
2050						
2051						
2052						
2053						
2054						
2055						
Total						

[1] *Based on payments, not on accruals. Totals may not add in some columns due to rounding.*
[2] *Includes $228,894,705 principal amount of State Revolving Fund loans.*

FINANCIAL STATEMENTS

The operations of the Department are accounted for in the Sewer Fund and the Wastewater System Facility Charge Account. The Sewer Fund is classified as an enterprise fund of the City and County and is currently audited as a part of the City and County's general purpose financial statements that are prepared annually.

Extracts from the financial statements of the City and County as of June 30, 2024, relating to the Sewer Fund, together with the auditor's report thereon delivered by Accuity LLP, may be found at the website of the City and County at https://www.honolulu.gov/budget/budget-cafr.html, or may be obtained from the Department 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. Except for such financial statements and auditor's report, the contents of the City and County's website are not part of this Official Statement and are not incorporated herein by the above reference. Accuity LLP has not reviewed and has no responsibility with respect to this Official Statement.

The First Bond Resolution require the Department to maintain and keep proper books of account relating to the Wastewater System and in accordance with generally accepted accounting principles. The First Bond Resolution also requires that within one hundred eighty (180) days after the end of each Fiscal Year the Department will cause such books of account to be audited by an independent certified public accountant. Such audit may be part of a comprehensive audit of the City and County if the Wastewater System in such audit is treated as an "enterprise fund" and the revenues and expenses of the Wastewater System are stated in a manner which permits identification by category of the sources and uses of the Revenues.

The following tables have been extracted from audited financial statements for fiscal years 2022, 2023 and 2024 of the City and County relating to the Department. It should be noted that "Revenues" as defined in the Bond Resolution does not include Wastewater System Facility Charges.

Table 23 summarizes revenues and expenses and Table 24 provides fund balances, both reflecting enterprise accounting and consistency with GASB 34 reporting requirements.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 23

[To be updated/confirmed]

Department of Environmental Services - Sewer Fund
Enterprise Fund Statement of Revenues, Expenses and Charges in Retained Earnings (Deficit)
(Dollars in Thousands)[1*]

	2022	2023	2024
Operating Revenues:			
Sewer Service Charges	$ 458,012	$ 455,488	$ 459,211
Other Revenue	11,124	4,401	11,394
Total Operating Revenues	$ 469,136	$ 459,889	$ 470,605
Operating Expenses:			
Administrative and general	$ 52,386	$ 49,091	$ 52,190
Maintenance	921	655	742
Depreciation and amortization	90,353	92,059	94,293
Contractual services	21,571	25,795	31,155
Fringe benefits	22,995	15,370	19,543
Materials and supplies	8,341	10,937	13,403
Fuel and lubricants	1,122	1,432	1,239
Utilities	24,675	27,627	25,110
Total Operating Expenses	$ 222,364	$ 222,966	$ 237,675
Operating Income	$ 246,772	$ 236,923	$ 232,930
Nonoperating Revenues (Expenses):			
Interest income	$ 7,337	$ 31,791	$60,097
Interest expense	(72,169)	(77,577)	(82,024)
Loss from disposal of property	(9)	--	--
Net decrease in fair value of investments	(21,394)	(897)	14,522
Other	(1,311)	1,218	(412)
Total Nonoperating Expenses	$ (87,546)	$ (45,465)	$ (7,817)
Income before transfers and capital contributions	$159,226	$ 191,458	$ 225,113
Transfers Out	(21,297)	(24,202)	(25,581)
Capital contributions	1,863	401	5,487
Change in Net Position	$ 139,792	$ 167,657	$ 207,019
Net Position			
Beginning of Year	$ 2,426,006	$ 2,565,798	$ 2,733,455
End of Year	$ 2,565,798	$ 2,733,455	$ 2,940,474

[1] *Differs from presentation in Table 9 because information presented in this Table 23 is presented in conformance with GAAP whereas information in Table 9 is presented in accordance with definitions presented in the First Bond Resolution.*

[*] *Totals may not add due to rounding.*

Table 24

[To be updated/confirmed]

Department of Environmental Services - Sewer Fund
Enterprise Fund Balance Sheet*
(Dollars in Thousands)

ASSETS	2022	2023	2024
Current Assets:			
Cash and cash equivalents	$ 210,843	$ 167,485	$ 250,214
Investments	1,158,614	1,249,613	1,279,951
Receivables			
Accounts, net of allowance for uncollectible accounts	73,909	68,540	72,759
Interest	1,607	11,162	14,269
Employee advances	485	439	396
Inventories of materials and supplies	10,444	9,543	9,403
Other Assets	398	392	962
Total Current Assets	$1,456,300	$1,507,174	$1,627,954
Capital Assets, Net:			
Land	$ 50,492	$ 50,849	$ 56,336
Land improvements	7,999	7,999	6,183
Buildings and Improvements	1,434,100	1,497,596	1,488,546
Transmission and distribution system	2,645,274	2,661,833	2,679,568
Equipment and machinery	173,191	176,425	180,538
Construction work in progress	723,492	923,733	1,279,457
Amortizable leased assets	28	1,414	1,664
Accumulated depreciation	(1,146,418)	(1,238,062)	(1,328,287)
Total Capital Assets, Net	$ 3,888,158	$ 4,081,787	$ 4,364,005
Restricted Assets - Investments	200,573	46,669	545
Total Assets	$ 5,545,031	$ 5,635,630	$5,992,504
Deferred Outflows of Resources:			
Deferred refunding costs, net	82,369	75,799	69,624
Deferred pension costs	21,033	18,120	17,285
Deferred asset retirement obligation costs	5,128	4,610	4,443
Deferred other postemployment benefits costs	11,478	13,517	14,301
Total Assets and Deferred Outflows of Resources	$ 5,665,039	$ 5,747,676	$ 6,098,157
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	$ 63,726	$ 68,923	$111,680
Due to other funds	--	--	--
Interest payable	39,589	42,792	48,485
Notes payable	29,067	31,928	90,615
Bonds payable	87,288	89,989	34,293
Accrued Payroll	2,161	1,798	1,924
Other current liabilities	1,400	1,599	1,666
Total Current Liabilities	$ 223,231	$ 237,029	$ 288,663
Notes payable	292,086	314,804	322,525
Net Pension Liability	108,121	113,271	235
Asset retirement obligations	13,594	13,573	14,184
Net Other Postemployment Benefit Liability	83,921	71,197	2,308,192
General obligation bonds payable, Net	384	310	117,521
Revenue bonds payable, Net	2,319,485	2,213,413	67,641
Compensated Absences	6,677	8,155	8,540
Total Liabilities	$ 3,047,499	$ 2,971,752	$ 3,127,501
Deferred Inflows of Resources			
Deferred other postemployment benefits costs	22,500	26,173	20,499
Deferred leases	384	392	962
Deferred Pension Costs	28,858	15,904	8,721
Total deferred inflows of resources	$ 51,742	$ 42,469	$ 30,182
Net Position:			
Net investment in capital assets	1,426,191	1,535,877	1,676,048
Restricted for debt service	115,746	119,482	109,582
Unrestricted	1,023,861	1,078,096	1,154,844
Total net position	$ 2,565,798	$ 2,733,455	$ 2,940,474
Total liabilities, deferred inflows of resources and net position	$ 5,665,039	$ 5,747,676	$ 6,098,157

* *Totals may not add due to rounding.*

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 15 recognized bargaining units ("BU") 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 (fire fighters), BU 12 (police officers), BU 13 (professional and scientific employees), and BU 15 (ocean safety and water safety officers). The City and County employed 11,027 individuals as of April 30, 2025.

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, 10, 13 and 15, the Governor has six votes and each of the county mayors, the Chief Justice of the Hawaii State Supreme Court and the board of directors of the Hawaii Health Systems Corporation has one vote each if such employers has 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 interest arbitration. Although the statute characterizes interest 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, failure to reach an agreement 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 excluded management employees, elected and appointed officials, and certain contractual hires.

The status of awards for wages and health benefits, and negotiations for the contract period beginning July 1, 2021 and successor agreements is as follows:

BU 01 (blue-collar workers): An agreement on an amendment to extend the two-year agreement (July 1, 2021 — June 30, 2023) through June 30, 2025 was ratified by UPW in February 2022 and approved by the City Council. The amended agreement provides for a $1,000 one-time lump sum payment effective July 1, 2021 to all employees who were employed on June 30, 2021 and continue to be employed as of July 1, 2021; across-the-board ("ATB") wage increases of 3.72% effective October 1, 2022, 5% effective July 1, 2023, and 5% effective July 1, 2024. The agreement also provides for increases in employer contributions to the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund" or "EUTF") plans for fiscal years 2022 – 2025. The current contract will expire on June 30, 2025. For a new contract beginning July 1, 2025, the parties reached a tentative agreement that was ratified in April 2025. This agreement is pending approval by the respective legislative bodies. The agreement provides for ATB wage increases of 3.5% effective July 1, 2025, 3.79% effective July 1, 2026, 4% effective July 1, 2027, and 4% effective July 1, 2028. The agreement also provides for increases in meal allowances, changes to travel reimbursements, and increases in employer contributions to the Trust Fund plans for fiscal years 2026 and 2027. Employer contributions to the Trust Fund for fiscal years 2028 and 2029 are to be determined.

BU 02 (blue-collar supervisors): An agreement on an amendment to extend the two-year agreement (July 1, 2021 — June 30, 2023) through June 30, 2025 was ratified by HGEA in April 2022, and approved by the City Council. The amended agreement provides for a 1% one-time lump sum payment effective July 1, 2021, based on June 30, 2021 annual base pay for all employees who were employed as of June 30, 2021 and continue to be employed as of July 1, 2021; ATB wage increases of 3.72% effective July 1, 2022; 5% effective July 1, 2023; and 5% effective July 1, 2024. The agreement also provides for increases in employer contributions to the Trust Fund plans for fiscal years 2022 – 2025. The current contract will expire on June 30, 2025. For a new contract beginning July 1, 2025, the parties reached a tentative agreement that was ratified in April 2025. This agreement is pending approval by the respective legislative bodies. The agreement provides for ATB wage increases of 3.5% effective July 1, 2025, 3.79% effective July 1, 2026,

4% effective July 1, 2027, and 4% effective July 1, 2028. The agreement also provides for changes to travel reimbursements, and increases in employer contributions to the Trust Fund plans for fiscal years 2026 and 2027. Employer contributions to the Trust Fund for fiscal years 2028 and 2029 are to be determined.

BU 03 (white-collar workers): An agreement on an amendment to extend the two-year agreement (July 1, 2021 — June 30, 2023) through June 30, 2025 was ratified by the HGEA in April 2022, and approved by the City Council. The amended agreement provides for a $1,000 one-time lump sum payment effective July 1, 2021, for all employees who were employed as of June 30, 2021 and continue to be employed as of July 1, 2021; ATB wage increases of 3.72% effective October 1, 2022, 5% effective July 1, 2023, and 5% effective July 1, 2024. The agreement also provides for increases in employer contributions for Trust Fund plans for fiscal years 2022 – 2025. The current contract will expire on June 30, 2025. For a new contract beginning July 1, 2025, the parties reached a tentative agreement that was ratified in April 2025. This agreement is pending approval by the respective legislative bodies. The agreement provides for an ATB wage increase of 3.5% effective July 1, 2025, one step movement for employees on Step C to Step L effective July 1, 2026, an ATB wage increase of 4% effective July 1, 2027, one step movement for employees on Step C to Step L effective July 1, 2028, and an ATB wage increase of 0.37% effective July 1, 2028. The agreement also provides for increases in meal and uniform allowances, changes to travel reimbursements, and increases in employer contributions to the Trust Fund plans for fiscal years 2026 and 2027. Employer contributions to the Trust Fund for fiscal years 2028 and 2029 are to be determined.

BU 04 (white-collar supervisors): An agreement on an amendment to extend the two-year agreement (July 1, 2021 — June 30, 2023) through June 30, 2025 was ratified by the HGEA in April 2022, and approved by the City Council. The amended agreement provides for a 1% one time lump sum payment effective July 1, 2021, based on June 30, 2021 annual base pay for all employees who were employed as of June 30, 2021 and continue to be employed as of July 1, 2021; ATB wage increases of 3.72% effective July 1, 2022, 4.96% effective July 1, 2023, and 5% effective July 1, 2024. The agreement also provides for increases in uniform maintenance and meal allowances; and increases in employer contributions for Trust Fund plans for fiscal years 2022 – 2025. The current contract will expire on June 30, 2025. For a new contract beginning July 1, 2025, the parties reached a tentative agreement that was ratified in April 2025. This agreement is pending approval by the respective legislative bodies. The agreement provides for ATB wage increases of 3.5% effective July 1, 2025, 3.79% effective July 1, 2026, 4% effective July 1, 2027, and 4% effective July 1, 2028. The agreement also provides for changes to travel reimbursements, and increases in employer contributions to the Trust Fund plans for fiscal years 2026 and 2027. Employer contributions to the Trust Fund for fiscal years 2028 and 2029 are to be determined.

BU 13 (professional and scientific employees): An agreement on an amendment to extend the two-year agreement (July 1, 2021 — June 30, 2023) through June 30, 2025 was ratified by the HGEA in April 2022, and approved by the City Council. The amended agreement provides for a 2% one-time lump sum payment based on June 30, 2021 annual base pay for employees who were employed on Step M as of June 30, 2021 and continue to be employed as of July 1, 2021; step movements effective July 1, 2022 for employees who were eligible for step movements during the period July 1, 2021 to June 30, 2022; continuation of step movements for eligible employees effective July 1, 2022; an ATB wage increase of 2% effective July 1, 2022; deletion of Step C, and an ATB wage increase of 4% effective July 1, 2023; and an ATB wage increase of 3.59% effective July 1, 2024. The agreement also provides for increases in employer contributions for Trust Fund plans for fiscal years 2022 – 2025. The current contract will expire on June 30, 2025. For a new contract beginning July 1, 2025, the parties reached a tentative agreement that was ratified in April 2025. This agreement is pending approval by the respective legislative bodies. The agreement provides for an ATB wage increase of 2.12% and continuation of step movements effective July 1, 2025, an ATB wage increase of 2.95% and continuation of step movements effective July 1, 2026, an ATB wage increase of 2.77% and continuation of step movements effective July 1, 2027, and an ATB wage increase of 3.17% and continuation of step movements effective July 1, 2028. The agreement also provides for changes to travel reimbursements, and increases in employer contributions to the Trust Fund plans for fiscal years 2026 and 2027. Employer contributions to the Trust Fund for fiscal years 2028 and 2029 are to be determined.

The City and County and HGEA recently reached a settlement agreement regarding temporary hazard pay related to the COVID-19 pandemic. HGEA employees in BUs 02, 03, 04, and 13 will receive either a $15,000 or $7,500 lump sum, depending on whether they filed a timely claim for temporary hazard pay. HGEA employees in BU 15 will receive a temporary hazard pay differential of 15% for hours worked between the period of March 5, 2020, to March 5, 2022. The City and County and SHOPO reached a settlement agreement to pay BU 12 employees a temporary hazard pay differential of 15% for hours worked between the period of March 5, 2020, to March 5, 2022. For UPW employees in BUs 01 and 10, the arbitrator in the union's class grievance regarding temporary hazard pay claims related

to the COVID-19 pandemic awarded UPW employees a temporary hazard pay differential of 15% for hours worked between the period of March 5, 2020, to March 5, 2022. The City Council has approved payment of temporary hazard pay to HGEA, SHOPO, and UPW. The City Council has appropriated $115,000,000 in a provision for hazard pay in the fiscal year 2025 operating budget with another $30,000,000 to $34,400,000 planned to be appropriated in fiscal year 2026 to cover the City and County's total estimated temporary hazard pay liabilities to HGEA, SHOPO, UPW, HFFA, Oahu Transit Services, and civil service excluded managers/excluded employees; resolution of temporary hazard pay with the latter three groups is pending.

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 Employees' Retirement System of the State (the "System" or "ERS") and the EUTF, 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.

The EUTF operates as an agent multiple-employer plan, meaning separate accounts are maintained for each employer. Although assets are pooled for investment purposes, the contributions of each employer, such as the City and County, may provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each employer to determine that employer's contribution rate.

ERS, on the other hand, operates under a cost-sharing arrangement. The System's assets are used to pay benefits to retirees of any employer.

Health Care Benefits

All regular employees of the City and County are eligible for coverage under health plans provided through 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

Eligible employees of the City and County, including those of the Department, participate in retirement health care coverage plans provided by the Trust Fund. The City and County allocates a share of its required employer contributions to the Department. For fiscal year 2024, the City and County calculated the Department's proportionate share of its total annual required contribution ("ARC") at 5.61%. The Department's fiscal year 2024 contribution was $12.4 million. The Department's allocated share of the City and County's net OPEB obligation was $67.6 million at

fiscal year-end 2024. Under current accounting standards, the Department does not report a share of the City and County's unfunded actuarial accrued liability ("UAAL") for retiree healthcare.

Beginning with the fiscal year ended 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, 2023 and July 1, 2024:

Table 25

City and County of Honolulu
Retiree Health Care Plan Membership

Category	July 1, 2023	July 1, 2024
Retirees	8,098	8,071
Deferred Inactives	769	760
Actives	8,453	8,613

Since July 1, 2017, the Trust Fund has been required to complete annual actuarial studies of the OPEB obligations of the State and each of the four counties. In the most recent actuarial valuation report as of July 1, 2024 ("2024 EUTF Valuation Report"), the Trust Fund's actuarial consultant calculated the Annual Required Contributions ("ARC") for the fiscal years ending June 30, 2026 and 2027 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 $2.423 billion, and its unfunded actuarial accrued liability was estimated to be $1.017 billion, with a funded ratio of 58.0%. 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 unfunded actuarial accrued liability of $1.017 billion as of July 1, 2024 and $1.247 billion as of July 1, 2023. Based on this valuation, the City and County's consulting actuary determined the City and County's ARC is estimated to be approximately $196.695 million for fiscal year 2027 and $194.748 million for fiscal year 2026 with full prefunding, compared to $192.820 million for fiscal year 2025. The City and County's annual OPEB ARC was $190.911 million for fiscal year 2024 and $188.090 million for fiscal year 2023.

The City and County's net OPEB unfunded actuarial accrued liability for fiscal year 2024 was allocated among various funds as follows:

Fund	Amount
General Fund	$1,081,173,000
Sewer Fund	67,641,000
Transportation Fund	6,993,000
Refuse	46,420,000
H-Power	244,000
Recycling	3,256,000
Total:	$1,205,724,000

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 2020–2023, the City and County transferred the following respective amounts to the Trust Fund for this purpose: $83.7 million, $96.4 million, $99.5 million, and $0. There were no transfers to prefund the City and County's OPEB obligations for the fiscal year 2024.

Act 268, Session Laws of Hawaii 2013, requires the Trust Fund 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 was 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 ARC, then deducting the amount estimated to be paid by the employer to cover pay-as-you-go benefits, then applying the required payment percentage (e.g. 80% for fiscal year 2018) to the remaining portion of the full ARC.

The Governor issued a Fourteenth Supplementary Proclamation Related to the COVID-19 Emergency on October 13, 2020, which suspended specific provisions of law, including (i) Sections 87A-42(b) to (f), of the Hawaii Revised Statutes ("HRS"), other post-employment benefits trust; (ii) Section 87A-43, HRS, payment of public employer contributions to the other post-employment benefits trust; and (iii) Section 237-31(3), HRS, remittances, related to the requirement for public employers to pay the ARC to the EUTF in the fiscal year ended June 30, 2021. The 2021 Legislature subsequently enacted Act 229, SLH 2021, which extends such suspension for the fiscal years ended June 30, 2022, and June 30, 2023. As a result, for the fiscal year ended June 30, 2021, the State and counties were only required to contribute, and for the fiscal years ended June 30, 2022, and June 30, 2023, will only be required to contribute, their share of the monthly pay-as-you-go health benefit premiums and claims expenses. Notwithstanding the suspension of mandatory prefunding payments, the City and County has paid its full Act 268 Unfunded Actuarial Accrued Liability ("UAAL") prefunding payment for fiscal year 2021 and 2022.

The following table shows the City and County's ARC, actual contributions and, for fiscal years 2015 to 2024, the contribution requirements of Act 268. Through fiscal year 2018 the City and County has exceeded the percentage of ARC requirement.

Table 26

City and County of Honolulu: History of OPEB Contributions
(dollar amounts 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]
2015	$147,058	$64,683	$47,123	$111,806	76%	20%	$15,708
2016	152,205	69,470	30,845	100,315	66	40	30,845
2017	161,233	79,905	48,797	128,702	80	60	48,797
2018	166,876	87,989	63,110	151,009	91	80	63,110
2019	177,331	93,600	83,731	177,331	100	100	83,731
2020	183,677	99,946	83,731	183,677	100	100	83,731
2021	190,106	93,690	96,416	190,106	100	100	96,416
2022	197,569	98,106	99,463	197,569	100	100	99,463
2023	188,090	--	--	188,090	100	100	--
2024	190,911	--	--	190,911	100	100	--

[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.*

The following table sets forth the OPEB funding progress for the City and County since FY 2015:

Table 27

City and County of Honolulu: OPEB Funding Progress
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	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, 2017	372,671	2,241,999	1,869,328	16.6	647,203	288.8
July 1, 2018	464,588	2,357,481	1,892,893	19.7	659,664	286.9
July 1, 2019	594,033	2,491,272	1,897,239	23.8	691,143	274.5
July 1, 2020	723,034	2,455,565	1,732,531	29.4	708,016	244.7
July 1, 2021	900,197	2,506,063	1,605,866	35.9	699,558	229.6
July 1, 2022	1,064,657	2,365,894	1,301,237	45.0	683,725	190.3
July 1, 2023	1,224,344	2,471,737	1,247,393	49.5	704,919	177.0
July 1, 2024	1,405,804	2,422,920	1,017,116	58.0	754,341	134.8

The OPEB ARC, actuarial accrued liability, and unfunded actuarial accrued liability are provided by the Trust Fund's actuary, measured in the 2024 EUTF Valuation Report. Significant actuarial methods and assumptions utilized in the 2024 EUTF Valuation Report are as follows:

Amortization method	Level percentage, closed
Equivalent single amortization period	11.0 years
Asset valuation method	Smoothed
Actuarial assumptions	
Inflation rate	2.50%
Investment rate of return	7.00%
Projected salary increase	3.00%
Healthcare inflation rates	
PPO	6.20% initial, declining to 4.25% after 20 years
HMO	6.20% initial, declining to 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Medicare Part B	5.00% initial, declining to 4.25% after 20 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. The Trust Fund has implemented GASB 75 for fiscal years beginning July 1, 2016, and July 1, 2017, and has prepared its GASB 75 report for the fiscal year ended June 30, 2018. The City and County implemented Statement 75. The implementation resulted in a restatement of $1,241.4 million to the net position of the City and County for the fiscal year ended June 30, 2017.

Pensions

All eligible employees of the City and County, including those of the Department, are covered under the 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. As is further described below, employer contributions are set by State statute as a percentage of the covered payroll. The Sewer Fund's contribution requirements as of June 30, 2024 and June 30, 2023 were approximately $9.7 million and $9.5 million, respectively. At June 30, 2024 and June 30, 2023, the Sewer Fund reported a liability of $117.5 million and $113.3 million, respectively, for its proportionate share of the net pension liability.

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, 2024, 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 2023 actuarial valuation report (the "2023 ERS Valuation Report"), as the City and County's proportionate share of pension liability is based on the System's valuation at the end of the preceding fiscal year.

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, 2024, the City and County reported a liability of $2.540 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 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, 2024 was $14.008 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, 2023, the City and County's proportion was 18.40%, which was a decrease of 0.17% from its proportion measured as of June 30, 2022. The Sewer Fund's proportionate share of the City and County's proportionate share at June 30, 2024, was 4.65%, a decrease of 0.02 from the prior year.

For the fiscal year ended June 30, 2024, the City and County recognized pension expense of $267,804 million. For the Fiscal Year ended June 30, 2024, the Sewer Fund recognized pension expense of $12.1 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 years 2013-2023 are set forth in Table 28 below. Contributions to the System from the City and County, excluding its component units, were $267,804 million for June 30, 2024, $269,336 million for June 30, 2023, and $254,958 million for June 30, 2022.

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 28

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
(dollar amounts in thousands)

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
2015	$121,465	$132,308	$10,843	$578,043	22.89%
2016	135,217	129,245	(5,972)	599,494	21.56
2017	140,342	139,569	(773)	626,639	22.27
2018	154,219	159,115	4,896	649,455	24.50
2019	177,773	178,100	327	675,044	26.38
2020	214,275	214,735	460	697,585	30.78
2021	248,028	247,806	(222)	708,949	34.95
2022 [a]	255,144	254,958	(186)	678,834	37.56
2023 [a]	269,329	269,336	7	693,097	38.86
2024	268,046	267,804	(242)	731,752	36.60

[a] *Revised from previous reporting due to HART classification as blended component unit.*

The following table presents the sensitivity of the City and County's proportionate share of the net pension liability, recorded at June 30, 2024, calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%):

Table 29

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City and County's share of net pension liability ($000)	$3,502,771	$2,539,655	$1,742,030
Sewer Fund's share of net pension liability ($000)	$116,117	$117,521	$80,587

The total pension liability in the 2023 ERS Valuation Report was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Payroll growth rate, including inflation	3.75% to 6.75% per annum
Investment rate of return, including inflation	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 projected on a fully generational basis by the long-term rates of scale UMP from the year 2022 and with multiplier and setbacks based on the plan the group experience. Pre-retirement mortality rates are based on multiples of the Pub-2010 employee table based on the occupation of the member.

The actuarial assumptions used in the 2023 ERS Valuation Report were based on the results of an actuarial experience study, dated June 14, 2022 adopted by the Board of Trustees based on the recommendations of the System's actuary.

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 rates used to measure the net pension liability at June 30, 2024, 2023 and 2022 were all 7.00%. 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.

Employees' Retirement System of the State

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 System's 2024 actuarial valuation report (the "2024 ERS Valuation Report"), presenting the actuarial condition of the ERS as of June 30, 2024.

The demographic data for each annual June 30 valuation is collected as of the March 31 preceding the valuation date. As of March 31, 2024, the contributory plan covered 407 active employees or 0.6% of all active members of the System, the noncontributory plan covered approximately 8,015 active employees or 12.3%, and the Hybrid Plan covered 52,124 active members or 79.8%. 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, 2024, the System's membership comprised approximately 65,337 active employees, 8,847 inactive vested members, and 55,820 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, 2022, 2023, and 2024:

Table 30

SYSTEM MEMBERSHIP

Category	March 31, 2022	March 31, 2023	March 31, 2024
Active	64,234	64,243	65,337
Inactive, vested	9,031	8,997	8,847
Retirees and beneficiaries	53,990	54,973	55,820
Total	**127,255**	**128,213**	**130,004**

Funded Status

The statutory employee and employer contribution rates are intended to provide for the normal cost plus the amortization of the UAAL over a reasonable amount of time. The statutes were modified by the 2024 Hawaii Legislature to decrease the maximum funding from 30 to 25 years as of June 30, 2024. The maximum funding period will decrease to 24 years effective June 30, 2025, 23 years effective June 30, 2026, 22 years effective June 30, 2028, 21 years effective June 30, 2029 and 20% effective June 30, 2030. Based on the current contribution rates of 41.00% for police and fire employees and 24.00% for all other employees, the future contribution rates established by 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 2024 ERS Valuation Report, the remaining amortization period is 22 years.

Based on the 2024 ERS Valuation Report, the System's UAAL increased to $14.008 billion from $13.710 billion in 2023. The System had a liability experience loss which was caused by individual salary increases being more than expected by the assumptions and an actuarial loss as a result of returns in 2023 and 2024 not achieving the assumed 7%. The funded ratio was 63.0% in Fiscal Year 2024 based on the actuarial value of assets. Based on the assumptions used in preparing the 2024 ERS Valuation Report and the future contribution rates established by the Legislature effective July 1, 2017, the actuary determined that, as of the 2024 ERS Valuation Report, the remaining amortization period is 22 years. Thus, the current contribution rate is sufficient to eliminate UAAL over a period of 25 years or less as mandated by Section 88 122(e)(1), HRS.

Funding Policy

Act 17, SLH 2017, which became effective July 1, 2017, established the employer contribution rates set forth below. These contributions rates were increased to bring the System's funding period within 25 years:

Table 31

EMPLOYER CONTRIBUTION RATES

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

Under the contributory plan, police officers, firefighters, and corrections officers are required to contribute 12.2% of their salary to the plan and most other covered employees are required to contribute 7.8% of their salary. Under the Hybrid Plan, covered employees are generally required to contribute 6.0% of their salary to the plan, with sewer workers in specified classifications, water safety officers and emergency medical technicians required to contribute 9.75% of their salary. Effective July 1, 2012, contribution rates for newly hired employees covered under the contributory and Hybrid Plan increased by 2% pursuant to Act 163, SLH 2011, such that the corresponding contribution rates for new employees as discussed in this paragraph 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 fiscal year beginning July 1, 2023 and ended June 30, 2024.

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, 2024 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, which projection assumes that the number of active members will remain constant and that there will be no actuarial gains or losses on liabilities or investments.

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, 2024 was 14.51% of payroll, which was 16.32% of payroll less than the total contributions required by law (24.00% from employers plus 6.83% in the aggregate from employees). Since only 7.68% of the employers' 24.00% contribution is required to meet the normal cost (6.83% comes from the employee contribution), it is intended that the remaining 16.32% of payroll will be used to amortize any unfunded actuarial accrued liabilities over a period of years in the future, assuming that pay for new entrants 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 dated July 30, 2021, and are reflected in the 2024 ERS Valuation Report.

The actual investment returns of the System for Fiscal Years 2015 through 2024 shown below are market returns, net of investment and administrative expenses.

Table 32

Fiscal Year	Percentage
2015	4.23%
2016	-0.78
2017	13.68
2018	7.89
2019	5.67
2020	2.09
2021	26.90
2022	0.80
2023	3.81
2024	6.55

Source: Report on Investment Activity for the ERS prepared The Northern Trust Company (2013), and The Bank of New York Mellon (2014 to 2016); Valuation Reports for Fiscal Years 2017 to 2024.

The 2024 ERS 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 22-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 2024. 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 22-year term.

Table 33 shows the System's funding progress for the ten most recent actuarial valuation dates. Table 34 shows the System's projected funding progress through the fiscal year ending June 30, 2053. 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.

Table 33

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)
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
2017	15,720.6	28,648.6	12,928.0	54.9	4,265.0	303.1
2018	16,512.7	29,917.4	13,404.7	55.2	4,383.7	305.8
2019*	17,322.2	31,396.4	14,074.3	55.2	4,519.7	311.4
2020	18,084.4	32,691.8	14,607.4	55.3	4,630.2	315.5
2021	19,909.8	34,139.2	14,229.4	58.3	4,783.8	297.5
2022*	21,317.8	34,822.8	13,504.9	61.2	4,614.0	292.7
2023	22,514.9	36,224.6	13,709.7	62.2	4,805.3	285.3
2024	23,841.0	37,849.5	14,008.5	63.0	5,084.7	275.5

** New assumption effective on valuation date.*
Source: 2024 ERS Valuation Report

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Table 34

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
2024	$1,315	$37,850	$23,841	$14,008	63.0%
2025	1,346	39,170	25,140	14,030	64.2%
2026	1,383	40,479	26,460	14,019	65.4%
2027	1,420	41,784	27,814	13,970	66.6%
2028	1,459	43,083	29,204	13,880	67.8%
2029	1,500	44,380	30,637	13,743	69.0%
2030	1,541	45,673	32,116	13,557	70.3%
2031	1,584	46,962	33,646	13,316	71.6%
2032	1,629	48,247	35,231	13,016	73.0%
2033	1,676	49,526	36,878	12,649	74.5%
2034	1,724	50,801	38,591	12,210	76.0%
2035	1,774	52,073	40,381	11,692	77.5%
2036	1,825	53,342	42,253	11,088	79.2%
2037	1,879	54,609	44,217	10,392	81.0%
2038	1,935	55,877	46,283	9,594	82.8%
2039	1,993	57,150	48,463	8,687	84.8%
2040	2,053	58,431	50,771	7,660	86.9%
2041	2,116	59,728	53,223	6,505	89.1%
2042	2,181	61,043	55,833	5,209	91.5%
2043	2,248	62,380	58,616	3,763	94.0%
2044	2,318	63,744	61,590	2,154	96.6%
2045	2,390	65,140	64,773	367	99.4%
2046	2,465	66,573	68,181	(1,609)	102.4%
2047	2,542	68,047	71,837	(3,789)	105.6%
2048	2,622	69,571	75,761	(6,191)	108.9%
2049	2,704	71,149	79,979	(8,830)	112.4%
2050	2,789	72,785	84,512	(11,727)	116.1%
2051	2,876	74,484	89,383	(14,900)	120.0%
2052	2,966	76,248	94,617	(18,370)	124.1%
2053	3,059	78,080	100,240	(22,160)	128.4%

* *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.*

Source: 2024 ERS Valuation Report.

The total assets of the System on a market value basis available for benefits amounted to approximately $17.4 billion as of June 30, 2020, $21.9 billion as of June 30, 2021, $21.9 billion as of June 30, 2022, $22.4 billion as of June 30, 2023, and $23.7 billion as of June 30, 2024. Actuarial certification of assets as of June 30, 2020 was $18.1 billion, as of June 30, 2021 was $19.9 billion, as of June 30, 2022 was $21.3 billion, as of June 30, 2023 was $22.5 billion, and as of June 30, 2024 was $23.8 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 ratio based on market value assets:

Table 35

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)
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
2017	15,720.6	15,698.3	99.9	54.9	54.8
2018	16,512.7	16,598.4	100.5	55.2	55.5
2019	17,322.2	17,227.0	99.5	55.2	54.9
2020	18,084.3	17,385.5	96.1	55.3	53.2
2021	19,909.8	21,935.8	110.2	58.3	64.3
2022	21,317.8	21,854.8	102.5	61.2	62.8
2023	22,514.9	22,425.4	99.6	62.2	61.9
2024	23,841.0	23,700.6	99.4	63.0	62.6

Source: 2014-2024 ERS Valuation Reports.

As of June 30, 2024, the UAAL of the System was $14.008 billion, an increase from $13.710 billion as of June 30, 2023. 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 2023 and 2024:

Table 36

NORMAL COST

	June 30,					
	2023			2024		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll:	27.21%	12.94%	14.57%	27.12%	12.93%	14.51%
Employee contribution rate:	12.78	5.92	6.71	12.82	6.08	6.83
Effective employer normal cost rate:	14.43	7.02	7.86	14.30	6.85	7.68

Source: 2024 ERS Valuation Report.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table shows the annual actual contributions 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 37

SCHEDULE OF EMPLOYER CONTRIBUTIONS*
(Dollar amounts in thousands)

June 30,	Actual Contribution
2015	$717,793
2016	756,558
2017	781,244
2018	847,595
2019	922,635
2020	1,098,589
2021	1,281,559
2022	1,242,139
2023	1,274,221
2024	1,396,332

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

Asset Allocation

The following table shows the target and actual asset allocation of the System as of September 30, 2024:

Table 38

ASSET ALLOCATION
(as of September 30, 2024)

	Actual Allocation		Target Allocation	Allocation Difference
Asset Type	Amount ($mm)	Percentage	Percentage*	Percentage
Broad Growth	$17,052.1	70.9%	70.0%	0.9%
Diversifying Strategies	6,750.6	28.1	30.0	-1.9
Other	233.4	1.0	0.0	1.0
Total	$24,036.2	100.0%	100.0%	

* *Target allocation percentages are interim policy targets effective January 1, 2024. Numbers subject to changes and rounding errors.*

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Employer Contribution Rate

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

Table 39

EMPLOYER CONTRIBUTION RATES

Actuarial Valuation as of June 30	Total Calculated Employer Contribution Rate for all Employees (% of total payroll)*	Funding Period (Years)
2019	23.61%	26.0
2020	26.00	26.0
2021	25.94	24.0
2022	25.92	24.0
2023	25.89	23.0
2024	25.85	22.0

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

As previously noted, the current funding period for paying off the UAAL of the ERS is 22 years—one year less than the prior year's funding period. Normally, the funding period is expected to decrease by one year each year if all assumptions are met. Given that the System experienced actuarial losses on both its assets and its liabilities, this result may be surprising. However, the UAAL was expected to increase slightly during this portion of the financing process and since the contributions to the System are a fixed percentage of payroll, an increase in the covered payroll that is larger than assumed implies a larger contribution stream in future years, which means larger payments towards the unfunded liabilities of ERS. Hence, even though the total unfunded liabilities increased from last year, the end period (fiscal year) over which the unfunded liabilities are to be paid off did not change and the funding period decreased to 22 years. Accordingly, the funding period remains less than the statutorily required minimum of 25 years and the ERS remains on track to achieve full funding in the same timeframe as originally set by the Legislature when passing the current contribution rates in 2017.

Summary of Actuarial Certification Statement

A summary of the actuarial certification of the System as of June 30, 2023 and June 30, 2024 is set forth below:

Table 40

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2023 and 2024
(Includes all counties)

ASSETS	2023	2024
Total current assets	$22,514,931,693	$23,841,039,344
Present value of future employee contributions	3,157,666,999	3,408,930,058
Present value of future employer normal cost contributions	2,952,738,757	3,023,972,971
Unfunded actuarial accrued liability	13,709,685,560	14,008,478,391
TOTAL ASSETS	$42,335,023,009	$44,282,420,764
LIABILITIES		
Present value of future benefits to current pensioners and beneficiaries	$20,428,643,371	$21,210,723,793
Present value of future benefits to active employees and inactive members	21,906,379,638	23,071,696,971
TOTAL LIABILITIES	$42,335,023,009	$44,282,420,764

Source: Gabriel, Roeder, Smith & Company.

Recent Developments

The actuarial accrued liability (AAL), the unfunded actuarial accrued liability (UAAL), and the determination of the resulting funding period illustrate the progress toward the realization of financing objectives. In Fiscal Year 2024, the actuarial investment loss was equal to $56.8 million. This asset loss for the year is a direct reflection of the estimated yield for the year based on the value of actuarial assets, namely 6.75% being less than the assumed rate of return.

The markets returned less than assumed in FY 2024 with a return of 6.55% on the market value of assets, which is below the ERS benchmark of 7.00%. Therefore, the return for the year was less than our expectation. The rate of return for the actuarial value was 6.75%, which is greater than the market return due to the smoothing methodology used in the determination of the actuarial value of assets. The actuarial value of assets exceeds the market value of assets by $140.4 million, so there are $140.4 million in deferred investment losses still to be recognized in the actuarial value of assets.

The funded ratio is currently 63.0% compared with the 62.2% funded ratio in the previous valuation. The funded ratio improved due to the sizeable contributions towards the unfunded liabilities of the system as well as the contributions related to the excess pension costs. However, the current and expected COVID-19-related hazard pay payouts discussed under "- Employee Relations" above are expected to adversely impact the unfunded liabilities of the System, slightly lower the funding ratio and increase the period to full funding. The hazard pay payouts are eligible to be counted toward ERS benefits only for employees who were hired before July 1, 2012, and the resulting temporary increases in pay would generally have little, if any, impact on long-term benefit levels or funding costs to the System as the time frame over which hazard pay is normally credited is relatively brief compared to the entire working career of the average employee. However, an increase in base pay from the hazard pay payouts at or near the time of retirement can substantially increase both benefits in retirement and unfunded liabilities. Consequently, it has been estimated that the ERS unfunded liabilities will increase by approximately $350 million, the funding ratio will decline by about 0.5% and the period to full funding will be extended an additional year at a cost of approximately $1.5 billion in today's dollars. Even temporary increases in pay can convert to lifetime increases in retirement income and associated increases in the unfunded liability of the System.

ADDITIONAL RISK CONSIDERATIONS REGARDING THE CITY AND COUNTY OF HONOLULU

Federal Funding Risks

Federal policies on federal funding can shift dramatically from one administration to another. From time to time, such shifts can result in dramatic shifts in the level of federal funding for various policy priorities, leading to unpredictability in future federal funding. The City and County currently expects a heightened level of uncertainty in federal funding over the next several years and cannot predict with certainty any future changes in federal policy or the potential impact (positive or negative) on any related federal funding the City and County may or may not receive in the future.

Federal Tax Law Risks

From time to time, there are legislative proposals in Congress and IRS rulemaking activities that could adversely affect the market value or marketability of the Bonds. It cannot be predicted whether future legislation, rules, regulations or other guidance may be proposed or enacted that would affect the federal tax treatment of interest received on the Series 2025 Bonds. Prospective purchasers of the Series 2025 Bonds should consult with their own tax advisors regarding any pending or proposed legislation or regulations that would change the federal tax treatment of interest on the Series 2025 Bonds.

Climate Change, Sea Level Rise and Resilience

The City and County and the State have taken a number of steps intended to mitigate both the driver of and the negative impacts of climate change, impacts to which the City and County and the Wastewater System may be particularly vulnerable.

At the November 2016 election, the citizens of the City and County approved, by a significant margin, amendments to the City and County's Charter to establish an Office of Climate Change, Sustainability and Resiliency (the "Resilience Office").

On June 7, 2017 Governor Ige signed Act 32 Session Laws of Hawaii, 2017 (the "Climate Change Act") into law, which, among other things, renamed the Interagency Climate Adaptation Committee as the Hawaii Climate Change Mitigation and Adaptation Commission (the "State Climate Commission"), clarified and expanded the duties of the State Climate Commission and made Hawaii the first state to enact legislation implementing parts of the Paris climate accord. The City and County is represented on the State Climate Commission by the Director of the Department of Planning and Permitting or designee.

On July 17, 2018, Mayor's Directive, 18-2 (Actions to Address Climate Change and Sea Level Rise, i.e., the "Climate Change Directive") was issued to all City and County departments and agencies to take action to address, minimize risks from and adapt to the impacts of climate change and sea level rise in response to the Sea Level Rise Guidance and Climate Change Brief, each of which was adopted on June 5, 2018 by the City and County Climate Change Commission. The City and County Climate Change Commission compiled the Oahu-specific recommendations based on the State of Hawaii's 2017 *Hawaii Sea Level Rise Vulnerability and Adaptation Report* ("State Report"), federal research, and additional scientific literature. The City and County Climate Change Commission described the impact on Oahu of such sea level rise without action in response and, through its Sea Level Rise Guidance (updated July 2022) and Climate Change Brief (updated March 2023), provided advice and recommendations to the Mayor, City Council and Executive Departments. Further, in response to the Climate Change Directive and Ordinance 20-47 was signed into law on December 23, 2020, and established both climate action and adaptation policies for the City and County. Among other policies, Ordinance 20-47 (now Revised Ordinances of Honolulu (ROH) 2021 §2-10) required the creation of a Climate Action Plan to be updated every five years and established the eight-agency One Water Climate Adaptation Panel ("One Water Panel") for the City and County to address both the cause and drivers of climate change and to address the impacts of climate change, respectively.

In May 2019, the City and County issued its Oahu Resilience Strategy. The Resilience Office, assisted by more than 2,300 community inputs, a 21-member Oahu Resilience Strategy Steering Committee and over 80 working group members meeting over an 18- month period, proposed 44 actions - specific policies or programs the City and County will deploy to achieve 12 resilience goals. Certain of these goals and actions are intended to improve natural disaster response and recovery and a climate resilient future for the City and County. On October 9, 2019, the City Council approved Resolution 19-233, formally adopting the Oahu Resilience Strategy as a guiding policy document for the City and County, with clear prioritization to address both the drivers of and impacts from climate change. The Oahu Resilience Strategy remains foundational in the actions the City and County continues to take as described below. In response to Ordinance 20-47 on April 22, 2021, the Resilience Office released the City and County's Climate Action Plan ("CAP"). On June 2, 2021, the City Council unanimously approved Resolution 21-105, formally adopting the CAP to meet the City and County's goal of reducing community-wide greenhouse gas emissions in the targeted sectors by 45% from 2015 to 2025, with the ultimate goal of net-negative carbon by no later than 2045. Also in response to Ordinance 20-47, increasing risks from greater rainfall events and increasing flood insurance rates, the City and County proactively made the effort to become a participating jurisdiction of the FEMA National Flood Insurance Program Community Rating System ("CRS"). Since joining CRS in 2022, the City and County has successfully renewed standing for 2023 and 2024, and due to practices above minimum NFIP practices, flood insurance policy holders benefit from a 10 percent annual premium reduction.

On June 30, 2021, the US Army Corps of Engineers ("USCAE") and the City and County signed a Feasibility Cost Sharing Agreement for the Ala Wai Canal Flood Risk Management General Reevaluation to further engage community members towards a potential design for flood risk reduction in the Ala Wai Canal Watershed, which also includes Waikīkī. The USACE published an Ala Wai Flood Risk Management Draft General Re-Evaluation Report and Integrated Supplemental Environmental Impact Statement on November 24, 2023, which recommended flood control measures such as constructing 6 to 9 foot walls on both sides of the Ala Wai Canal. The estimated cost of the flood control measures increased from $345 million in 2021 to over $1 billion in 2023. The project has not proceeded further. The City and County is also working with the USACE regarding flood control measures in the Wailele Stream watershed on the North Shore and Wailupe Stream watershed in East Honolulu.

From July 2022 through March 2023, the City and County adopted significant policies to improve resource efficiency and conservation, address risks in buildings due to increasing temperatures as a result of climate change, ensure transparency and data on energy and water usage of buildings, facilitate installation of rooftop

photovoltaics, support mechanisms for building retrofits, and protect properties and beaches through coastal management and shoreline setbacks. These laws include: Ordinance 22-17, Relating to Building Benchmarking; Ordinance 22-25, Relating to the Plumbing Code; Ordinance 22-28, Relating to Height Limits for Rooftop Structures; and Ordinances 23-3 and 23-4, Relating to Shoreline Setbacks and Relating to the Special Management Area; Ordinance 23-25, Relating to the Building Energy Conservation Code; and, Ordinance 23-34, Relating to a Commercial Property Assessed Financing Program, respectively.

The City and County has taken steps to improve facility operations and efficiency through the initiation and progress of two energy savings performance contracts, one agency-wide and one specific for the Department of Parks and Recreation. These two projects are accelerating capital improvements, generating utility and operational costs savings, and improving conditions that employees and the public interact with.

In recognition of the City and County's overall improved stance on addressing climate change, and its ramp up of data, reporting, and disclosure processes and capacity, the CDP (formally the "Carbon Disclosure Project") raised the City and County's rating from C, Awareness, in 2018 to A Leadership in 2023 (up from a B in 2022). CDP is an independent, global not-for-profit dedicated to providing carbon emissions data reporting and transparency platforms, and shepherding climate action opportunities for investors, companies, cities, states, and regions. The CDP rating process has become the widely-accepted best practice for climate action and adaptation reporting. Additionally, as a result of varied enhancements and actions taken by the City and County the American Council for an Energy Efficient Economy scored the City and County as #29 out of 100 US Cities for 2021, an improvement upon the 2019 score of #47.

On July 6, 2023, the US Environmental Protection Agency (EPA) awarded the City and County a $1 million grant to update and further develop the City and County's Climate Action Plan (CAP). The City and County intends to use the grant to update the CAP, do more community and stakeholder engagement and enhance the technical analysis in order to apply for federal implementation funding. The Honolulu City Council approved the CAP in May 2024.

On January 5, 2024, Mayor's Directive 24-1 (City and County of Honolulu Electric and Renewable Fleet Policy) was issued to all City and County departments and agencies to incorporate appropriate planning for non-fossil fuel vehicles and charging infrastructure in Capital Improvement Projects to transition the City's vehicle fleet to 100 percent electric and/or renewable fuel by 2035 in accordance with Revised Ordinances of Honolulu (ROH) 2021 §2-10.2(b)(3) (Ordinance 20-47).

On February 28, 2024, the City and County adopted its first-ever climate adaptation strategy, called, Climate Ready Oahu. On April 15, 2024, the City and County received another $1 million grant from the EPA through its Environmental Justice Government to Government Program to build partnerships with community-based organizations, and fund and support their missions, initiatives that also implement Climate Ready Oahu, and develop Climate Champions in the communities they serve.

On July 30, 2024, the City and County directed the Department and Design and Construction to start utilizing a Climate Exposure Screening tool to screen all new capital projects for potential exposure to five climate hazards: sea level rise, extreme heat, extreme precipitation, storm surge, and drought/wildfire. The Climate Exposure Screening Tool is the first component of the City's recently developed Climate Change Design Guidelines to be rolled out, with the rest of the components following in 2025 and 2026. Once fully implemented, the Climate Change Design Guidelines will provide a toolkit of supportive resources across the capital improvement planning and design process, and will ensure that all City and County capital projects consider climate hazards and design solutions, as feasible. On November 5, 2024, the voters of the City and County approved a new City charter amendment to create a climate resiliency fund for the City and County equivalent to one half of one percent of annual property tax revenues. The funds can be used to support initiatives and projects aimed at mitigating the impacts of climate change, enhancing the resilience of the City's infrastructure and communities, and promoting sustainable practices. Monies within this fund do not lapse from fiscal year to fiscal year, and this permanent source of funding will be a cornerstone of the City's ability to invest in critical climate work. The City Council has transmitted a bill to the Mayor further defining that the climate resiliency fund may be used for the payment of principal, interest, and premium, if any, due with respect to bonds issued after enactment of this ordinance and pursuant to Charter § 3-116 or 3-117, in whole or in part, for the purpose enumerated above and for the payment of costs associated with the purchase, redemption, or refunding of such bonds.

In recognition of increasing temperatures as a result of climate change, and the need to address increasing heat and respond during periods of extreme heat, the City and County has initiated or will initiate significant steps to advance Mayor's Directive 20-14, Actions to Address Increasing Temperatures and the Urban Tree Canopy. Aligned with Directive 20-14 and Climate Ready Oahu, the City and County, through both general funds and federal and state grants, is: updating the street and park tree inventory, and asset management systems; working with disadvantaged communities for tree giveaways and education for private properties for both shade and fruit; initiating an urban canopy action plan; updating tree/shade rules, regulations, and practices; investigating heat mortality risks and strategies to mitigate those risks; engaging with the State of Hawaii Department of Health on education and awareness on heat health risks and actions to manage and respond to episodes of higher heat; and, working with non-profit partners to update the islands urban tree canopy assessment and change detection analysis, last conducted with 2013 data.

At this time the City and County is not able to determine if, or to what extent, the Resilience Office, the City and County Climate Change Commission and the other activities being undertaken will affect the City and County. The City and County is unable to predict whether, or to what extent, the foregoing measures will ameliorate the adverse impacts of climate change, which will likely be material and similar to the impacts experienced by other similarly situated municipalities.

Storm Water

The City and County's Department of Facility Maintenance (DFM) is responsible for operation and maintenance of the City and County's roadways, drainage and flood management systems. On September 1, 2020, the State of Hawaii Department of Health (DOH) issued the DFM a permit to discharge storm water runoff and certain non-storm water discharges into the State's nearshore waters in accordance with the National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit established under the Federal Clean Water Act. The DFM's Storm Water Quality Division is responsible for administration and enforcement of the City and County's NPDES MS4 permit to discharge storm water runoff and certain non-storm water discharge into the State's receiving waters.

Pursuant to this permit, the City and County prepared its Storm Water Management Program Plan on September 1, 2021. The Plan describes the City and County's programs to reduce discharge of pollutants, protect streams and nearshore water quality and satisfy the requirements of the National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit.

Act 42, SLH 2015, authorized counties in Hawaii to establish and charge user fees to create storm water management systems and infrastructure. The DFM has retained a team of consultants to develop a plan to implement a storm water utility to increase storm water reuse and recharge by incentivizing homeowner and business level green infrastructure practices and creating a dedicated special fund to support municipal scale green infrastructure storm water capture and reuse projects and long-term operations and maintenance of its storm drainage system. The City and County is continuing community outreach and stakeholder engagement to increase community awareness on the importance and need for a dedicated storm water fee that encourages measures to facilitate storm water capture and reuse projects. The City and County does not expect to impose such a fee until fiscal year 2027 at the earliest.

The Department does not have any financial responsibility related to the City and County's roadways, drainage and flood management systems.

Natural Disasters

It is possible that climate change increases the frequency and severity of natural disasters, including hurricanes. In April 2018, severe rains resulted in flash flooding and mudslides in East Oahu, Windward Oahu and the Island of Kauai. In August 2018 Hurricane Lane, which peaked as a powerful Category 5 hurricane (one of only two ever recorded within 350 miles of the State), became the first major threat to the State since Hurricane Iniki made landfall in September 1992. Lane weakened significantly as it moved towards the State and did not cause major damage on Oahu. The City and County of Honolulu is not directly affected by volcanic activity.

No assurances can be given as to the frequency or severity of any future natural disasters, nor what impact, individually or in the aggregate, such disasters may have on the State, the City and County, their residents or their overall financial condition.

Cybersecurity

The City and County, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City and County may be affected by cybersecurity incidents that could result in adverse consequences to the City and County's computing and other digital networks and systems (collectively, the "City and County Technology"), which requires a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City and County Technology for nefarious purposes including, but not limited to, the misappropriation of assets or information or causing operational disruption and damage. The City and County faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on the City and County Technology.

To mitigate the risk and/or damage from cybersecurity incidents or cyber-attacks, the City and County invests in multiple forms of cybersecurity and operational safeguards. Additionally, the City and County's cyber insurance policy provides coverage for data protection risks, both for third-party claims and first party mitigation costs following a technology or cyber event.

While many organizations rely on a strong defense around its network, the City and County has also been building internal defenses to protect from attacks from within the organization. The City and County's Network Division started to adopt the concept of zero trust over eight years ago, assuming that an attack can come from any employee or computer. This strategy requires a substantially more complex web of isolated networks, and a commensurate increase in the number of security devices.

No amount of cybersecurity defense can be expected to eliminate risks, and the other major part of a secure infrastructure is the ability to recover data and systems quickly in the event of an attack. The City and County will be expanding its storage capacity to allow for multiple backups each day, and adding many more redundant servers to allow for disaster recovery exercises and clean spare equipment in the event that servers are compromised beyond recovery.

Each WWTP is designed with an independent supervisory control and data acquisition ("SCADA") control system that can be disconnected from the Department of Information Technology's wide area network ("WAN"). Each WWTP can operate independently from the WAN on their own dedicated local area network and SCADA servers. Each SCADA control system is able to recover data in the event of a cybersecurity breach.

Landfill

The Waimanalo Gulch Sanitary Landfill ("WGSL"), located on an approximately 200 acre site in Kapolei, is the only permitted public municipal solid waste landfill on the Island of Oahu. Since the WGSL's opening in 1987 the Department has conducted numerous studies and environmental reviews in support of the continued use of the WGSL site.

The WGSL is permitted to continue to operate until March 2, 2028. In 2019 the Hawaii State Land Use Commission issued a Decision and Order approving the Honolulu City Planning Commission's order that requires the City and County to take several actions with respect to WGSL, including that the City and County must identify an alternative landfill site by December 31, 2022. In 2021, Mayor Blangiardi appointed a Landfill Advisory Committee ("LAC") to assist in the selection of a new landfill site. After factoring in various restrictions and regulations (including Act 73, Session Laws of Hawaii 2020 ("Act 73"), which prohibits siting landfills in conservation districts and within one-half mile of any residential, school or hospital property line), the Department proposed six potential sites for the LAC to examine and score.

During a LAC meeting in December 2021, BWS informed the LAC that BWS objected to the six potential sites on the basis they are all within the BWS No Pass Zone, which is an area in which the BWS has determined the installation of waste disposal facilities, which may contaminate groundwater resources used or expected to be used for domestic water supplies, shall be prohibited. The seaward boundary of the No Pass Zone is referred to as the underground injection control line.

In December 2022, the Department submitted an application to the City Planning Commission to modify its Special Use Permit to extend the date by which it is required to identify an alternative landfill site from December 31, 2022 to December 31, 2024. The City Planning Commission and the State Land Use Commission approved the City and County's extension request.

On December 10, 2024, following a careful evaluation of the relevant statutes, laws and policies, the Department identified a site northwest of Wahiawa as the location for Oahu's next landfill. The site is on privately-owned agricultural land to the west of Kamehameha Highway, north of Paalaa Uka Pupukea Road. The identified site is also within the BWS No Pass Zone. The Department has committed to designing a landfill that will exceed federal and state standards, thereby prioritizing public and environmental health and safety, including the protection of Oahu's drinking water resources.

On April 30, 2025 the Hawaii Legislature approved House Bill 969 that would preclude development of a landfill inland of the underground injection control line in a county of more than 500,000 people. If approved by Governor Green this law would require the City and County to reconsider the designation of the Wahiawa site as the preferred location for the new landfill. The City and County may also be required to request an extension of its permit to operate the permanent landfill beyond its 2028 expiration date.

The City and County is in communication with the property owner regarding the sale of the property. Concurrently, the Department is initiating the required Environmental Impact Statement ("EIS") process, which will assess the potential impacts on the surrounding environment. As part of the EIS process, the Department will undertake a comprehensive public engagement campaign, including community meetings, and outreach to area City Council representatives, legislators and neighborhood boards. The Department is committed to public engagement throughout the design and permitting process, and area stakeholders will have opportunities to provide input on elements of the site design.

The City and County has estimated the cost of closing WGSL at approximately $66.35 million. The full cost of developing a new landfill has not yet been determined. It is likely that the majority or all of these costs would be paid from general fund sources.

PENDING WASTEWATER SYSTEM LITIGATION

[***To be confirmed/updated***] [The City and County and the Department generally are self-insured with respect to general liability claims. In the Fiscal Years ended June 30, 2022, June 30, 2023, and June 30, 2024, the Department reached settlements of lawsuits and claims related to the Wastewater System and paid with Judgment, Settlements, and Losses general funds of $385,000, $36,848, and $119,937, respectively.]

The City and County's Corporation Counsel is of the opinion that the expected liability arising out of any pending litigation would not constitute a material impairment of the Department's financial position.

Additionally, a class action lawsuit originally filed in 2006 by retired State of Hawaii ("State"), City and County and other county employees claiming that their health care benefits have been diminished or impaired in violation of the State Constitution as a result of the State's, the EUTF and the EUTF Board's breach of contract, negligence, and breach of fiduciary duties continues in litigation. The City and County defended itself vigorously against the claims brought in this lawsuit, and a final judgment in favor of all defendants, including the City and County, was entered by the trial court (Circuit Court of the First Circuit, State of Hawaii) on January 30, 2024. The judgment was appealed by the Plaintiffs and cross-appeals were filed by the State of Hawaii and the City and County. The appeal is pending in the Supreme Court of the State of Hawaii. The City and County is unable to determine the outcome and, if the Circuit Court's ruling is overturned, the City and County would be unable to predict the magnitude of its potential liability or whether any such liability would have a material effect on the financial condition of the City and County.

COVID-19

[***To be confirmed/updated***] The Department has not experienced any material adverse impact on its operations or finances from the COVID-19 pandemic. The Department does not anticipate significant decreases in Wastewater System service charge revenues as a result of the COVID-19 outbreak, as approximately 68% of the total revenue from sewer service charges comes from residential accounts and the Department's rates and charges include fixed monthly charges. The Department is allowing payment plans, but is not waiving fees. Additionally, in April 2021, the City established a Rental and Utility Relief Program to provide support to renters on Oahu who have experienced financial hardship due to the COVID-19 pandemic and have had difficulty paying rent and/or utility bills. Assistance is available for hardship experienced since March 2020. As of June 30, 2024, the Department has received over $1 million in past-due wastewater bills payments through this program.

RATINGS

Fitch, Inc. and S&P Global Ratings Inc. have assigned ratings of "[_]" ([____] outlook) and "[_]" ([____] outlook), respectively, to the Series 2025 Bonds. Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same, at the following addresses: Fitch, Inc., One State Street Plaza, New York, New York 10004, and S&P Global Ratings Inc., 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an effect on the market price of the Series 2025 Bonds.

UNDERWRITING

The Series 2025 Bonds are being purchased for reoffering by BofA Securities, Inc., [_____], and [_____], as underwriters (the "Underwriters"). The Underwriters have agreed to purchase the Series 2025 Bonds at an aggregate purchase price of $[_____], being an amount equal to the principal amount of the Series 2025 Bonds, [plus/less] [net] original issue [premium/discount] of $[_____], and less an underwriting discount of $[_____].

The contract of purchase with respect to the Series 2025 Bonds provides that the Underwriters will purchase all the Series 2025 Bonds if any are purchased. The initial public offering prices are set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2025 Bonds to certain dealers (including depositing the Series 2025 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

BofA Securities, Inc., one of the Underwriters of the Series 2025 Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2025 Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of its customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City and County (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City and County. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments; provided, however, that potential investors are advised that the offering of the Series 2025 Bonds is made only by means of the Official Statement. No dealer, broker, salesperson or other person has been authorized by the City and County to give any information or to make any representation other than as contained in the Official Statement.

TAX MATTERS

[*To be confirmed/updated*]

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), bond counsel to the City and County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2025 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is of the opinion that the Series 2025 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2025 Bonds is less than the amount to be paid at maturity of such Series 2025 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2025 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2025 Bonds which is excluded from gross income for federal income tax purposes and State of Hawaii tax purposes. For this purpose, the issue price of a particular maturity of the Series 2025 Bonds is the first price at which a substantial amount of such maturity of the Series 2025 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2025 Bonds accrues daily over the term to maturity of such Series 2025 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2025 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2025 Bonds. Beneficial Owners of the Series 2025 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2025 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2025 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2025 Bonds is sold to the public.

Series 2025 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 obligations, 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 the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2025 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 Series 2025 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 Series 2025 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2025 Bonds. The opinions of Bond Counsel assume the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any 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 Series 2025 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2025 Bonds. Accordingly, the opinions of Bond Counsel are 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 Series 2025 Bonds is excluded from gross income for federal income tax purposes and will be 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, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2025 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend

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 Series 2025 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 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 Series 2025 Bonds. Prospective purchasers of the Series 2025 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 expresses 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 Series 2025 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 Series 2025 Bonds, ends with the issuance of the Series 2025 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 Series 2025 Bonds in the event of an audit examination by the IRS. Under current procedures, 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 obligations 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 Series 2025 Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series 2025 Bonds, and may cause the City and County or the Beneficial Owners to incur significant expense.

Payments on the Series 2025 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series 2025 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Series 2025 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2025 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Series 2025 Bonds and certain other legal matters are subject to the approving opinions 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 E, "Proposed Forms of Opinions of Bond Counsel". Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Dentons US LLP, Honolulu, Hawaii, and Katten Muchin Rosenman LLP, New York, New York.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the City and County will undertake in a Continuing Disclosure Certificate, the form of which is set forth in Appendix D, "Proposed Form of Continuing Disclosure Certificate" (the "Continuing Disclosure Certificate"), to provide to the Municipal Securities Rulemaking Board on an annual basis certain financial and operating data concerning the Department, financial statements, notice of certain events and certain other notices, all as described in the Continuing Disclosure Certificate, 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 instead 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 undertaking is an obligation of the Department that is enforceable as described in the Continuing Disclosure Certificate. Beneficial Owners of the Series 2025 Bonds are third party beneficiaries of the Continuing Disclosure Certificate. The execution of the Continuing Disclosure Certificate is a condition precedent to the obligation of the Underwriters to purchase the Series 2025 Bonds.

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 Series 2025 Bonds, although any Beneficial Owner of the Series 2025 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 Series 2025 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2025 Bonds and their market price.

MISCELLANEOUS

Additional information may be obtained, upon request, from either the Department of Budget and Fiscal Services or the Department of Environmental Services of the City and County.

Reference in this Official Statement to the Act, the City Charter, the First Bond Resolution, the Series 2025 Resolution and the Series 2025 Certificate do not purport to be complete. Refer to the Act, the City Charter, the First Bond Resolution, the Series 2025 Resolution and the Series 2025 Certificate or full and complete details of their provisions. Copies of the City Charter, the First Bond Resolution and the Series 2025 Resolution are on file with the City Clerk of the City and County.

The agreements of the City and County with holders of the Series 2025 Bonds are fully set forth in the First Bond Resolution and the Series 2025 Resolution. Neither any advertisement of the Series 2025 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2025 Bonds.

Any statements in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are intended merely as expressions of opinion or estimates, and not as representations of fact, and no representation is made that any of the estimates will be realized.

The City and County's use of certain information included in this Official Statement has been furnished or reviewed and authorized by the sources described below. While the City and County believes that these sources are reliable, the City and County has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The City and County is relying on certificates from certain sources, to be delivered at or prior to the time of delivery of the Series 2025 Bonds, as to the accuracy of such information provided or authorized by such sources.

The information regarding DTC and DTC's book-entry system has been furnished by DTC.

The financial statements of the City and County as of June 30, 2024, relating to the Sewer Fund, together with the auditor's report thereon, may be found at https://www.honolulu.gov/budget/budget-cafr.html.

The execution and delivery of this Official Statement by the Director of Environmental Services and the Director of Budget and Fiscal Services have been duly authorized by the City and County.

/s/ _____
Director of Budget and Fiscal Services
City and County of Honolulu

/s/ _____
Director of Environmental Services
City and County of Honolulu

APPENDIX A

ECONOMIC AND DEMOGRAPHIC FACTORS

Introduction

The City and County of Honolulu, which includes the entire island of Oahu and a number of small outlying islands, is a major metropolitan city with a resident population of 998,747 (approximately 69.1% of the state's population) as of July 1, 2024. Honolulu's underlying economy is 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 Ko'olau 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.

Oahu is one of the oldest of the Hawaiian Islands. It has no active volcanos, and the last volcanic eruptions, which were minor, are believed to have occurred more than 70,000 years ago. The last major volcanic eruption on Oahu was Ko'olau which is believed to have ended approximately 1.8 million years ago.

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") Second Quarter 2025 Quarterly Statistical Economic Report ("QSER") or from other materials prepared by DBEDT, some of which may be found at http://dbedt.hawaii.gov/. Certain visitor industry statistics have been excerpted from Hawaii Tourism Authority publications.

The COVID-19 pandemic materially adversely affected Hawaii's economy since the outbreak of the pandemic in March 2020. The sudden decline of economic activity in March 2020 has impacted the significance of certain historical information presented for periods prior to the outbreak, but statistics for 2024 and the first quarter of 2025 show the continuation of a return to historic economic growth patterns.

Certain Economic Indicators

Employment. The following table presents certain annual employment statistics for the City and County for 2021 through 2024, and the first quarters of 2024 and 2025. In the first quarter of 2025, the unemployment rate in Honolulu increased 0.1 of a percentage point from 2.4 percent to 2.5 percent. In the first quarter of 2025, Honolulu added 8,000 or 1.7 percent non-agricultural wage and salary jobs compared to the same quarter of 2024. The number of jobs increased the most in the Government sector, particularly State government, which added 2,200 jobs or 4.2 percent; followed by Health Care & Social Assistance, which added 1,700 jobs or 3.0 percent; Other Services, which added 900 jobs or 4.5 percent; and Arts, Entertainment & Recreation, which added 800 jobs or 9.6 percent.

Table I

Employment Statistics

	Annual Average				First Quarter		
	2021	2022	2023	2024	2024	2025	% Change Year Ago
Civilian Labor Force	449,900	458,150	457,550	457,550	469,350	478,650	2.0%
Civilian Employment	424,850	442,300	445,150	445,100	458,050	466,650	1.9%
Unemployed	25,050	15,850	12,400	12,500	11,350	12,000	5.7%
Unemployment Rate	5.8%	3.5%	2.7%	2.7%	2.4%	2.5%	0.1%

Source: State of Hawaii Department of Business, Economic Development and Tourism, County Social, Business and Economic Trends in Hawaii and 2025 Second Quarterly Statistical and Economic Report.

Personal Income. In 2023, per capita personal income for Honolulu residents was higher than for the State of Hawai`i 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 2019 through 2023. As indicated, the per capita personal income in Honolulu in 2023 was 0.6% higher than in 2022.

Table II

Per Capita Personal Income

Year	Honolulu	State of Hawaii	United States
2019	$56,772	$53,940	$55,567
2020	$60,246	$56,998	$59,123
2021	$63,755	$61,063	$64,460
2022	$65,708	$62,564	$66,244
2023	$69,893	$66,175	$69,810

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Per capita personal income is total personal income divided by total midyear population. Last updated: February 20, 2025-- revised statistics for 2010-2019.

Housing Market. The following table presents the median prices for single-family homes and condominiums in Honolulu from 2019 through 2023.

Table III

Median Resale Prices

	Single Family Homes		Condominiums	
Year	Median Resale Price	% Change	Median Resale Price	% Change
2019	$789,000	-0.1	$425,000	1.2
2020	$830,000	4.9	$435,000	2.3
2021	$990,000	16.2	$475,000	8.4
2022	$1,105,000	10.4	$510,000	6.9
2023	$1,050,000	-5.2	$508,500	-0.3

Source: State of Hawaii Department of Business, Economic Development and Tourism Data Book (2023), referencing Honolulu Board of Realtors, Multiple Listing Service records.

State and County Governments

With Honolulu as the State capital, most State government activity is concentrated on the Island of Oahu. In the first quarter of 2025, on a statewide basis, there were there were 74,700 State and 19,200 county government workers, with approximately 71.0% of the total employed on Oahu. As reported by DBEDT, the State and City and County employed approximately 54,700 and 12,000 persons, respectively, on Oahu in the first quarter of 2025.

Federal Government and Military

The federal government plays an important role in Hawaii's economy, which includes federal executive, legislative and judicial branch operations, as well as military spending and activities in Hawaii. In the first quarter of 2025, the federal government accounted for 35,200 jobs statewide, of which 32,400 were in the City and County.

According to the U.S. Bureau and Economic Analysis ("BEA") data, the State's 2024 Gross Domestic Product (GDP) was $115.6 billion, of which federal civilian and military enterprises were $6.36 billion and $6.72 billion, respectively. Combined, federal civilian and military enterprises were 11.1% of the State's GDP. Total compensation of employees ("COE") of federal government employees and military personnel in Hawaii were $4.8 billion and $5.5 billion, respectively, and accounted for about 17.5% of Hawaii's total COE in 2023. Military personnel accounted for 53.1% of the total federal COE in 2023.

According to DBEDT's Hawaii Defense Economy Project (FY2022), the defense sector is the second largest sector of the State's economy, resulting in $8.8 billion in spending, and accounting for 8.9% of State GDP. The defense sector is the second largest sector of Hawai`i's economy, according to the Department of Defense ("DOD"). The defense industry provided over 68,500 active duty, reserve and civilian jobs with an annual payroll totaling $5.3 billion.

The United States Indo-Pacific Command (USINDOPACOM) Area of Responsibility (AOR) encompasses about half the earth's surface, stretching from the waters off the west coast of the U.S. to the western border of India, and from Antarctica to the North Pole. There are few regions as culturally, socially, economically, and geo-politically diverse as the Asia-Pacific. The 38 nations comprising the Asia-Pacific region encompasses 52% of the earth's surface, home to more than 50% of the world's population, 3,000 different languages, several of the world's largest militaries, and five nations allied with the U.S. through mutual defense treaties. Approximately 375,000 U.S. military and civilian personnel are assigned to the USINDOPACOM area of responsibility.

In 2021, Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility (PHNSY and IMF), as the largest industrial employer in Hawai`i with more than 7,100 civilian, military and contractor employees, has an economic impact of approximately $1 billion, accounting for more than 13% of defense spending in the state. About $731 million of the shipyard's total spending funds workforce salaries. The primarily-civilian workforce is largely comprised of long-term residents of Oahu compared to military members who typically relocate every few years. Additionally, PHNSY and IMF's surface ship maintenance efforts are primarily accomplished through private sector contracts.

Hawaii continues to host RIMPAC (Rim of the Pacific Exercise) during even-numbered years, to enhance interoperability between Pacific Rim Armed Forces. Approximately 29 nations, 40 surface ships, 3 submarines, 14 national land forces, over 150 aircraft and more than 25,000 personnel participated in the 29th biennial RIMPAC exercise held June 26 to August 2, 2024, in and around the Hawaiian Islands.

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.

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 13 institutions in the market, comprised of Hawaii-chartered banks, a Hawaii-chartered financial services company,

federally chartered savings banks, a national bank, and interstate branch banks with combined in-market deposits totaling $45.0 billion as of period ending June 30, 2024, 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. All of the populated areas of the island are served by a public bus transit system (Oahu Transit Services) with fixed-route ridership for FY2024 of approximately 41.0 million annually, and 1,018,382 Handi-Van trips. According to the 2024 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 19th largest bus agency in an urbanized area.

The City and County's 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 Kapolei and downtown Honolulu. On June 30, 2023 HART completed construction and delivered the initial operating segment of the Honolulu Rail Project to the City and County Department of Transportation Services (DTS). The initial operating segment consists of 10.75 miles of rail guideway and nine rail stations from East Kapolei to Aloha Stadium. In addition to the guideway and stations, HART also transferred to DTS 12 four-car trains and the 43-acre Rail Operations Center and Maintenance and Storage Facility. DTS is responsible to operate and maintain the rail system. Over 60% of the City and County's population currently lives within the area served by this corridor, which area is projected to continue to grow faster than the rest of Oahu. See "DEBT STRUCTURE – Honolulu Rail Transit Project" in this Official Statement for additional information regarding this rail transit project.

Honolulu is the hub of air and sea transportation for the entire Pacific. The Daniel K. Inouye 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 30th busiest US airport in Calendar Year 2024, 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 updated in 2025, ranks Honolulu Harbor as #14 amongst US ports for loaded twenty-foot equivalent units (828.8 thousands of TEUs); #21 for dry bulk tonnage (9.7M of short tons); and #37 by total tonnage (14.4M of short tons). 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 seven years.

Table IV

Estimated Value of Private Building Permits
(Dollars in Thousands)

Year	State	Change from Prior Year	City & County of Honolulu	Change from Prior Period
2017	3,127,828	-3.6%	2,007,815	-6.7%
2018	3,268,292	4.5%	1,985,648	-1.1%
2019	3,221,446	-1.4%	2,063,293	3.9%
2020	3,108,490	-3.5%	1,816,672	-12.0%
2021	3,747,106	20.5%	2,254,312	24.1%
2022	3,579,323	-4.5%	2,010,381	-10.8%
2023	3,667,169	2.5%	1,848,573	-8.0%

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 that commenced in 2013, is ongoing. The program includes significant capital improvements expanding Daniel K. Inouye International Airport's Inter-Island terminal and main terminal, including the recently completed consolidated car rental facility, expanded interisland terminal and installation of energy saving equipment. Additionally, the Airports Division has announced plans for the construction of a new approximately 800,000 square foot Diamond Head concourse that is anticipated to add 12-14 wide body gates in the initial phase and be expandable to up to 21 gates, as well as a new Customs and Border Protection facility and improved security and baggage screening facilities for the Transportation Security Administration.

- The University of Hawaii completed construction of its Residences for Innovative Student Entrepreneurs (RISE) development in 2023. The project involved redeveloping the site of the former Atherton YMCA into an innovation and entrepreneurship center and student housing facility. The $70 million facility has 7,263 square feet of multi-purpose co-working, meeting, lab, and classroom space, as well as 374 student housing beds for undergraduate and graduate students. The $170 million graduate student housing facility with 316 units (558 beds) on the Manoa Campus is expected to be completed in the summer of 2025.

- 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 includes several mixed-use high-rise residential buildings, seven of which are completed - Waiea (171 units), Anaha (311 units), Ae`o (466 units), Ke Kilohana (424 units), `A`ali`i (751 units), Kō`ula (565 units), and Victoria Place (350 units), - and more than one million square feet of retail and commercial space, including Merriman's restaurant and a multi-story Whole Foods supermarket. Two other towers - The Park Ward Village (546 units) and Ulana Ward Village (697 reserved housing units) - are expected to be completed in 2025. Construction has commenced for Kalae Ward Village (330 units) with a completion date of 2026. Howard Hughes also submitted a permit application for the Mahana

Ward Village (340 units) in June 2023, with an estimated completion date of 2026. Plans for The Launiu (486 units) have been approved, with a completion date of 2027.

- Castle & Cooke Homes Hawaii is building Koa Ridge, a $2.2 billion housing and commercial development on the central Oahu plateau, which when completed 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. The first homes were offered for sale in June 2021.

- D.R. Horton – Schuler Homes is 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.

- Ka Makana Ali'i – DeBartolo Development has completed the first phase of 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.

- 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.

- JL Capital completed Sky Ala Moana, a $500 million mixed-use development consisting of 474 residential condominium units, 299 hotel/condotel units, and a 54,000 square-foot amenity level. The project was completed in the fourth quarter of 2023.

- The Michaels Organization developed the Halewai`olu Senior Residences located at 1331 River Street in Downtown Honolulu, a 17-story mid-rise development on a parcel owned by the City & County. Completed in 2023, the project provides 156 one- and two-bedroom affordable rental units for seniors earning 30%-60% AMI.

- Ililani, LLC's 328-unit Ililani affordable housing and market unit project in Kakaako was completed in April 2024.

- Hawaii City Plaza LP is currently developing Hawaii Ocean Plaza, a 407-unit condo-hotel on Kapiolani Boulevard.

- Salem Partners is currently developing 1500 Kapiolani, a 500-unit condominium-hotel.

- Kalaimoku-Kuhio Development Corp. is redeveloping King Kalakaua Plaza, a retail building and hotel.

- Best Hospitality is currently developing the Park Kalia-Waikiki Condo-Hotel, a 170-unit property.

- Sanko Soflan Holdings is currently developing 130 residential units in Waikiki.

- Kamehameha Schools has commenced the Moiliili Gateway project, a redevelopment of 6.5 acres (213,500 square feet) along University Avenue. Breaking ground in the summer of 2024, the project is scheduled to open in late 2026. The redevelopment will encompass the Varsity Center, East-West Building, 2535 Coyne Street, and the surrounding parking lots.

- Manaolana Partners and Kaijima Kagaku USA Inc. is currently developing Manao'lana Place, a 36-story, mixed-use tower which will include a Mandarin Oriental hotel and luxury condominiums near the Hawaii Convention Center. The project is anticipated to be completed in 2025.

- Keeaumoku Development LLC began construction on The Park on Keeaumoku in August 2022. The mixed-use development will include 972 condominium units, commercial space as well as a half-acre park. The project is expected to be completed by mid-2025.

- Amazon purchased approximately 14.5 acres of land in the Sand Island area of Honolulu in 2020 and approximately 50 acres of land in Kapolei in 2021. Amazon recently opened its first Hawaii distribution center on the Sand Island property.

- In 2025, the Ritz-Carlton Residences Waikiki Beach completed a multi-phase, $82 million renovation, including refreshed rooms and suites, new pool experiences, and the introduction of the "Sky Suite Collection".

- The Pacific Development Group completed the first phase of Halawa View Apartments, a 121 affordable unit housing project, in 2021. The second phase of the Halawa View Apartments will feature 302 low-income apartments and is currently under construction and anticipated to be completed by mid-2025.

- The Hawaii Public Housing Authority (HPHA) and Highridge Costa Development Company received approval from the City and County Department of Planning and Permitting to develop 2,448 new housing units at Mayor Wright Homes. The redevelopment will occur in multiple phases over the next 15 years, with Phase I expected to begin in late 2025.

- EAH Housing is developing Aloha Iā Halewilikō, a new affordable housing community for seniors in Aiea. The project consists of 140 rental apartment homes, onsite amenities and tailored services for seniors. The $62 million project started construction in 2023, and completion is expected in 2025.

- Highridge Costa Development Company is constructing Pohukaina Commons in Kakaako which will consist of two towers that includes a total of 625 workforce mixed-use family rentals. Construction started in 2024, with a completion date of 2026.

- Hawaii Public Housing Authority (HPHA) and development partner Retirement Housing Foundation's first 250-unit senior citizen affordable housing tower on School Street is under construction. Units are expected to be completed in 2026.

- Hale Moiliili LP commenced construction of Hale Moiliili, a 278 unit residential and commercial mixed use project, on land in Moiliili on land leased from the Hawaiian Homes Commission. The project will offer rental homes to low income Native Hawaiian families in 2026.

- The Kobayashi Group is developing Kuilei Place, a residential condo project in the Moiliili area consisting of 1,005 residential condo units. 60% of the total unit count will be reserved for affordable housing buyers; the remaining 402 units will be sold as market-rate units. The project is valued at approximately $690 million and is expected to be completed in 2026.

- Hawaii Pacific Health commenced redevelopment of the Straub Benioff Medical Center, a $100 million, four-phase, 15-year project that will create a health care campus that will triple the existing size to 760,000 square feet. Phase 1 consists of a new parking building and conference center to be completed by 2026.

- Komohale West Loch Venture LP has broken ground for construction of Kaleima`o Village, a 127 unit affordable rental housing project in Ewa Beach.

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 activities exceeded $48.1 billion, and for service activities exceeded $21.0 billion in FY2024. Of the City and County's 467,400 non-agricultural jobs in the first quarter of 2025, retail and wholesale trade together accounted for 55,800 or 12% of total jobs. Professional and business services were 12%, health care and social assistance were 12%, food services and drinking places were 10%, and natural resources, mining and construction were 6% of total non-agricultural jobs. Federal, state, and county government accounted for 99,100 or 21% of total non-agricultural jobs.

Agriculture and Diversified Manufacturing

Agriculture and manufacturing are relatively small sectors in the State's and the City and County's economy. According to the USDA, agricultural sales on Oahu totaled $193 million in 2022, accounting for approximately 29% of the State's agricultural production. About 20% of the land on Oahu is zoned for agriculture, which in 2022 consisted of 1,002 farms encompassing 60,254 acres. Statewide farm employment in 2022 was 11,833, of which 1,875 producers were on Oahu. 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 $65.2 million in 2023, 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. In the first quarter of 2025, there were approximately 13,000 and 9,700 manufacturing jobs statewide and on Honolulu, respectively. The State Department of Taxation reported that the cumulative total of the General Excise and Use Tax Base for manufacturing during the fiscal year ending June 2024 was $454.9 million, with tax collections of $2.3 million.

Energy

Hawaii was the first state in the nation to enact a renewable portfolio standard ("RPS"), requiring the use of renewable sources to generate the equivalent of 100% of electricity sales by 2045, with interim requirements of 15% in 2015, 30% in 2020, 40% in 2030, and 70% in 2040. The Hawaii State Energy Office reported that in 2023, the state achieved 35% of its electrical generation from renewable sources. Statewide, the largest contributors were distributed solar PV (15%) and wind (6%), with smaller inputs from utility-scale solar PV (a resource that is projected to grow), geothermal, hydroelectric, biofuels, and biomass (inclusive of waste-to-energy). Oahu generated 30% of its electricity from renewable sources, relying heavily on distributed solar PV (15%) and a mix of other sources, including the multi-purpose H-Power waste-to-energy facility (4%), utility-scale solar PV (6%), and wind (4%).

Despite the aggressive pursuit of federal funding to accelerate the transition to 100% renewable energy, federal funding is only one piece of the funding necessary to modernize Hawai'i's energy system. Private sector capital is essential in providing the lion's share, supplemented by federal grants and loans that support grid upgrades, hazard mitigation, energy resource development and technological innovation. Of the two major contributors to capital, it is the private sector that must leverage the capital to fully stabilize the system and keep the state on track to achieve decarbonization by 2045. Quarterly Securities and Exchange Commission (SEC) filings by Hawaiian Electric and published reports by Lawrence Berkley National Labs (LBNL) and DBEDT reflect approximately $624 million in

private sector investment in renewable energy and DER projects in Hawai'i in 2024. Projects declaring commercial operations include:

- Plus Power: The first of the renewable energy projects to declare operations in 2024, Kapolei Energy Storage is a 185 MW / 565 MWh battery storage project providing load shifting and fast-frequency response services to Hawaiian Electric.
- AES: West O'ahu Solar Plus Storage The West O'ahu facility is generating 12.5 megawatts (MW) of clean energy for O'ahu's power grid, supported by a 50-megawatt hours (MWh) battery energy storage system, under a 25-year power purchase agreement with HECO at $0.115 per kilowatthour.
- AES: Kūihelani Solar Plus Storage facility, Maui Hawai'i's largest renewable energy project came online May 31 generating 60 megawatts (MW) of renewable energy, supplemented by a 240 MWh battery storage system at a cost of 8 cents per kilowatt-hour.
- Ameresco: Kūpono Solar Launched June 6, supplying 42 MW of PV supported by a 168 MWh battery storage system.
- Under Construction: Par Pacific Kapolei Refinery Upgrade Par Pacific's refinery in Kapolei, operating since 1972, is reconfiguring one of its processing units to produce renewable fuels starting in 2025. The $90 million upgrade will enable the facility to produce over 60 million gallons annually of renewable diesel for power generation, marine, and ground transport, sustainable aviation fuel for airlines, and renewable naphtha for power generation and synthetic natural gas.

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 semester of 2024, 50,418 students were enrolled in the University of Hawaii System, of which 20,028 were on the Manoa campus.

In addition to the University of Hawaii System, there are three private universities and one private college on Oahu. Federal government research agencies in Honolulu include the U.S. Bureau of Commercial Fisheries and the Environmental Science Services Administration. Among private research organizations on Oahu are the Oceanic Institute and the Bishop Museum.

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.

Domestic visitor arrivals increased while international visitor arrivals decreased in the first quarter of 2025. The total number of visitor arrivals by air increased 38,676 or 1.6 percent to 2,402,850 in the first quarter of 2025, compared to the same quarter of 2024. The total average daily census increased by 4,809 or 2.0 percent to 242,045 in the quarter. In 2024, total visitor arrivals by air increased 62,259 or 0.7 percent, while the average daily census decreased 5,473 or 2.3 percent from the previous year.

In the first quarter of 2025, total visitor arrivals on domestic flights increased 70,057 or 3.7 percent to 1,958,986 compared to the same quarter of 2024. In 2024, domestic arrivals were down 52,367 or 0.7 percent from the previous year.

Arrivals on international flights decreased 31,382 or 6.6 percent to 443,864 in the first quarter of 2025 compared to the first quarter of 2024. In 2024, international arrivals increased 114,626 or 7.4 percent from the previous year.

In terms of major market areas, from the first quarter of 2024 to the same period of 2025, arrivals from the U.S. West increased 35,495 or 3.1 percent, arrivals from the U.S. East increased 32,874 or 5.4 percent, and arrivals from Japan decreased 9,336 or 5.4 percent. In 2024, arrivals from the U.S. West were down 8,187 or 0.2 percent;

arrivals from the U.S. East were down 54,661 or 2.3 percent; and Japanese arrivals were up 134,646 or 22.9 percent from the previous year.

The total average daily visitor census was up 2.0 percent or 4,809 visitors per day in the first quarter of 2025, over the same quarter of 2024. The domestic average daily census increased 3.4 percent or 6,507 visitors per day, while the international average daily census decreased 3.7 percent or 1,698 visitors per day. In 2024, the domestic average daily census decreased 4,444 or 2.3 percent; and the international average daily census decreased by 1,029 or 2.7 percent from the previous year.

Nominal visitor expenditures by air totaled $5,588.87 million in the first quarter of 2025, an increase of $342.5 million or 6.5 percent from the first quarter of 2024. In 2024, visitor expenditures totaled $20,681.3 million, a decrease of $18.5 million or 0.1 percent from the previous year.

Total airline capacity, as measured by the number of available seats flown to Hawai i, decreased 0.4 percent or 12,955 seats to 3,315,344 seats in the first quarter of 2025, domestic seats increased 3.0 percent or 76,779 seats to 2,640,389 seats, and international seats decreased 11.7 percent or 89,734 seats to 674,955 seats, compared to the same quarter of 2024. In 2024, the number of total available seats increased 1.2 percent or 152,677 seats, domestic seats decreased 0.9 percent or 99,753 seats, and international seats increased 10.4 percent or 252,430 seats from the previous year.

In the first quarter of 2025, the statewide hotel occupancy rate averaged 75.9 percent, 0.5 of a percentage point lower than the same quarter of 2024. In 2024, the statewide hotel occupancy rate averaged 73.3 percent, 1.4 percentage points lower than the previous year.

DBEDT Projections

According to DBEDT, visitor arrivals are projected to decrease by 0.1 percent in 2025, grow by 0.7 percent in 2026, and then grow at around 2 percent each year in 2027 and 2028. Visitor spending is projected to be $21.2 billion in 2025 and to increase to $22.8 billion by 2028.

Table V

Selected State of Hawaii and Oahu Visitor Statistics

	Year Ended December 31					First Quarter	
	2020	2021	2022	2023	2024	2024	2025
Arrivals by Air – State	2,678,073	6,777,760	9,138,674	9,488,477	9,499,995	2,367,175	2,402,850
Domestic	2,065,689	6,656,779	8,233,186	7,942,159	7,889,792	1,888,929	1,958,986
International	612,384	120,981	905,488	1,557,836	1,672,462	475,246	443,864
Arrivals by Air – Oahu	1,506,316	3,326,622	4,858,170	5,613,409	5,839,232	1,420.467	1,414,078
Average Daily Visitor Census – State	77,915	178,938	232,154	234,724	229,251	237,236	242,045
Domestic	63,921	173,901	206,201	196,268	191,824	190,990	197,497
International	13,993	5,037	25,953	38,456	37,427	42,245	44,547
Visitor Expenditures – State [1]	N/A	$13,127	$19,654	$20,663	$20,681	$5,246	$5,588
Hotel Occupancy Rate – State	37.1%	57.5%	73.6%	74.7%	73.3%	76.4%	75.9%
Hotel Occupancy Rate – Oahu	39.2%	55.6%	75.6%	79.7%	79.8%	80.5%	79.1%

[1] *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. Note: 2024 and 2025 quarterly data are preliminary.

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

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 are in the later planning stages in or around Waikiki include: (i) the construction by Hilton Grand Vacations of a 32-story tower consisting of 205 timeshare apartment units at the former King's Village site, next to the Hale Waikiki Apartments and Prince Edwards Apartments, and (ii) the demolition of all the existing hotel towers and structures of the Sheraton Princess Kaiulani Hotel to be replaced by a 33-story hotel, consisting of approximately 1,000 hotel units. The current Planned Development Resort permit was approved in November of 2019, and was extended by six years in 2023.

The following development projects have recently been completed: (a) the $80 million renovation of the Outrigger Reef Waikiki Beach Resort in 2022; (b) a $52 million renovation of Turtle Bay Resort on Oahu's North Shore adding 750 additional units in May 2023; and (c) the renovation of 664 guestroom at the Sheraton Princess Kaiulani hotel in May 2024.

State of the Economy

Hawai'i's major economic indicators were mixed in the first quarter of 2025. The civilian labor force, wage and salary jobs, visitor arrivals, and private building permit authorizations increased. However, State general fund tax revenues and government contracts awarded decreased.

In the first quarter of 2025, the total number of visitors arriving by air to Hawai'i increased 38,676 or 1.6 percent and the daily visitor census increased 4,809 or 2.0 percent.

In the first quarter of 2025, the construction sector added 700 jobs or 1.8 percent compared with the same quarter of 2024, while the permit value for private construction increased $401.4 million or 39.9 percent. Government contracts awarded decreased $22.1 million or 5.9 percent, compared with the same quarter of 2024. According to the most recent excise tax base data available, the contracting tax base increased $381.4 million or 12.4 percent in the

fourth quarter of 2024, compared with the same quarter of the previous year. For 2024 the contracting tax base increased $2,112.0 million or 17.8 percent compared with the previous year.

In the first quarter of 2025, State general fund tax revenues decreased $105.5 million or 4.7 percent over the same period of 2024. The state general excise tax revenue increased $51.6 million or 4.4 percent, the transient accommodations tax (TAT) increased $1.9 million or 0.8 percent, the net corporate income tax revenues decreased $105.4 million, and the net individual income tax revenues decreased $70.3 million or 10.8 percent. In 2024, State general fund tax revenues increased $620.9 million or 6.5 percent compared to the previous year.

Labor market conditions improved. In the first quarter of 2025, the civilian labor force averaged 690,050 people, an increase of 11,400 or 1.7 percent over the same period of 2024. The unemployment rate (not seasonally adjusted) was 2.6 percent, 0.2 of a percentage point lower than the first quarter of 2024. Hawai'i's non-agricultural wage and salary jobs averaged 647,800 jobs, an increase of 11,600 jobs or 1.8 percent from the same quarter of 2024.

The job increase in the first quarter of 2025 was due to job increases in both the private and government sectors. In this quarter, the private sector added about 8,700 non-agricultural jobs compared to the first quarter of 2024. The majority of private sector industries added jobs in the quarter. The number of jobs increased the most in Health Care & Social Assistance, which added 2,100 jobs or 2.8 percent, followed by Food Services & Drinking Places, which added 1,500 jobs or 2.3 percent, Other Services, which gained 1,200 jobs or 4.5 percent, and Arts, Entertainment, and Recreation, which added 1,000 jobs or 7.6 percent. The Government sector added 2,900 jobs or 2.3 percent in the first quarter of 2025 compared to the same quarter of 2024. The Federal Government lost 400 jobs or 1.1 percent, the State Government added 2,800 jobs or 3.9 percent, and the Local Government added 500 jobs or 2.7 percent, compared to the first quarter of 2024.

In the fourth quarter of 2024, total annualized nominal GDP increased $5,355 million or 4.8 percent, from the same quarter of 2023. In 2024, total annualized nominal GDP increased $5,362 million or 4.9 percent from the previous year. In the fourth quarter of 2024, total annualized real GDP (in chained 2017 dollars) increased $1,648 million or 1.8 percent from the same quarter of 2023. In 2024, total annualized real GDP increased $1,666 million or 1.9 percent from the previous year.

In the fourth quarter of 2024, total non-farm private sector annualized earnings increased $2,098.1 million or 4.3 percent from the same quarter of 2023. In dollar terms, the largest increase occurred in Construction; followed by Accommodation and Food Services, and Health Care and Social Assistance. During the fourth quarter of 2024, total government earnings increased $1,912.9 million or 10.2 percent from the same quarter of 2023. Earnings from the federal government increased $592.5 million. Earnings from the state and local governments increased $1,320.4 million in the quarter.

In the second half of 2024, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 4.0 percent from the same period in 2023. This is 1.3 percentage points above the 2.7 percent increase for the U.S. average CPI-U. It is also higher than the 2.9 percent increase in the Honolulu CPI-U for the second half of 2023 compared to the same period of the previous year. In the second half of 2024, the Honolulu CPI-U increased the most in Housing (6.2 percent), followed by Apparel (4.5 percent), Food & Beverages (3.4 percent), Recreation (3.3 percent), Medical Care (1.3 percent), and Transportation (1.2 percent) compared to the second half of 2023. Other Goods & Services remained the same and Education & Communication decreased (1.4 percent) in the second half of 2024 compared to the second half of 2023.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE FIRST BOND RESOLUTION

The First Bond Resolution (the "Bond Resolution") contains terms and conditions relating to the issuance of the Senior Bonds (the "Bonds"), including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Bond Resolution, to which reference is hereby made. A copy of the Bond Resolution is available from the City and County.

Certain Definitions

Certain definitions contained in the Bond Resolution are summarized below. This summary does not purport to be comprehensive or definitive, and is subject to all provisions of the Bond Resolution, to which reference is hereby made. A copy of the Bond Resolution is available from the Department of Budget and Fiscal Services or the Department of Environmental Services of the City and County.

"Accrued Debt Service" means as of any date of computation and with respect to the Bonds of any Series, an amount equal to the sum of: (i) interest on such Bonds accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) principal, Sinking Fund Installment and redemption premium which are due and unpaid for such Bonds and that portion of the principal, unsatisfied balance of any Sinking Fund Installment (as determined in accordance with the Bond Resolution) and redemption premium for such Bonds next due which would have accrued to the end of such calendar month if deemed to accrue monthly from a date one year prior to its due date.

"Act" means Chapter 49, Hawaii Revised Statutes, and all laws amendatory or supplemental thereto.

"Aggregate Debt Service" means, for any period and as of any date of computation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

"Assumed Long-Term Fixed Rate" means, with respect to Variable Rate Bonds, (i) a numerical rate of interest that such Bonds would have borne if issued as Fixed Rate Bonds with the same maturity and taking into account Sinking Fund Installments; or (ii) if the City and County has in connection with such Variable Rate Bonds entered into an Interest Rate Exchange Agreement which provides that the City and County is to pay to another person an amount determined based upon a fixed rate of interest on a notional amount and which requires the Counterparty to pay to the City and County an amount equal to the amount by which interest on the notional amount stated therein at the rate borne by such Variable Rate Bonds exceeds the interest payable on such notional amount at a rate stated therein, the fixed rate or other rate of interest set forth in or determined in accordance with such agreement. With respect to the Bonds described in clause (i) of the preceding sentence, an Authorized Officer is to certify or cause the Remarketing Agent for such Series of Variable Rate Bonds or other qualified person to certify such Assumed Long-Term Fixed Rate on the issue date of such Bonds, taking into account such market factors as such Authorized Officer or such Remarketing Agent or such qualified person deems necessary or appropriate.

"Authorized Officer" means the Acting Director of Budget and Fiscal Services, Director of Budget and Fiscal Services, any Deputy Director of Budget and Fiscal Services, the Director of Environmental Services or any other officer of the City and County designated by resolution of the City Council.

"Bond Anticipation Notes" means bond anticipation notes which the City and County may issue for purposes of the Wastewater System if the requirements set forth in the Bond Resolution for such issuance are satisfied.

"Bond Counsel" means an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City and County.

"Bond Resolution" means the First Bond Resolution.

"Bondholder" or *"holder of a Bond"* or *"Holder"* means the registered owner of any Bond which at the time is registered other than to bearer, or such holders' duly authorized attorney in fact, representative or assigns.

"Bonds" means the Senior Bonds.

"Build America Bonds" means any bonds or other obligations issued as Build America Bonds under Section 54AA of the Code, or under any other provision of the Code that creates a substantially similar direct-pay subsidy program.

"Capital Appreciation Bond" means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

"City Charter" means the 1973 Revised Charter of the City and County of Honolulu (1994 Edition), as the same may be amended from time to time.

"City Code" means the Revised Ordinances of Honolulu 1990, as the same may be amended from time to time.

"City Council" mean the City Council of the City and County.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statutes thereto, and any applicable regulations thereunder.

"Common Reserve Account Requirement" means as of any date of computation, an amount equal to the greatest amount of Aggregate Debt Service for the then current or any future Fiscal Year on all Outstanding Bonds entitled to the benefit of the Common Reserve Account; provided however, that if upon issuance of a Series of Bonds entitled to the benefit of the Common Reserve Account, such amount would require moneys to be credited to the Common Reserve Account from such Bond proceeds in an amount in excess of the maximum amount permitted under the Code, the Common Reserve Account Requirement will mean an amount equal to the sum of the Common Reserve Account Requirement immediately preceding issuance of such Bonds and the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as certified by an Authorized Officer; provided further, however, that for purposes of this definition, Aggregate Debt Service is to be computed with respect to each Variable Rate Bond entitled to the benefit of the Common Reserve Account by using the Assumed Long-Term Fixed Rate applicable thereto.

"Consulting Engineer" means the engineer or engineering firm or corporation retained from time to time pursuant to the Bond Resolution to perform the acts and carry out the duties provided for such Consulting Engineer in the Bond Resolution.

"Costs "means all costs of any Improvement and include, but are not be limited to, all costs and estimated costs of the issuance of the Bonds, all architectural, engineering, inspection, financial and legal expenses, the cost of causing the payment of the principal or interest or both of the Bonds to be insured or guaranteed, the initial cost of any Support Facility or Interest Rate Exchange Agreement obtained or permitted by the Act, and interest which it is estimated will accrue during the construction of any Improvements and for six (6) months thereafter.

"Debt Service" means, as of any particular date of computation with respect to any Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside in such period for the payment (or retirement) of the principal and Redemption Price (if any) of, and interest on, such Bonds; provided, however, that the term "Debt Service" does not include interest on Bonds to the extent it is to be paid from amounts on credit to a Series Improvement Interest Subaccount, amounts on credit to the Debt Service Account or any other provisions made for the payment of interest.

"Department" means the Department of Environmental Services of the City and County as established by the City Charter, or the successor thereto.

"Depositary" means any bank, national banking association or trust company selected and appointed by an Authorized Officer in accordance with the Bond Resolution as a depositary of moneys and Investment Securities held under the provisions of the Bond Resolution.

"Depository" means The Depository Trust Company, New York, New York, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Series Certificate relating to such Series of Bonds to serve as securities depository for the Bonds of such Series.

"Director of Budget and Fiscal Services" means the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services of the City and County appointed pursuant to and having the powers as set forth in the Act and the City Charter, or any successor.

"Director of Environmental Services" means the Director of the Department of Environmental Services of the City and County appointed pursuant to and having the powers as set forth in the Act and the City Charter, or any successor.

"Exempt Obligation" means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, and which; at the time an investment therein is made or such obligation is deposited in any fund or account under the Bond Resolution, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "Aa" or better by Moody's and "AA" or better by S&P, or, if such obligation is not rated by Moody's or S&P, or, if such obligation is rated by neither Moody's nor S&P, has been assigned a comparable rating by another nationally recognized rating service, but in no event rated lower than the lowest rating on Outstanding Bonds assigned by Moody's or S&P.

"First Bond Resolution" means the First Wastewater Revenue Bond Resolution adopted by the City Council of the City and County on November 10, 1998, as amended from time to time pursuant to its terms.

"First Resolution Obligations" means bonds, notes and other evidence of indebtedness issued under and pursuant to the First Bond Resolution.

"Fiscal Year" means the 12 month period established by the City and County or provided by law from time to time as its fiscal year, and which, as of the date of adoption of the Bond Resolution, is the 12-month period commencing on July 1 of any year and ending on June 30 of the following year.

"Government Obligation" means a direct obligation of the United States of America, an obligation the principal of, and interest on, which are guaranteed by the United States of America, provided, that the full faith and credit of the United States of America is pledged to any such direct obligation or guarantee.

"Improvements" means the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of the Wastewater System.

"Interest Rate Exchange Agreement" means an agreement entered into by the City and County relating to Bonds of one or more Series which provides that during the term of such agreement the City and County is to pay to the Counterparty an amount based on the interest accruing at a fixed or variable rate per annum on a notional amount and that the Counterparty is to pay to the City and County either (i) an amount based on the interest accruing on such notional amount at a fixed, capped or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one will pay to the other any net amount due under such agreement, or (ii) an amount based on the amount by which the rate per annum at which such Bonds bear interest exceeds a rate per annum stated in such agreement.

"Interest Subsidy Bonds" means (a) any bonds or other obligations issued as Build America Bonds under Section 54AA of the Code, or under any other provision of the Code that creates a substantially similar direct-pay subsidy program, (b) any bonds or other obligations issued as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, or under any other provision of the Code that creates a substantially similar direct-pay subsidy program, or (c) any other any bonds or other obligations issued under any provision or provisions of the Code that create substantially similar direct-pay subsidy programs to such programs with respect to Build America Bonds and Recovery Zone Economic Development Bonds.

"Investment Agreement" means an agreement for the investment of moneys with a Qualified Financial Institution.

"Investment Securities" means any of the following, if and to the extent that the same are legal for the investment of funds of the Department:

(i) Government Obligations;

(ii) Investment Agreements;

(iii) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of Fannie Mae ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(iv) direct obligations of any state or territory of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "Aa" or better by Moody's and "AA" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "Aa" or better by Moody's and "AA" or better by S&P;

(v) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(vi) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P.

(vii) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC");

(viii) investments in money-market funds rated "Aaa" by Moody's, and "AAAm" or "AAAm-G" by S&P;

(ix) repurchase agreements collateralized by Government Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated in the top two rating tiers by Moody's, and "AA-1" or "AA-" or better by S&P, provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(b) the securities are held free and clear of any lien by the Depositary or an independent third party acting solely as agent ("Agent") for the Depositary, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million, and the Depositary has received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Depositary; and

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Depositary; and

(d) the repurchase agreement has a term of 3 years or less, and the Depositary or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%;

(x) investments in any mutual fund whose portfolio is limited to Government Obligations and the investments described in clause (ii) of Investment Securities; and

(xi) 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 an "Aaa" by Moody's, "AAA" by S&P or equivalent rating by other rating agencies.

"Junior Bonds" means the Second Bond Resolution, Wastewater System Revenue Bonds authorized by, and at any time outstanding pursuant to the Second Bond Resolution.

"LIBOR" means the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Moody's" means Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, "Moody's" is deemed to refer to any other nationally recognized rating agency, if any, designated by the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services.

"Net Revenue Requirement" means with respect to any Fiscal Year or any period, an amount equal to the greater of (i) the sum of (a) the Aggregate Debt Service in such Fiscal Year or such period, and (b) the Required Deposits for such Fiscal Year or such period; or (ii) 1.20 times the Aggregate Debt Service in such Fiscal Year or such period, plus 1.00 times the aggregate Support Facility Reimbursement Obligations outstanding as of the end of such Fiscal Year or such period.

"Net Revenues" means, with respect to any period; the Revenues during such period less amounts required to pay Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" means the costs and expenses of operating and maintaining the Wastewater System, including, without limiting the generality of the foregoing, (i) all expenses includable in the operation and maintenance expense accounts of the Department relating to the Wastewater System according to generally accepted accounting principles, exclusive of depreciation and amortization of property values or losses, (ii) to the extent not included in the preceding clause (i) or paid from Bond proceeds or otherwise, the Department's share of the costs and expenses of operating and maintaining any plants and properties jointly owned with others, and (iii) the amounts, if any, payable to the United States Treasury Department pursuant to Section 148 of the Code.

"Opinion of Counsel" means with respect to the City and County a written opinion of counsel selected by the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services who is not an employee of the City and County, and which, with respect to Federal income tax law and securities law relating to obligations issued by state and local governmental units, is Bond Counsel. Any Opinion of Counsel may be based (insofar as it relates to factual matters or information which is in the possession of the City and County) upon a written certificate of the City and County unless such counsel knows, or in the exercise of reasonable care should have known, that such written certificate is erroneous.

"Outstanding" or *"outstanding"* when used with reference to Bonds means, as of any date, Bonds theretofore or thereupon issued pursuant to the Bond Resolution, except: (a) any Bonds canceled by a Paying Agent or paid at or prior to such date; (b) Bonds in lieu of or in substitution for which other Bonds have been delivered pursuant to the Bond Resolution; (c) Bonds deemed to be no longer outstanding under the Bond Resolution as provided in the Bond Resolution and (d) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution or the Series Certificate relating to such Bonds.

"Parity Support Facility Reimbursement Obligation" means the obligation of the City and County described in the Bond Resolution to directly reimburse the Support Facility Provider of any Support Facility for amounts paid by such Support Facility Provider under such Support Facility or a Counterparty under an Interest Rate Exchange Agreement for amounts paid thereunder, on a parity with the obligation of the City and County to pay the Bonds, whether or not such obligation to reimburse is evidenced by a promissory note or other similar instrument.

"Paying Agent" means, as to Bonds of any particular Series, the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services or the bank or trust company designated for the payment of the principal and Redemption Price, if any of, and interest on, the Bonds of such Series in the Series Resolution authorizing the issuance of such Series or the Series Certificate relating to such Series.

"Record Date" means, with respect to any Series of Bonds, (i) with respect to the payment of interest, the fifteenth (15th) day (whether or not a Business Day) of the month preceding an interest payment date; (ii) with respect to notice of redemption, the 45th day (whether or not a Business Day) preceding the date of redemption; or (iii) such other day as may be provided in the Series Resolution authorizing the issuance of such Series or the Series Certificate relating to such Series.

"Recovery Zone Economic Development Bonds" means any means any bonds or other obligations issued as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, or under any other provision of the Code that creates a substantially similar direct-pay subsidy program.

"Refundable Credits" means (a) with respect to a Series of Bonds issued as Build America Bonds under Section 54AA of the Code, the amounts which are payable by the Federal government under Section 6431 of the Code, which the City and County has elected to receive under Section 54AA(g)(1) of the Code, (b) with respect to a Series of Bonds issued as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, the amounts which are payable by the Federal government under Section 6431 of the Code, which the City and County has elected to receive under Section 1400U-2 of the Code, and (c) with respect to a Series of Bonds issued as any other type of Interest Subsidy Bonds, the amounts which are payable by the Federal government under provisions of the Code governing a direct-pay subsidy program or programs substantially similar to such programs with respect to Build America Bonds and Recovery Zone Economic Development Bonds.

"Refunded Municipal Obligations" means Exempt Obligations which are rated in the highest rating category by Moody's and S&P and provision for the payment of the principal of and interest on which has been made by an irrevocable deposit with a trustee or escrow agent of Governmental Obligations, which are held by a bank or

trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which Government Obligations will be sufficient to pay, when due, the principal of and interest on such Exempt Obligations.

"Reimbursable Obligations" means reimbursable general obligation bonds issued and delivered or to be hereafter issued and delivered by the City and County to finance certain costs related to the Wastewater System, the debt service on which the Department is required by State law to reimburse the City and County's General Fund.

"Reimbursable Obligation Requirement" means, with respect to any period of time, the amount required to be credited to the Reimbursable Obligation Account pursuant to the ordinances and resolutions of the City Council authorizing the issuance and delivery of Reimbursable Obligations.

"Required Deposits" means, for any period, amounts required: (i) to be paid into the Common Reserve Account, each Separate Reserve Account, the Subordinate Obligation Account and Reimbursable Obligation Account; and (ii) to pay Support Facility Reimbursement Obligations.

"Revenue Bond Index" means the 30 year Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same or similar components as the Revenue Bond Index.

"Revenues" means the moneys, including any moneys collected from the City and County or any department thereof other than the Department, derived by the Department from the rates, rentals, fees and charges prescribed for the use and services of, and the facilities and commodities furnished by, the Wastewater System, including, without limiting the generality of the foregoing, (i) all income, receipts, profits, and other moneys derived from the furnishing or supplying of the services, facilities and commodities through the Wastewater System; (ii) all income from investments of moneys held under the Bond Resolution including investment income on the Improvement Account but not including any earnings on the Rebate Account, the Subordinate Obligation Account or the Reimbursable Obligation Account; (iii) all payments made by Counterparties pursuant to Interest Rate Exchange Agreements; and (iv) moneys and Investment Securities transferred from the Rate Stabilization Account to the Sewer Fund within 90 days following the end of a Fiscal Year. "Revenues" will not include, (i) deposits subject to refund until such deposits have become the property of the City and County; (ii) contributions in-aid-of construction and assessment, impact and other similar fees imposed and collected by the City and County which are targeted to pay the Costs of specific Improvements; (iii) income, fees, charges, receipts, profits or other moneys derived by the Department from the ownership or operation of any separate utility system; (iv) any gifts, grants, donations or other moneys received by the City and County for purposes of the Wastewater System from any State or Federal agency or other person if such gifts, grants, donations or other moneys are the subject of any limitation or reservation: (a) imposed by the donor or grantor; or (b) imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds; (v) amounts retained in the Sewer Fund for working capital and operating reserves pursuant to the Bond Resolution; (vi) moneys and Investment Securities transferred from the Sewer Fund to the Rate Stabilization Account within 90 days following the end of a Fiscal Year; or (vii) Wastewater System Facility Charges.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, S&P is deemed to refer to any other nationally recognized rating agency designated by the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services.

"Senior Bonds" means the First Bond Resolution, Wastewater System Revenue Bonds authorized by, and at any time outstanding pursuant to the First Bond Resolution.

"Senior Series Certificate" means a certificate of an Authorized Officer fixing the terms, conditions and other details of Senior Bonds in accordance with the delegation of power to do so under the First Bond Resolution or under a Senior Series Resolution.

"Senior Series Resolution" means a resolution authorizing the issuance of a Series of Senior Bonds adopted by the City Council pursuant to the First Bond Resolution.

"Serial Bonds" means Bonds which mature serially and which are not Term Bonds.

"Series," "Series of Bonds" or *"Bonds of a Series"* means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the First Bond Resolution.

"Series Certificate" means a Senior Series Certificate.

"Series Resolution" means a Senior Series Resolution.

"Sinking Fund Installment" means an amount so designated which is established pursuant to the Bond Resolution. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited pursuant to the Bond Resolution toward the same (or the original amount of any such Sinking Fund Installment if no such amounts have been credited toward the same) will constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

"Subordinate Obligations" means the Junior Bonds any bonds, notes or other evidences of indebtedness of the City and County payable from the Net Revenues, other than the Senior Bonds and the Reimbursable Obligations, issued in compliance with the provisions of the First Bond Resolution.

"Subordinate Obligation Requirement" means with respect to any period of time, the amount required to be deposited in the Subordinate Obligation Account pursuant to the First Bond Resolution, indenture or other instruments of the City and County adopted by or entered into by the City and County in accordance with the Bond Resolutions and providing for all payments with respect to Subordinate Obligations.

"Supplemental Resolution" means any resolution adopted by the City Council and becoming effective pursuant to and in compliance with the provisions of the Bond Resolution which amends or supplements the provisions of the Bond Resolution, any Series Resolution or any other Supplemental Resolution.

"Support Facility" means an irrevocable letter of credit, surety bond, loan agreement, standby purchase agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by one or more Support Facility Providers, pursuant to which the City and County is entitled to obtain moneys to pay the principal or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance with the Bond Resolution and with the Series Resolution authorizing such Bonds or a Series Certificate relating to such Bonds, whether or not the City and County is in default.

"Support Facility Provider" means a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the City and County or a Counterparty.

"Support Facility Reimbursement Obligation" means the obligation of the City and County described in the Bond Resolutions to directly reimburse the Support Facility Provider of a Support Facility for amounts paid thereunder or a Counterparty under an Interest Rate Exchange Agreement for amounts paid thereunder, whether or not such obligation to reimburse is evidenced by a promissory note or other similar instrument.

"Tax-exempt Bonds" means Bonds the interest on which is intended by the City and County to be excluded from gross income of the holders of such Bonds for federal income taxation purposes pursuant to the Code.

"Term Bonds" means Bonds, the retirement or the redemption of which is to be provided for from moneys credited to the Debt Service Account pursuant to the First Bond Resolution.

"Variable Rate Bonds" means any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time based on the terms thereof, based upon an index, or otherwise calculated in a manner which precludes the actual rate for the entire term of such Bonds from being ascertainable in advance as provided for in the Bond Resolution.

"Wastewater System" means all plants and properties, both real and personal and tangible and intangible, now or hereafter existing, under the management, control or jurisdiction of the Department, used for, useful in, or pertaining to the collection, pretreatment, advanced primary treatment, primary treatment, secondary treatment, tertiary treatment, purification, conveyance, storage, drainage, discharge and disposal of sewage, water, wastewater, stormwater, influent, effluent, or other liquids or suspended solids, or incidental or necessary to the preservation of the City and County's or the Department's wastewater conveyance facilities, wastewater treatment plants, wastewater disposal facilities, storm drains and sewers, sewage pump stations, sewage treatment plants, sewers, interceptors, outfall and other related facilities and plants, and the integrity thereof. The terms used in the preceding sentence have the meanings as ascribed to them in the City Code. Without limiting the generality of the foregoing, the Wastewater System includes: (1) the existing plants and properties comprising the Wastewater System under the management, control or jurisdiction of the Department, as of the date of adoption of the Bond Resolution; and (2) all Improvements thereafter constructed or otherwise acquired, purchased or annexed.

"Wastewater System Facility Charge" has the meaning specified in the City Code.

Pledge Made in the Bond Resolution

The Bonds are payable solely from and secured by the funds pledged therefor under the Bond Resolution. The City and County has pledged as security for the payment of the principal of, Redemption Price, if any, and interest on the Bonds in accordance with their terms and the provisions of the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution: (i) the proceeds of sale of the Bonds pending application thereof in accordance with the provisions of the Bond Resolution or of a Series Resolution or a Series Certificate; (ii) the Net Revenues; and (iii) all Funds and Accounts held under the Bond Resolution other than the Rebate Account, the Subordinate Obligation Account, the Reimbursable Obligation Account, with respect to any Series of Bonds not entitled to the benefit of a Separate Series Reserve Account, such Separate Series Reserve Account, and with respect to any Series of Bonds not entitled to the benefit of the Common Reserve Account, the Common Reserve Account, including the investments, if any, in such Funds and Accounts; and the Bondholders 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 Resolution. Such lien and security interest for the payment of Bonds are prior and superior to the lien and security interest for the payment of Subordinate Obligations and Reimbursable Obligations.

The Bond Resolution provides that each of the obligations, duties, limitations and restraints imposed upon the City and County by the Bond Resolution is deemed to be a covenant between the City and County and every Holder of the Bonds, and the Bond Resolution and every provision and covenant set forth in the Bond Resolution is deemed to be and constitute a continuing contract and agreement between the City and County and the Holders from time to time of the Bonds issued under the Bond Resolution, to secure the full and final payment of the principal and redemption price of and interest on all Bonds which may from time to time be issued, executed, and delivered under the Bond Resolution. The covenants and agreements set forth in the Bond Resolution to be performed by the City and County are for the equal and proportionate benefit, security and protection of all Holders of the Bonds without preference, priority or distinction as to payment or security or otherwise of any of the Bonds over any of the others for any reason or cause whatsoever except as expressly provided in the Bond Resolution, in a Series Resolution, a Series Certificate or a Supplemental Resolution, or in the Bonds.

Additional Bonds

Basic Test. One or more Series of Bonds (exclusive of refunding Bonds) may be issued at any time and from time to time for any lawful use or purpose relating to the Wastewater System, including, without limitation, payment of all or a portion of the Costs of Improvements, but only upon compliance as to each such Series with the provisions set forth in the Bond Resolution, including, among other things, delivery to the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services of the following documents or moneys or securities:

1. A written certificate of the City and County stating the amount required to be in the Common Reserve Account after issuance of the Bonds then to be issued, and that after deposit in the Common Reserve Account of the amount, if any, to be deposited therein in connection with the issuance of such Bonds, the amounts on deposit in the Common Reserve Account will not be less than the Common Reserve Account Requirement.

2. A written certificate of the City and County stating the amount required to be in the Series Reserve Account created, if any, to provide additional security for the Bonds of such Series after issuance of Bonds then to be issued, and that after deposit in such Separate Series Reserve Account of the amount to be deposited therein in connection with the issuance of such Bonds, the amounts on deposit in such Separate Series Reserve Account will not be less than the Separate Series Reserve Account Requirement for such Separate Series Reserve Account.

3. Either (I) a written certificate of the City and County based: (i) on audited figures or (ii) to the extent audited figures are not available, on figures taken by an independent certified public accountant from the Department's books and records, showing that the Net Revenues for: (a) the most recent Fiscal Year, or (b) any consecutive 12-months' period out of 24 months immediately preceding the month in which such Bonds are issued were not less than 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year, plus 1.00 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of the written certificate of the City and County, or (II) a written certificate of the City and County or Certificate of the Consulting Engineer that the Net Revenues to be derived in each of the five (5) Fiscal Years following the earlier of: (i) the end of the period during which interest is capitalized or, if no interest is to be capitalized, the Fiscal Year in which the proposed Series of Bonds are issued, and (ii) the date on which substantially all Improvements to be financed with the proceeds of the proposed Series of Bonds are expected to commence operations, or, if the proceeds of such Series of Bonds will not be used to fund the Costs of Improvements, the Fiscal Year in which the proposed Series of Bonds are issued, are estimated to be not less than 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year, plus 1.00 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of such written certificate of the City and County or certificate of the Consulting Engineer, as the case may be.

Certain Adjustments. The Bond Resolution permits and requires certain adjustments to be made in determining whether the Basic Test described above for the issuance of Bonds other than Refunding Bonds is met.

1. In determining Debt Service on Variable Rate Bonds then Outstanding and Variable Rate Bonds then proposed to be issued for purposes of the Basic Test described above, the interest rate is to be calculated as: (i) if any Variable Rate Bonds are then Outstanding and have been Outstanding for at least 24 months, the average interest rate borne by such Variable Rate Bonds over the preceding 12-month period or if no such Variable Rate Bonds are then Outstanding, (a) for the proposed Variable Rate Bonds that are Tax-exempt Bonds, the average interest rate of the Revenue Bond Index over the preceding 12-month period at the time of calculation, and (b) for the proposed Variable Rate Bonds that are not Tax-exempt Bonds, the average interest rate of LIBOR over the preceding 12-month period at the time of calculation.

2. Bond Anticipation Notes then Outstanding are to be treated as Bonds. In determining Debt Service on such Bond Anticipation Notes, such Bond Anticipation Notes are assumed to mature in 30 years and bear interest equal to the Revenue Bond Index at the time of calculation.

3. Subordinate Obligations and Reimbursable Obligations originally issued with a maturity of five (5) years or less are assumed to mature in 30 years and bear interest equal to the Revenue Bond Index at the time of calculation.

4. In preparing the certificate required by the Basic Test described above, the Authorized Officer or the Consulting Engineer, as applicable, may make adjustments to the Net Revenues as follows:

a. If any changes have been made in the schedule of rates and charges imposed by the City and County for commodities and services furnished by the Wastewater System which are in effect at the time of adoption of the Series Resolution authorizing the issuance of the Bonds then

being issued and were placed into effect subsequent to the start of the Fiscal Year or the 12-month period selected pursuant to item 3 of the *Basic Test* described above, the Authorized Officer, may, if such changes result in increases in such rates and charges, and must, if such changes result in reductions in such rates and charges, adjust the Net Revenues for such period to reflect any change in such Net Revenues which would have occurred if the schedule of rates and charges in effect at the time of the adoption of the Series Resolution providing for the issuance of such Bonds had been in effect during the portion of such period in which such schedule was not in effect.

b. If customers are being served by the Department at the time of adoption of the Series Resolution authorizing the issuance of the Bonds then being issued and who were added to the Wastewater System subsequent to the start of the Fiscal Year or the 12-month period selected pursuant to item 3 of the *Basic Test* described above, the Authorized Officer may adjust the Net Revenues for such period to reflect any change in such Net Revenues which would have occurred if the additional customers had been served during the portion of the period in which such customers were not served.

c. If residential, commercial, industrial or institutional customers which are in existence are not then served by the Wastewater System at the time of adoption of the Series Resolution authorizing the issuance of the Bonds then being issued, but are then expected to be served during the five (5) Fiscal Years covered by such certificate, the Authorized Officer or the Consulting Engineer, as applicable, must estimate the effect which such new customers would have had on the Net Revenues for the period selected pursuant to item 3 of the *Basic Test* described above, if such new customers had been served during the entire period and may adjust the Net Revenues for such period to give effect to such new customers. Any such estimate will be based upon the operating experience and records of the Department with respect to the Wastewater System and upon any available financial and quarterly statistics deemed pertinent by the Authorized Officer or the Consulting Engineer, as applicable.

d. If any long-term, guaranteed contracts with customers of the Wastewater System are in effect at the time of adoption of the Series Resolution authorizing the issuance of the Bonds then being issued and which were entered into subsequent to the start of the Fiscal Year or 12-month period selected pursuant to item 3 of the *Basic Test* described above, the Authorized Officer may adjust the Net Revenues for such period to reflect any change in such Net Revenues which would have occurred if such contracts had been in effect for the entire period.

e. In rendering the certificate required pursuant to item 3 of the Basic Test, the Authorized Officer or the Consulting Engineer, as applicable, must deem the Operation and Maintenance Expenses for the Wastewater System for the first Fiscal Year of the five (5) year period to be equal to such Operation and Maintenance Expenses for the Fiscal Year immediately preceding the Fiscal Year in which the proposed Series of Bonds is to be delivered, and thereafter the Authorized Officer or the Consulting Engineer, as applicable, must adjust, if deemed necessary, for any increased Operation and Maintenance Expenses which are estimated to occur during any subsequent Fiscal Year during the five (5) year period and are, in the judgment of the Authorized Officer or the Consulting Engineer, as applicable, essential to maintaining and operating the Wastewater System.

f. In rendering any certificate pursuant to the Bond Resolution, the Authorized Officer or the Consulting Engineer, as applicable, may rely upon estimates from other sources which the Authorized Officer or the Consulting Engineer, considers reliable, making such adjustments and provisions for contingencies based on similar projects and other considerations as deemed appropriate by such Authorized Officer or the Consulting Engineer.

Refunding Bonds

The City and County may issue a Series of refunding Bonds at any time for the purpose of refunding (including by purchase) all or any portion of Bonds Outstanding, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the refunding

Bonds and of effecting such refunding if the conditions set forth in the Bond Resolution are complied with, including all of the conditions of the *Basic Test* described above, except that condition 3 need not be complied with if the maximum annual Debt Service in any Fiscal Year on the refunding Bonds proposed to be issued does not exceed maximum annual Debt Service in any Fiscal Year on the refunded Bonds by more than 10%.

The City and County may also issue a Series of refunding Bonds at any time for the purpose of refunding (including by purchase) all or any portion of outstanding Subordinate Obligations or Reimbursable Obligations, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the refunding Bonds and of effecting such refunding if the conditions set forth in the Bond Resolution are complied with, including all of the conditions of the *Basic Test* described above.

Bond Anticipation Notes

Bond Anticipations Notes may be issued by the City and County at such time as the City and County shall have by a Series Resolution duly adopted authorized the issuance of Bonds under the Bond Resolution. No Bond Anticipation Notes may be issued unless there has been filed with the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services on or prior to the date of issuance of such Bond Anticipation Notes, a written certificate of the City and County to the effect that, based on market conditions expected to be prevailing at the time of issuance of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued and on other reasonable assumptions set forth in such written certificate, the provisions of the Bond Resolution for the issuance of additional Bonds other than refunding Bonds are expected to be complied with at the time of issuance of such Series of Bonds. The maximum maturity of any Bond Anticipation Notes, including the renewals thereof, must not exceed five years from the date of the original Bond Anticipation Note. The principal of Bond Anticipation Notes may be paid from the proceeds of such Bond Anticipation Notes (or any renewal thereof) or from the proceeds of the Bonds in anticipation of which such Bond Anticipation Notes were issued. The interest on such Bond Anticipation Notes may be secured by a lien on and pledge of, and be paid from, the Net Revenues on a parity with the lien on and pledge of the Net Revenues created in the Bond Resolution for the payment and security of the Bonds. The principal of Bond Anticipation Notes will be secured by a lien on and pledge of the proceeds of the Bonds in anticipation of which such Bond Anticipation Notes were issued and any such pledge will have priority over any other pledge of such proceeds created by the Bond Resolution. Bond Anticipation Notes issued under the Bond Resolution are to be treated as Bonds for all purposes of the Bond Resolution, and are to be payable from the Debt Service Account, except to the extent that the principal of any such Bond Anticipation Note is paid from the proceeds of other Bond Anticipation Note or from the proceeds of Bonds.

Subordinate Obligations

The City and County may issue Subordinate Obligations which are payable out of, and which may be secured by a pledge of, such amounts in the Subordinate Obligation Account as may from time to time be available for the purpose of payment. The City and County may, by resolution, provide for various priorities in the liens and pledges securing Subordinate Obligations, and nothing in the Bond Resolution shall be construed so as to require that the payment of, or pledges securing, Subordinate Obligations be on a parity *inter se*.

The City and County may also issue Subordinate Obligations: (i) to refund any Subordinate Obligations issued as provided in the Bond Resolution; (ii) to refund Outstanding Bonds; or (iii) to refund any Reimbursable Obligations. Such Subordinate Obligations issued for refunding purposes may be payable out of, and may be secured by a pledge of, such amounts in the Subordinate Obligations Fund or Wastewater General Account as may from time to time be available therefor.

The Bond Resolution requires that any resolution, indenture or other instrument securing or evidencing each issue of Subordinate Obligations must contain provisions (which shall be binding on all holders of such Subordinate Obligations) not more favorable to the holders of such Subordinate Obligations than as described below:

(1) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the City and County or the Department, or to the property of the City and County or property operated by the Department,

and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the City and County or the Department, the Holders of all Bonds then Outstanding will be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinate Obligations are entitled to receive any payment from the trust estate under the Bond Resolution consisting of the Net Revenues and funds held under the Bond Resolution (the "Trust Estate" for these purposes) on account of principal (and premium, if any) or interest on the Subordinate Obligations.

(2) In the event that any issue of Subordinate Obligations is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (1) above are not applicable), the Holders of all Bonds Outstanding at the time such Subordinate Obligations so become due and payable because of such occurrence of such an event of default will be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinate Obligations are entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest on the Subordinate Obligations.

(3) If any Event of Default with respect to the Bonds has occurred and be continuing (under circumstances when the provisions of (1) above are not applicable), the Holders of all Bonds then Outstanding will be entitled to receive payment in full of all principal and interest on all such Bonds before the holders of the Subordinate Obligations are entitled to receive any accelerated payment from the Trust Estate of principal (and premium, if any) or interest on the Subordinate Obligations.

(4) No Bondholder shall be prejudiced in his right to enforce subordination of the Subordinate Obligations by any act or failure to act on the part of the City and County.

(5) The Subordinate Obligations may provide that the provisions of (1), (2), (3) and (4) above are solely for the purpose of defining the relative rights of the Bondholders on the one hand, and the holders of Subordinate Obligations on the other hand, and nothing therein shall impair, as between the City and County and the owners of the Subordinate Obligations, the obligation of the City and County to pay to the owners thereof the principal thereof and premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the Subordinate Obligations from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights under (1), (2), (3) and (4) above of the Holders of Bonds to receive cash, property or securities otherwise payable or deliverable to the holders of the Subordinate Obligations; and the Subordinate Obligations may provide that, insofar as a trustee or paying agent for such Subordinate Obligations is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinate Obligations if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any issue of Subordinate Obligations may have such rank or priority with respect to any other issue of Subordinate Obligations as may be provided in the resolution, indenture or other instrument securing such issue of Subordinate Obligations and may contain such other provisions as are not in conflict with the provisions of the Bond Resolution.

Reimbursable Obligations

The obligation for the payment of Reimbursable Obligations shall be: (i) after and inferior to the lien and security interest for the payment of Bonds and those Subordinate Obligations which are payable from the Subordinate Obligation Account; and (ii) prior and superior to the lien and security interest for the payment of those Subordinate Obligations which are payable from the Wastewater General Account. Reimbursable Obligations are payable from the Reimbursable Obligation Account.

Support Facilities and Interest Rate Exchange Agreements

In connection with the issuance of any Series of Bonds and to the extent permitted by law, the City and County may obtain or cause to be obtained from one or more Support Facility Providers one or more Support Facilities providing for payment of all or a portion of the purchase price or principal, premium, if any, or interest due

or to become due on specified Bonds of such Series, or providing for the purchase of such Bonds or a portion of such Bonds by such Support Facility Providers, or providing, in whole or in part, for the funding of the Common Reserve Account or a Separate Series Reserve Account pursuant to the Bond Resolution.

In connection with the issuance of any Series of Bonds or to better manage its assets and liabilities and, to the extent permitted by law, the City and County may enter into with one or more Counterparties one or more Interest Rate Exchange Agreements; *provided* that no such Interest Rate Exchange Agreement shall adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Tax-exempt Bonds of any Series.

The City and County may enter into agreements with one or more Support Facility Providers or Counterparties to provide for, among other things: (i) the payment of fees and expenses to such Support Facility Providers or Counterparties; (ii) the terms and conditions of such Support Facility or Interest Rate Exchange Agreement and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided to such Support Facility Providers or Counterparties. The City and County may secure the Support Facility or Interest Rate Exchange Agreement by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified in the Series Resolution or the Series Certificate. Debt Service with respect to any Bonds so secured is to be calculated for purposes of the definition of Common Reserve Account Requirement by using the Assumed Long-Term Fixed Rate.

The City and County may also agree in any agreement with the Support Facility Provider of such Support Facility or the Counterparty under an Interest Rate Exchange Agreement to reimburse directly such Support Facility Provider or Counterparty for any amounts paid under the terms of such Support Facility or Interest Rate Exchange Agreement, together with interest thereon (the "Support Facility Reimbursement Obligation"); *provided, however,* that no Support Facility Reimbursement Obligation is to be created, for purposes of the Bond Resolution, until amounts are paid under such Support Facility or Interest Rate Exchange Agreement, as the case may be. Any such Support Facility Reimbursement Obligation may be secured by a lien on and pledge of the Net Revenues on a parity with the lien on and pledge of the Net Revenues created by the Bond Resolution with respect to the Bonds (a "Parity Support Facility Reimbursement Obligation"). Any such Parity Support Facility Reimbursement Obligation will be deemed to be a part of the Series of Bonds to which the Support Facility which gave rise to such Parity Support Facility Reimbursement Obligation relates. Payment of Support Facility Reimbursement Obligation may be made out of the Sewer Fund as provided in the Bond Resolution.

Any Support Facility deposited in the Common Reserve Account or the long-term debt of the Support Facility Provider of such Support Facility must, in each case, be in the highest rating category each Rating Agency, and if rated by A.M. Best & Company, also be rated in the highest rating category by A.M. Best & Company or its successors. In the event any Support Facility deposited in the Common Reserve Account or the long-term debt of the issuer of any Support Facility deposited in the Common Reserve Account falls below the highest rating category of each Rating Agency, and A.M. Best & Company, if rated by A.M. Best & Company, the City and County must, within 120 days, obtain a new Support Facility which is rated in the highest category of each Rating Agency or for which the long-term debt of the issuer of such new Support Facility is rated in the highest rating category of each Rating Agency and A.M. Best & Company, if rated by A.M. Best & Company; provided, however, that if the new Support Facility is not obtained within 120 days, the City and County must deposit in the Common Reserve Account Net Revenues in the amount provided in the Bond Resolution. If a disbursement is made pursuant to a Support Facility deposited in the Common Reserve Account, the City and County must: first, reinstate the full amount of such Support Facility; and second, if necessary deposit Net Revenues in the Common Reserve Account in the amount of the disbursement made under such Support Facility, in either case such that the amount in the Common Reserve Account is equal to the Common Reserve Account Requirement within a period of time not longer than would be required to restore the Common Reserve Account by application of moneys in the Sewer Fund. The City and County may at any time deposit cash or Investment Securities as replacement for one or more Support Facilities.

The City and County must obtain and maintain in effect one or more Support Facilities for Option Bonds. The City and County must obtain a replacement Support Facility to replace any Support Facility for Option Bonds that is expiring, not renewed or terminated. Procedures for such replacement, maintenance and notices to Bondholders, rating agencies or other persons are to be provided in the Series Resolution authorizing the Series of Bonds or the Series Certificate relating to such Bonds.

Funds and Accounts

The City and County has established by ordinances the Sewer Fund and the Sewer Revenue Bond Improvement Fund (the "Improvement Fund"). The Bond Resolution establishes the following accounts in the Sewer Fund:

Wastewater System Facility Charge Account,
Debt Service Account,
Common Reserve Account,
Rebate Account,
Rate Stabilization Account,
Subordinate Obligation Account,
Reimbursable Obligation Account,
Renewal and Replacement Account, and
Wastewater General Account.

The Bond Resolution permits the creation and establishment of one or more Separate Series Reserve Accounts in the Sewer Fund. The Bond Resolution also permits the establishment of one or more Series Improvement Subaccounts in the Improvement Account and requires the establishment of one or more Series Improvement Interest Subaccounts in the Improvement Account if interest on the Bonds of a Series is to be paid from the proceeds of such Bonds during the period of construction of any Improvements and for six months thereafter.

Sewer Fund

Revenues and Wastewater System Facility Charges will be collected by the Department and deposited into the Sewer Fund. From the amounts deposited in the Sewer Fund, the Department will transfer all moneys collected as Wastewater System Facility Charges to the Wastewater System Facility Charge Account, pay the current Operation and Maintenance Expenses, transfer to the Rebate Account such amount as is necessary to pay the rebate amount due the United States Treasury Department under Section 148 of the Code or to set aside as a reserve for such payment and make the transfers to other funds and accounts as provided in the Bond Resolution. In addition, all other amounts required by the City Charter and the Bond Resolution to be deposited in the Sewer Fund will be so deposited.

In each month, the City and County, after making the transfer, if any, to the Wastewater System Facility Charge Account of all moneys received as Wastewater System Facility Charges, after paying or setting aside a sufficient amount to pay the Operating and Maintenance Expenses and making the transfer to the Rebate Account as described above, will retain, apply or transfer on the 5th day preceding the end of each month a sufficient amount of moneys in the Sewer Fund, in the following order of priority:

First, to the Debt Service Account, if and to the extent required so that the balance in the Debt Service Account will be equal to the Accrued Debt Service for all Bonds Outstanding and the interest accrued on all Bond Anticipation Notes outstanding on said date;

Second, (a) to the Common Reserve Account, if and to the extent required, either (i) an amount such that the balance in the Common Reserve Account will be equal to the Common Reserve Account Requirement on such date, or (ii) an amount such that if the same amount were deposited in each month the amount of any deficiency in the Common Reserve Account will be eliminated at the end of the sixth (6th) month following the first credit; and (b) to each Separate Series Reserve Account, if and to the extent required, either (i) an amount such that the balance in each Separate Series Reserve Account will be equaled to the Separate Series Reserve Account Requirement for each Separate Series Reserve Account on such date, or (ii) an amount such that if the same amount were deposited in each month the amount of any deficiency in each Separate Series Common Reserve Account will be eliminated at the end of the sixth (6th) month following the first credit; provided, however, that such transfers shall be pro rata, based on the proportion of the Common Reserve Account Requirement and each Separate Series Reserve Account Requirement to the sum of the Common Reserve Account Requirement and all Separate Series Reserve Account Requirements;

Third, in the Sewer Fund, a reasonable and necessary amount for working capital and operating reserves;

Fourth, to the Subordinate Obligation Account, the amount, if any, equal to all Subordinate Obligation Requirements theretofore accrued and unpaid and not met from any other source and to accrue and become payable during the succeeding calendar month and not met from any other source;

Fifth, to the Reimbursable Obligation Account, the amount, if any, equal to all Reimbursable Obligation Requirements payable on such day and not met from any other source;

Sixth, to the Renewal and Replacement Account, an amount equal to 1/12th of the amount provided in the Annual Budget of the City and County to be credited to such Account during such Fiscal Year; provided, however, that if any such monthly allocation to the Renewal and Replacement Account is less than the required amount, the amount of the next succeeding monthly payment must be increased by the amount of such deficiency;

Seventh, to the Wastewater System Facility Charge Account, such amount as is set forth in a written certificate to reimburse such Account for the amount of any transfer to the Debt Service Account made pursuant to the Bond Resolution;

Eighth, to the Rate Stabilization Account, such amount as is provided in the Annual Budget to be transferred to the Rate Stabilization Account in such month or so much thereof as is available; provided, however, that if any such monthly allocation to the Rate Stabilization Account is less than the required amount, the amount of the next succeeding monthly payment must be increased by the amount of such deficiency; and

Ninth, to the Wastewater General Account, such amount as is forth in a written certificate of the City and County.

The City and County may, if provided in a Series Resolution or a Series Certificate relating to such Bonds, directly pay out of the Sewer Fund reimbursements to providers of Support Facilities which have been drawn upon in the same priority and order as payments from the Sewer Fund to the Debt Service Account, the Common Reserve Account, each Separate Series Reserve Account or other Funds and Accounts as if such payments were part of such Funds and Accounts.

Purposes of the Various Funds and Accounts

Sewer Fund - Debt Service Account. The principal of and interest on, any Sinking Fund Installment, the Redemption Price of and interest on the Bonds and interest on Bond Anticipation Notes are to be paid out of the Debt Service Account in the Sewer Fund to each Paying Agent on or before the respective due dates.

Amounts accumulated in the Debt Service Account by reason of the payment of any Sinking Fund Installment may be applied by the City and County, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to: (i) the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, or (ii) the redemption of such Bonds at the applicable Redemption Price, if then redeemable by their terms. All such purchases of Bonds are to: (i) be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest; (ii) be made as arranged by the City and County in such manner and from such sellers or brokers at such prices as the City and County may determine; and (iii) be made to insure that delivery of the Bonds so purchased will not occur later than the 60th day next preceding the redemption date to which the Sinking Fund Installment is to be applied. The applicable Redemption Price of any Bonds (or principal amount of maturing Bonds) so purchased or redeemed is deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the City and County must proceed to call for redemption on such due date Bonds of the maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as is necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased or redeemed

pursuant to the Bond Resolution which the City and County has applied as a credit against such Sinking Fund Installment as provided in the Bond Resolution.

The amount, if any, credited to the Debt Service Account from a Series Improvement Interest Subaccount is to be applied to the payment of interest on the Bonds as the same becomes due and payable as provided in the Bond Resolution.

Upon any purchase or redemption pursuant to the Bond Resolution of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established: (i) if the principal amount of the Bonds so purchased is less than or equal to the next succeeding Sinking Fund Installment for such Series there is to be credited to the next such Sinking Fund Installment an amount equal to the principal amount of the Bonds of such Series so purchased; and (ii) if the principal amount of the Bonds so purchased is greater than the next succeeding Sinking Fund Installment, there is to be credited toward each such Sinking Fund Installment thereafter to become due an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds so purchased or redeemed bears to the total principal amount of all such Sinking Fund Installments to be so credited or, at the option of the City and County, an amount equal to the next succeeding Sinking Fund Installment. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts have been credited toward the same) will constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

All of the Refundable Credits received by the City and County shall be deposited immediately upon receipt in the Debt Service Account, and such Refundable Credits are irrevocably pledged to the punctual payment of the interest on the respective Series of Interest Subsidy Bonds to which such Refundable Credits relate, and the Refundable Credits shall not be used for any other purpose while any of the Interest Subsidy Bonds remain Outstanding. All the Refundable Credits as received by the City and County shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid as against, and prior to the lien of, all parties having claims of any kind in tort, contract or otherwise against the City and County irrespective of whether such parties have notice thereof. Notwithstanding the foregoing deposit and pledge, the Refundable Credits are not considered Revenues or included in the calculation or Revenues under the Bond Resolution. Additionally, in calculating the amount that the City and County pays out of the Debt Service Account to the applicable Paying Agents as described in the first paragraph under the heading "- Purposes of the Various Funds and Accounts" above, the City and County or the Paying Agent, as applicable, shall take into account Refundable Credits only if they have been deposited in the Debt Service Account on or prior to the Business Days preceding the applicable interest payment date and have not previously expended to pay Debt Service on the Bonds issued as Interest Subsidy Bonds or otherwise transferred out of the Debt Service Account.

Sewer Fund - Common Reserve Account. If on the day preceding any principal or interest payment date, the amount in the Debt Service Account is less than the Accrued Debt Service for all Bonds then Outstanding which are entitled to the benefit of the Common Reserve Account, the City and County will pay out of the Common Reserve Account to each Paying Agent for such Bonds the amount necessary to satisfy the deficiency for payment to the holders of such Bonds. Amounts so applied are to be derived first, from cash or Investments Securities on credit to the Common Reserve Account and second, from draws or demands on Support Facilities held as a part of the Common Reserve Account, such draws or demands to be made *pro rata* among all such Support Facilities based on the respective available amounts under such Support Facilities and upon the terms and conditions set forth in such Support Facilities.

Whenever the amounts on deposit in the Common Reserve Account exceed the Common Reserve Account Requirement, the City and County will withdraw the amount of such excess and deposit such excess to the credit of the Debt Service Account or the Sewer Fund, as the City and County may determine.

Whenever the amount (exclusive of Support Facilities) in the Common Reserve Account, together with the amount in the Debt Service Account attributable to Bonds entitled to the benefit of the Common Reserve Account, is sufficient to pay in full the principal or Redemption Price, if any, of and interest on all such Outstanding Bonds in accordance with their terms, the funds on credit to the Common Reserve Account are to be transferred to the Debt Service Account and applied to make such payment. Prior to such transfer, all Investment Securities held in the

Common Reserve Account will to be liquidated by the City and County to the extent necessary to provide for timely payment of the principal or Redemption Price, if any, of and interest on such Bonds.

When a Series of Bonds entitled to the benefit of the Common Reserve Account are refunded in whole or in part or is otherwise deemed paid within the meaning of the Bond Resolution, moneys may be withdrawn from the Common Reserve Account to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be; provided that immediately after such withdrawal or transfer there must be on credit to the Common Reserve Account for those Bonds of the Series of Bonds not refunded an amount equal to the Common Reserve Account Requirement for the Bonds entitled to the benefit of the Common Reserve Account then Outstanding after taking into account such refunding or payment.

The City and County may determine in the Series Resolution authorizing a Series of Bonds or a Series Certificate related to a Series of Bonds that such Series of Bonds will not be entitled to the benefit of the Common Reserve Account, in which case no amount will be required from the proceeds of such Series of Bonds for credit to the Common Reserve Account and no amount will be payable from the Common Reserve Account to pay amounts due or payable with respect to such Series of Bonds.

The Common Reserve Account Requirement is to be calculated or recalculated: (i) at the time of issuance of a Series of Bonds (or Bond Anticipation Notes); (ii) at the time a Series of Bonds is retired in its entirety; (iii) at such other time as in the Opinion of Counsel is required to maintain the exclusion of interest on the Tax-exempt Bonds from gross income for federal income taxation purposes.

Sewer Fund - Separate Series Reserve Accounts. If on the day preceding any principal or interest payment date, the amount in the Debt Service Account is less than Accrued Debt Service for the Bonds of a Series then Outstanding which are entitled to the benefit of a Separate Series Reserve Account, the City and County will pay out of such Separate Series Reserve Account to the Paying Agent for such Bonds the amount necessary to satisfy the deficiency for payment to the holders of such Bonds. Amounts so applied shall be derived first, from cash or Investments Securities on credit to such Separate Series Reserve Account and second, from draws or demands on Support Facilities held as a part thereof, such draws or demands to be made *pro rata* among all such Support Facilities based on the respective available amounts under such Support Facilities and upon the terms and conditions set forth in such Support Facilities.

Whenever the amounts on deposit in any Separate Series Reserve Account exceed the applicable Separate Series Reserve Account Requirement, the City and County will withdraw the amount of such excess and deposit such excess to the credit of the Debt Service Account or the Sewer Fund, as the City and County may determine.

Whenever the amount (exclusive of Support Facilities) in any Separate Series Reserve Account, together with the amount in the Debt Service Account attributable to Bonds entitled to the benefit of such Separate Series Reserve Account, is sufficient to pay in full the principal or Redemption Price, if any, of and interest on all such Outstanding Bonds in accordance with their terms, the funds on credit to such Separate Series Reserve Account are to be transferred to the Debt Service Account and applied to make such payment. Prior to such transfer, all Investment Securities held in such Separate Series Reserve Account will be liquidated by the City and County to the extent necessary to provide for timely payment of the principal or Redemption Price of and interest on such Bonds.

When a Series of Bonds entitled to the benefit of the Separate Series Reserve Account are refunded in whole or in part or are otherwise deemed paid within the meaning of the Bond Resolution, moneys may be withdrawn from such Separate Series Reserve Account to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be; *provided* that immediately after such withdrawal or transfer there must be on credit to such Separate Series Reserve Account an amount equal to the Separate Series Reserve Account Requirement for the Bonds then Outstanding which are entitled to the benefit of such Separate Series Reserve Account after taking into account such refunding or payment.

Each Separate Series Reserve Account Requirement is to be calculated or recalculated: (i) at the time of issuance of a Series of Bonds (or Bond Anticipation Notes); (ii) at the time a Series of Bonds is retired in its entirety; (iii) at such other time as in the Opinion of Counsel is required to maintain the exclusion of interest on the Tax-exempt Bonds from gross income for federal income taxation purposes.

Certain provisions of the Bond Resolution relating to Separate Series Reserve Account may be modified in whole or in part with respect to any Series of Bonds entitled to the benefits of a Separate Series Reserve Account.

Sewer Fund - Rebate Account. If and to the extent required by the Code, an Authorized Officer must periodically, at such times as may be required to comply with the Code, determine the amount required to be rebated or otherwise paid to the Department of the Treasury of the United States of America with respect to each Series of Tax-exempt Bonds and thereafter (i) transfer from any of the Funds and Accounts pledged or held under the Bond Resolution, other than the Debt Service Account, the Subordinate Obligation Account and the Reimbursable Obligation Account and credit to the Rebate Account an amount equal to all or a portion of such amount to be rebated with respect to such Series of Bonds and (ii) pay out of the Rebate Account to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated or otherwise paid. Moneys in the Rebate Account and the subaccounts therein are not available for the benefit of the Holders of the Bonds and are not pledged to the payment of the Bonds or the interest thereon.

If and to the extent necessary to comply with any covenant established in a Series Resolution authorizing a Series of Bonds or in a Series Certificate relating to such Series of Bonds regarding maintaining the exclusion of interest on Tax-exempt Bonds from gross income for Federal income taxation purposes, the City and County may establish a subaccount in the Rebate Account with respect to such Series of Bonds or provide for the establishment such subaccount in such Series Resolution or in such Series Certificate.

Sewer Fund - Rate Stabilization Account. The amount of moneys and Investment Securities to be maintained from time to time in the Rate Stabilization Account is to be provided for in the Annual Budget. Moneys and Investment Securities may be transferred to the Rate Stabilization Account as provided in the Annual Budget from (i) the Sewer Fund in the order of priority provided in the Bond Resolution, or (ii) the Wastewater General Account as provided in the Bond Resolution. Moneys and Investment Securities credited to the Rate Stabilization Account are to be transferred to the Sewer Fund at the times and in the amounts as may be provided in the Annual Budget for the purposes of stabilizing the rates and charges of the Wastewater System.

Sewer Fund - Renewal and Replacement Account. Moneys on credit to the Renewal and Replacement Account may be applied to the cost of the construction of improvements to or reconstruction of the Wastewater System, emergency repairs of the Wastewater System, and major or extraordinary repairs, renewals or replacements of the Wastewater System, in each case to be set forth in the Annual Budget; (i) to restore or prevent physical damage to the Wastewater System or any part thereof; (ii) for the safe and efficient operation of the Wastewater System; or (iii) to prevent loss of Revenues.

If on the day preceding any interest payment date the moneys in the Debt Service Account, after making the transfer from the Common Reserve Account from each Separate Series Account as provided for in the Bond Resolution and from the Wastewater General Account as provided for in the Bond Resolution, are insufficient to pay the interest, principal and redemption price becoming due on the Bonds, the City and County must transfer from the Renewal and Replacement Account for credit to the Debt Service Account the amount necessary (or all the moneys in such Fund if less than the amount necessary) to satisfy such deficiency.

If on each January 1 and July 1 (i) the moneys, Investment Securities and the amount of Support Facilities in the Common Reserve Account are less than the Common Reserve Account Requirement, and the transfer referred to in the preceding paragraph has been made, the City and County must transfer from the Renewal and Replacement Account for credit to the Common Reserve Account the amount necessary (or all the moneys in such Account if less than the amount necessary) to satisfy such deficiency; and (ii) the moneys, Investment Securities and amount of Support Facilities in any Separate Series Reserve Account are less than the Separate Series Reserve Account Requirement for such Separate Series Reserve Account, and the transfer referred to in the preceding paragraph has been made, the City and County must transfer from the Renewal and Replacement Account for credit to such Separate Series Reserve Account the amount necessary (or all the moneys in said Account if less than the amount necessary) to eliminate such deficiency; *provided, however,* that such transfers will be *pro rata,* based on the proportion of the Common Reserve Account Requirement and each Separate Series Reserve Account Requirement to the sum of the Common Reserve Account Requirement and all Separate Series Reserve Account Requirements.

If the moneys on credit to the Subordinate Obligation Account are less than the Subordinate Obligation Requirement, and the transfers referred to in the preceding two paragraphs have been made, the City and County will transfer from the Renewal and Replacement Account to the Subordinate Obligation Account the amount necessary (or all the moneys in such Account if less than the amount necessary) to satisfy such deficiency.

If the moneys on deposit in the Reimbursable Obligation Account are less than the Reimbursable Obligation Requirement, and the transfers referred to in the preceding three paragraphs have been made, the City and County must transfer from the Renewal and Replacement Account to the Reimbursable Obligation Account the amount necessary (or all the moneys in such Account if less than the amount necessary) to satisfy such deficiency.

Sewer Fund - Subordinate Obligation Account. The City and County must at all times maintain in the Subordinate Obligation Account an amount equal to the Subordinate Obligation Requirement. Moneys on deposit in the Subordinate Obligation Account will be applied by the City and County solely in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in the resolution, indenture or other instrument of the City and County securing or evidencing such Subordinate Obligations. Any moneys credited to the Subordinate Obligation Account are immediately free and clear of the lien and pledge created by the Bond Resolution.

Sewer Fund - Reimbursable Obligation Account. The City and County must at all times maintain in the Reimbursable Obligation Account an amount equal to the Reimbursable Obligation Requirement. Moneys on deposit in the Reimbursable Obligation Account will be applied by the City and County solely to reimburse the General Fund of the City and County for payment of debt service due on Reimbursable Obligation issued or to be issued by the City and County with respect to the Wastewater System. Any moneys deposited in the Reimbursable Obligation Account are immediately free and clear of the lien and pledge created by the Bond Resolution.

Sewer Fund - Wastewater General Account. The City and County will transfer from the Wastewater General Account: (i) to the Debt Service Account, the Common Reserve Account and each Separate Series Reserve Account the amount necessary (or all the moneys in the Wastewater General Account if less than the amount necessary) to satisfy any deficiencies in payments to such Accounts required by the Bond Resolution; (ii) in the event of any transfer of moneys from the Common Reserve Account or any Separate Series Reserve Account to the Debt Service Account, to the Common Reserve Account or such Separate Series Reserve Account the amount of any resulting deficiency in such Account; (iii) provided that all transfers referred to in clauses (i) and (ii) above have been made, to the Renewal and Replacement Account the amount, if any, necessary to satisfy the deficiency in such Fund; (iv) such amount as the City and County may, in its discretion, determine to set aside in reserve for meeting the deficiencies referred to in clauses (i) through (iii) above; (v) provided that all transfers and reserves therefor referred to in clauses (i) through (iv) above have been made, to the Subordinate Obligation Account the amount, if any, necessary to satisfy any deficiency in meeting the Subordinate Obligation Requirement; and (vi) provided that all transfers and reserves therefor referred to in clauses (i) through (v) above have been made, to the Reimbursable Obligation Account, the amount, if any, necessary to eliminate any deficiency in meeting the Reimbursable Obligation Requirement.

Amounts in the Wastewater General Account not required to meet a deficiency referred to in the preceding paragraph may be applied to the following purposes in the following order of priority:

(1) the Costs of Improvements, or the provision of one or more reserves therefor;

(2) for transfer to the Rate Stabilization Account in the Sewer Fund such amounts as may be provided in the Annual Budget for the purpose of stabilizing rates and charges;

(3) the purchase at such price or prices as the City and County may deem advisable or redemption of any Bonds and expenses of such purchase or redemption at any time; and

(4) for any other lawful purpose of the City and County.

Sewer Revenue Bond Improvement Fund - Improvement Account. As soon as practicable on the date of delivery of the Bonds of a Series, the amount required pursuant to the Series Resolution or Series Certificate will be deposited in the Improvement Fund for credit to the Improvement Account. In addition, the City and County

will deposit in the Improvement Fund for credit to the Improvement Account such moneys other than proceeds of the Bonds as the City and County may determine to be proper or appropriate to pay the Costs of Improvements.

The Series Resolution authorizing the issuance of any Series of Bonds (exclusive of Refunding Bonds) may create and establish one or more separate special series improvement subaccounts (a "Series Improvement Subaccount") in the Improvement Account, with such designation as may be appropriate. In the event any interest on such Bonds is to be capitalized from the proceeds of such Bonds, a special series subaccount must be created in the Improvement Account (a "Series Improvement Interest Subaccount") with such designation as may be appropriate.

Moneys, including proceeds of the Bonds of a Series, which are credited to a Series Improvement Subaccount are to be applied to the payment of the Costs as are specified in the applicable Series Resolution or Series Certificate. Any balance remaining in such Series Improvement Subaccount upon completion of payment of such Costs may be used for any lawful purpose of the City and County; *provided* that the City and County has obtained an Opinion of Counsel that any such application will not impair the exemption from Federal income taxation of interest on any of the Tax-exempt Bonds.

Moneys credited to a Series Improvement Interest Subaccount are to be used for the purpose of paying interest on the Bonds of designated Series. On or before the fifth (5th) day preceding the end of the month next preceding the maturity of an installment of interest on the Bonds for the payment of which moneys have been credited to such Series Improvement Interest Subaccount, the City and County must transfer from a Series Improvement Interest Subaccount to the Debt Service Account an amount which, together with any moneys theretofore held in the Debt Service Account, are sufficient to pay such next maturing installment of interest on such Bonds.

Payments from the Improvement Account are to be made as specified in the Series Resolution authorizing the issuance of a Series of Bonds or a Series Certificate related to a Series of Bonds.

Moneys, including proceeds of the Bonds, in the Improvement Account, pending their application as provided in the Bond Resolution and Series Resolution and Series Certificate, are subject to a prior and paramount lien and charge in favor of the Holders of the Bonds, and the Holders of the Bonds have a valid claim on such moneys for the further security of the Bonds until paid out or transferred as provided in the Bond Resolution. In the event that there is an insufficiency in the Debt Service Account to pay Debt Service after all transfers, other than a transfer from the Wastewater System Facility Charge Account, have been made pursuant to and in accordance with the Bond Resolution, the City and County must transfer from the Improvement Account such amount (or all remaining amounts in such Improvement Account) as is deemed necessary by the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services for deposit in the Debt Service Account, which, together with the amounts then on credit to the Debt Service Account, is sufficient to pay Debt Service.

Sewer Fund – Wastewater System Facility Charge Account. Amounts in the Wastewater System Facility Charge Account and any account therein, pending their application, are subject to a prior and paramount lien and charge in favor of the Holders of the Bonds, and the Holders of the Bonds have a valid claim on such moneys for the further security of the Bonds until paid out or transferred as provided in the Bond Resolution. In the event that there is an insufficiency in the Debt Service Account to pay Debt Service after all transfers have been made pursuant to and in accordance with the Bond Resolution, the City and County must transfer from the Wastewater System Facility Charge Account such amount (or all remaining amounts in the Wastewater System Facility Charge Account) as is deemed necessary by the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services for deposit in the Debt Service Account, which, together with the amounts then on deposit in the Debt Service Account, is sufficient to pay Debt Service. The amount of any such transfer must at the earliest practicable date be reimbursed to the Wastewater System Facility Charge Account as provided in the Bond Resolution.

Amounts held in the Wastewater System Facility Charge Account are to be expended for the purposes specified in Section 6-47.1 of the City Code.

Investment of Funds

Moneys in the Debt Service Account may, to the fullest extent practicable and reasonable, be invested and reinvested solely in noncallable Investment Securities which are Government Obligations, FNMAs or FHLMCs (as such terms are defined in the definition of Investment Securities) and which mature or are subject to redemption at the option of the holder thereof on or prior to the respective dates when the moneys in Debt Service Account will be required for the purposes intended. Moneys in the Common Reserve Account or any Separate Series Reserve Account not required for immediate disbursement for the purpose for which the Common Reserve Account or such Separate Series Reserve Account is created may, to the fullest extent practicable and reasonable, be invested and reinvested solely in, and obligations credited to the Common Reserve Account or such Separate Series Reserve Account must be, investments specified in items (i) to (vi), inclusive, of the definition of Investment Securities and which mature or are available at par at or prior to five (5) years from the date of investment thereof.

Moneys in the Sewer Fund not required for immediate disbursement for the purpose for which such Fund is created may, to the fullest extent practicable and reasonable, be invested and reinvested, to the extent allowed by law, solely in, and obligations deposited in such Fund will be, Investment Securities which mature or are subject to redemption or payment at par at the option of the holder thereof, not later than such times as will be necessary to provide moneys when needed to provide payments from such Fund.

Moneys in the Improvement Account, other than a Series Improvement Interest Subaccount therein, not required for immediate disbursement for the purposes for which such Account is created may, to the fullest extent practicable and reasonable, be invested and reinvested to the extent allowed by law, solely in, and obligations deposited in such Account will be, Investment Securities which mature or are subject to redemption or payment at par at the option of the holder thereof not later than such times as shall be necessary to provide moneys when needed to provide payments from such Account.

Moneys in a Series Improvement Interest Subaccount in the Improvement Account not required for immediate disbursement for the purposes for which such Account is created may, to the fullest extent practicable and reasonable, be invested and reinvested to the extent allowed by law, solely in, and obligations deposited in such Account shall be, noncallable Investment Securities which are Government Obligations, FNMAs or FHLMCs (as such terms are defined in the definition of Investment Securities) that mature or are subject to redemption at the option of the holder thereof not later than such times as shall be necessary to provide moneys when needed to provide payments from such Account.

To the extent permitted in the Bond Resolution, all income received from the investment or reinvestment of moneys in the Funds and Accounts established under the Bond Resolution will be deposited in the respective Fund or Account from which such investments are made and applied as a credit against the next succeeding deposit or credit required to be made pursuant to the Bond Resolution; provided however, that except as to the Subordinate Obligation Account and the Reimbursable Obligation Account, all or a portion of the income received from the investment or reinvestment of moneys in any such Fund and Account may be deposited in the Sewer Fund or the Improvement Account, including a Series Improvement Interest Subaccount therein; and *provided, further, however,* that all income received from the investment or reinvestment of moneys in any Series Improvement Interest Subaccount must be deposited in the Debt Service Account.

Neither the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services nor any Paying Agent shall be liable for any depreciation in value of any investments made by the City and County.

Valuation of Investment Securities

In computing the amount in any Fund or Account, Investment Securities therein are to be valued at cost or accreted value, whichever is lower, exclusive of accrued interest. The City and County is to determine the value of Investment Securities held in any Fund or Account as frequently as it deems necessary, but not less often than annually.

Depositaries

All moneys held by the City and County or any Depositary under the provisions of the Bond Resolution are to be held in trust and applied only in accordance with the provisions of the Bond Resolution, and each of the Funds and Accounts established by the Bond Resolution shall be a trust fund.

Each Depositary must be a bank or trust company organized under the laws of any state of the United States or a national banking association having capital stock, surplus and undivided earnings of $5,000,000 or more and willing and able to accept such office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Bond Resolution.

Concerning Depositaries and Paying Agents

Qualifications and Appointment. The Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services may appoint one or more Paying Agents and Depositaries as of the date of issuance and delivery of the first Series of Bonds and may at any time or from time to time appoint one or more other Paying Agents or other Depositaries having the qualifications of a depositary, as described in the Bond Resolution; provided however, the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services may be designated Paying Agent and/or Depositary. Each Paying Agent, other than the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services, and each Depositary, other than the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services, shall signify its acceptance of the duties and obligations imposed upon it by the Bond Resolution by executing and delivering to the City and County and the Acting Director of Budget and Fiscal Services or Director of Budget and Fiscal Services a written acceptance thereof.

Paying Agents and Depositaries May Buy, Hold, Sell or Deal in Bonds and Other Indebtedness of the City and County. Each Paying Agent and each Depositary and its respective directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued under the provisions of the Bond Resolution and may join any action which any Holder of a Bond may be entitled to take, with like effect as if such Paying Agent or Depositary were not a Paying Agent or any Depositary, as the case may be, under the Bond Resolution. Any Paying Agent or any Depositary may in good faith hold any other form of indebtedness of the City and County; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City and County, and make disbursements for the City and County and enter into any commercial or business arrangement therewith.

Reimbursement of Paying Agents and Depositaries for Fees, Expenses and Charges. Each Paying Agent and each Depositary shall be entitled to reasonable fees and to reimbursement by the City and County for all expenses and charges reasonably incurred by it in the performance of its duties. No Paying Agent nor Depositary shall have a lien for such fees and reimbursement on the moneys pledged to secure the Bonds under the Bond Resolution at any time held by it, prior to the lien or claim of the Holders of the Bonds on all such moneys.

Covenants

The City and County has covenanted and agreed in the Bond Resolution with the Holders of all Bonds issued pursuant to the Bond Resolution as follows:

Maintenance of the Properties of the Wastewater System; Keeping the System in Good Repair. The Department will: (i) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Wastewater System and all additions and betterments thereto and extensions thereof, and every part and parcel thereof in good repair, working order and condition, (ii) from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall properly and advantageously be conducted, and (iii) comply, or cause to be complied with the terms and conditions of any permit or license for the Wastewater System or any part thereof issued by any federal or state governmental agency or body and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Wastewater System or requiring a license, permit or approval therefor.

Rates and Charges. The City and County will at all times fix, charge and collect such rates and other charges as shall be required in order that in each Fiscal Year the Net Revenues will be not less than the Net

Revenue Requirement for such Fiscal Year (*"Rate Covenant"*). The failure in any Fiscal Year to comply with the foregoing *Rate Covenant* does not constitute an Event of Default if the City and County complies with requirements described in the next paragraph.

Prior to the end of each Fiscal Year the Director of Environmental Services or the Director of Budget and Fiscal Services if requested by the Director of Environmental Services must complete a review of the financial condition of the Department for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the *Rate Covenant* and must by a written certificate make a determination with respect to such compliance. Such review may take into consideration the completion of any uncompleted Improvement and the issuance of future Series of Bonds if necessary to finance the completion of such Improvements. Such written certificate must set forth a reasonably detailed statement of the actual and estimated Revenues, Operation and Maintenance Expenses, Aggregate Debt Service, and any other estimates or assumptions upon which such determination was based, and must be filed with the City Clerk on or before July 1 in each year. If it is determined in such written certificate that the Revenues may not be so sufficient, the Director of Environmental Services or the Director of Budget and Fiscal Services if requested by the Director of Environmental Services must forthwith make a study for the purpose of determining a schedule of fees, rates and charges which, in the opinion of the Director of Environmental Services or the Director of Budget and Fiscal Services, will cause sufficient Revenues to be collected in the following Fiscal Year to comply with the *Rate Covenant* and will cause additional Revenues to be collected in such following and later Fiscal Years sufficient to eliminate the amount of any deficiency at the earliest practicable time, or the Director of Environmental Services or the Director of Budget and Fiscal Services may elect to cause the Consulting Engineer to make such a study and render such opinion. The City Council shall as promptly as practicable but no later than the 120 days following such determination by the Director of Environmental Services or the Director of Budget and Fiscal Services, or receipt of the Consulting Engineer's recommendation, adopt and place in effect a schedule of fees, rates and charges as so determined or recommended pursuant to the Bond Resolution.

Sale, Lease or Other Disposition of Properties of the Wastewater System. The properties of the Wastewater System may not be sold, mortgaged, leased or otherwise disposed of except as described below.

The properties of the Wastewater System may be sold, leased, or otherwise disposed of in their entirety if simultaneously with such sale, lease or other disposition thereof provision is made for the payment of all Bonds then Outstanding and such Bonds are no longer deemed Outstanding within the meaning of the Bond Resolution.

Any portion of the properties of the Wastewater System may be sold, leased, or otherwise disposed of on such terms and conditions as may be determined by the City and County if the value of such portion of the properties as of the date of such sale, lease or disposition does not exceed five percent (5%) of the net book assets of the Wastewater System as of the last day of the preceding Fiscal Year as shown in the most recent audited financial statements of the Department. Any part of the properties of the Wastewater System having a value as of the date of the sale, lease or disposition which exceeds five percent (5%) of the net book assets of the Wastewater System as of the last day of the preceding Fiscal Year as shown in the most recent audited financial statements of the Department may be sold, leased, or otherwise disposed of if the Consulting Engineer certifies to the City and County in writing that the terms and conditions of the proposed sale, lease or other disposition of any such properties are fair and reasonable, and that the estimated Revenues to be derived from the remaining properties of the Wastewater System, after taking into consideration the use by the Department of the proceeds of such proposed sale, lease or other disposition of such properties, will be sufficient to enable the City and County to comply with all covenants and conditions of the Bond Resolution. Proceeds of any sale, lease or other disposition of any portion of the properties of the Wastewater System pursuant to this paragraph are to be paid into the Debt Service Account and applied to the purchase or redemption of Bonds or into the Sewer Fund and applied by the City and County for the purpose of constructing extensions, betterments or improvements to the Wastewater System as the City and County may determine.

Surplus lands, crops, timber, buildings and any other portion of the works, plant and facilities of the Wastewater System and real and personal property comprising a part thereof, which, in the opinion of the Director of Environmental Services, have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the Wastewater System, or no longer necessary, material to, or useful in such operation may be sold, leased, or otherwise disposed of. Proceeds of any such sale, lease or other disposition of any portion of the properties of the Wastewater System pursuant to this paragraph are to be paid into the Sewer Fund.

If permitted by the laws of the State, the City and County may transfer without consideration the properties comprising the Wastewater System to a public corporation or political subdivision of the State, provided such corporation or subdivision assumes all of the City and County's or the Department's obligations and duties under the Bond Resolution.

In the event that any part of the properties of the Wastewater System is transferred from the City and County through the operation of law (including condemnation), any moneys received by the City and County as a result of such transfer are to be paid: (i) if such proceeds are not in excess of $250,000, into the Sewer Fund; or (ii) if such proceeds are in excess of $250,000: (a) into the Debt Service Account and applied to the purchase or redemption of Bonds; or (b) into the Renewal and Replacement Account and applied by the City and County for the purpose of constructing replacements, extensions, betterments or improvements to the Wastewater System, as the City and County shall determine.

Insurance. Except as provided for in the next paragraph, the Department must keep, or cause to be kept, the works, plants and facilities comprising the properties of the Wastewater System and the operations thereof insured to the extent available at reasonable at reasonable cost with responsible insurers, with policies payable to the City and County or the Department, against risks of direct physical loss, damage to or destruction of the above-ground structures, and the equipment and contents therein, of the Wastewater System arising from accidents, casualties or negligence, and other causes customarily insured against, at least to the extent that similar insurance is usually carried by utilities operating like properties, including liability insurance and workman's compensation insurance; provided, however, that any time while any contractor engaged in constructing any part of the Wastewater System is fully responsible for such insurance, the Department is not required to keep such part of the Wastewater System insured. All policies of insurance shall be for the benefit of the Holders of the Bonds and the City and County or the Department as their respective interests may appear.

In the event of any loss or damage to the properties of the Wastewater System covered by insurance, the Department will: (i) with respect to each such loss, promptly repair and reconstruct to the extent necessary to the proper conduct of the operations of the Wastewater System the lost or damaged portion thereof and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless, in case of loss or damage involving $250,000 or more, the Department determines that such repair and reconstruction will not be undertaken; and (ii) if the Department does not use the entire proceeds of such insurance to repair or reconstruct such lost or damaged property, the proceeds of such insurance policy or policies or any portion thereof not used for such repair or reconstruction, as the case may be, are to be paid into the Sewer Fund. If the Department does not obtain insurance from responsible insurers as provided for in the Bond Resolution, the City and County or the Department must self-insure; provided, however, that if the Department fails to carry insurance against any of the risks normally insured against by operators of facilities similar to the Wastewater System, it must secure the concurrence of an independent insurance consultant. In making its decision whether to concur in such self-insurance, the independent insurance consultant must (i) make an estimate of the added financial risks, if any, assumed by the Department as a result of the self-insurance; (ii) consider the availability of commercial insurance, the terms upon which such insurance is available and the costs of such available insurance, and the effect of such terms and costs upon the Department's costs and charges for its services; and (iii) determine whether the added financial risk, if any, being assumed by the Department is prudent in light of the savings to be realized from such self-insurance or in light of the general availability of insurance.

The Department may include insurance required by the Bond Resolution as part of a blanket insurance policy of the City and County.

Consulting Engineer. The City Council, the Director of Environmental Services or the Director of Budget and Fiscal Services may from time to time retain and appoint, as Consulting Engineer, an independent consulting engineer or engineering firm or corporation having special skill, knowledge and experience in analyzing the operations of wastewater systems, preparing rate analyses, forecasting the loads and revenues of wastewater systems, preparing feasibility reports respecting the financing of wastewater systems and advising on the operation of wastewater facilities, who shall be available to advise the Department, upon request, and to make such investigations and determinations as may be necessary from time to time under the provisions of the Bond Resolution.

Books of Account; Annual Audit. The Department will maintain and keep proper books of account relating to the Wastewater System and in accordance with generally accepted accounting principles. Within 180 days after the end of each Fiscal Year commencing with the Fiscal Year ending June 30, 2000, the Department will cause such books of account to be audited by an independent certified public accountant. The audit required by the Bond Resolution may be part of a comprehensive audit of the City and County, *provided* that the Wastewater System in such audit is treated as an "enterprise fund" and the revenues and expenses of the Wastewater System are stated in a manner which permits identification by category of the sources and uses of the Revenues. A copy of each audit report prepared in conformity with generally accepted accounting principles must be filed promptly with the City and County and sent to any Bondholder filing with the Director of Environmental Services a written request for a copy thereof and to any Rating Agency which has rated any Bonds.

To Pay Bonds Punctually. The City and County will duly and punctually pay, or cause to be paid, but only from the Revenues, income and other funds specified in the Bond Resolution, the principal and Redemption Price (if any) of, and interest on, each and every Bond on the dates and at the places, and in the manner provided in the Bonds according to the true intent and meaning thereof, and the City and County will faithfully do and perform and at all times fully observe and keep any and all of its covenants, undertakings, stipulations and provisions contained in the Bonds and in the Bond Resolution.

Payment of Taxes and Other Claims. The Department must from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties of the Wastewater System (or any part thereof) or upon the Net Revenues or income received therefrom when the same become due, as well as all lawful claims for labor, material and supplies, which, if not paid, might become a lien or charge upon said properties or any part thereof, or upon the Revenues derived from the ownership or operation of the Wastewater System, or which might in any way impair the security of the Bonds, except any such assessments, charges or claims which the Department in good faith contests as to validity.

Extension of Payment of Bonds. The City and County will not, directly or indirectly, extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds, coupons, if any, or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest is extended, such Bonds or claims for interest will not be entitled, in case of any default under the Bond Resolution, to the benefit of the Bond Resolution or to any payment out of any assets of the City and County or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Bond Resolution) held by the Paying Agents, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest.

Sound Improvements and Extensions. The Department will not expend any of the income, revenues, receipts, profits and other moneys derived by it from the ownership or operation of the Wastewater System for any renewals, replacements, additions, betterments and improvements to, or extensions of, the Wastewater System which, in the sole opinion of the Director of Environmental Services, will not properly and advantageously contribute to the conduct of the business of the Wastewater System in an efficient and economical manner unless required to do so to permit the continued operation of the Wastewater System or to preserve or protect the Wastewater System.

Annual Budget. Not later than May 31 before the beginning of any Fiscal Year the City and County or the Department will prepare a preliminary budget of Operation and Maintenance Expenses of the Wastewater System and reserves therefor for the ensuing Fiscal Year. Each such budget and each Annual Budget will include, in addition to provisions for all anticipated Operation and Maintenance Expenses, provision for the payments required to be made to the Renewal and Replacement Account, provided that such payments shall in the aggregate at least equal the amount described below. Such preliminary budget and any Annual Budget may set forth such additional material as the City and County or the Department may determine.

Except as described below, on or before the 15th day of each such Fiscal Year, the City and County must finally adopt the Annual Budget for such year. The City and County may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year. Copies of the Annual Budget and of any amended Annual Budget are to be made available for inspection by the Bondholders and are to be sent to each Rating Agency.

If for any reason the City and County does not adopt the Annual Budget before the 15th day of any Fiscal Year, the budget for the preceding Fiscal Year is deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted. For any purpose of computation under the provisions of the Bond Resolution, the budget for the preceding year is deemed to have been adopted for any Fiscal Year until the Annual Budget for such year is adopted.

Every preliminary budget, Annual Budget and amended Annual Budget must: (i) set forth in reasonable detail amounts required for repair, replacement or reconstruction of the Wastewater System and major or extraordinary repairs, renewals or replacements of the Wastewater System, if any, for the period to be covered by such budget; (ii) specify the amounts to be deposited in the Renewal and Replacement Account, the Subordinate Obligation Account, the Reimbursable Obligation Account and the Wastewater General Account, and the amounts to be maintained in the Sewer Fund for working capital and operating reserves and in the Rate Stabilization Account for rate stabilization purposes, if any, for such purposes for such period, (iii) specify the amounts to be transferred from the Wastewater General Account to the Rate Stabilization Account and to other Funds and Accounts; and (iv) project the amounts required for such purposes for the next five Fiscal Years in such format as the Director of Environmental Services may determine. A copy of each such report is to be filed and maintained in the records of the City and County.

Events of Default

Each of the following events constitutes an Event of Default under the Bond Resolution:

(a) if payment of the principal and Redemption Price, if any, of any Bond, is not punctually made when due and payable, whether at the stated maturity thereof or upon proceedings for the redemption thereof (whether by voluntary redemption or a mandatory sinking fund redemption or otherwise);

(b) if payment of the interest on any Bond is not punctually made when due;

(c) if the provisions of any Series Resolution with respect to mandatory Sinking Fund Installment payments or the redemption of Term Bonds therefrom, as the case may be, are not punctually complied with at the time and in the manner specified in such Series Resolution;

(d) if the City and County or the Department fails to duly and punctually perform or observe any other of the covenants, agreements or conditions contained in the Bond Resolution or in the Bonds, on the part of the City and County or the Department to be performed, and such failure continues for 90 days after written notice thereof from the Holders of not less than 20% of the Bonds then Outstanding; provided that, if such failure is such that it cannot be corrected within such 90-day period, it will not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected; and

(e) if the City and County: (i) admits in writing its inability to pay its debts generally as they become due; or (ii) files a petition in bankruptcy or seeking a composition of indebtedness under the provisions of any Federal or state bankruptcy or similar law; or (iii) makes an assignment for the benefit of its creditors; or (iv) files a petition or any answer seeking relief under the provisions of any Federal or state bankruptcy or similar law; or (v) consents to the appointment of a receiver of the whole or any substantial part of the Wastewater System; or (vi) consents to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City and County or the Department, or of the whole or any substantial part of the Wastewater System.

Notice to Bondholders of Event of Default

Immediately after the occurrence of an Event of Default or within 30 days after any Paying Agent knows of any other Event of Default, the Paying Agent or Paying Agents shall give notice of all such Events of Default to the Bondholders, all other Paying Agents and Support Facility Providers, and each Rating Agency, in the manner as provided for in the Bond Resolution, unless such Events of Default shall have been cured before the giving of such notice.

Acceleration of Bonds

If an Event of Default shall happen and shall not have been remedied, then and in every such case the Holders of not less than 25% in principal amount of the Bonds then Outstanding, by notice in writing to the City and County and the Director of Budget and Fiscal Services, may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable. The right of the Holders of not less than 25% in principal amount of the Bonds then Outstanding to make any such declaration, however, shall be subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and all other sums then payable by the City and County under the Bond Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the City and County or provision satisfactory to the Holders of a majority in principal amount of the Bonds then Outstanding shall be made for such payment, and all defaults under the Bonds or under the Bond Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be cured or be secured to the satisfaction of the Holders of a majority in principal amount of the Bonds then Outstanding or provision deemed by such Holders of the Bonds to be adequate shall be made therefor, then and in every such case the Holders of at least a majority in principal amount of the Bonds then Outstanding, by written notice to the City and County, may rescind such declaration and annul such default in its entirety, but no such rescission shall extend to or affect any subsequent default or impair or exhaust any resulting right or power.

The bond insurers for all Outstanding Bonds and for the Series 2007 Bonds have certain consent rights in connection with any default which may constrain the rights of the Holders described above.

Inspection of Books and Records; the City and County to Account as Trustee for Express Trust

The City and County covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Department relating to the Wastewater System and all other records relating thereto shall at all times be subject to the inspection and use of the Holders of at least 25% in principal amount of the Bonds then Outstanding and of their respective agents and attorneys or of any committee therefor.

The City and County covenants that if an Event of Default shall have happened and shall not have been remedied, the City and County will continue to account, as a trustee of an express trust, for all Revenues and other moneys, securities and funds pledged under the Bond Resolution.

Application of Revenues in an Event of Default

During the continuance of an Event of Default as described in items (a) through (c) of the Events of Default described above or of any other Event of Default resulting in an Event of Default described in items (a) through (c) of the Events of Default described above, the Revenues received by a receiver appointed pursuant to the Bond Resolution as the result of the taking of possession of the business and properties of the Wastewater System, are to be applied by the receiver: first, to the payment of all necessary and proper Operation and Maintenance Expenses of the Wastewater System and all other proper disbursements or liabilities made or incurred by the receiver; second, to the then due and overdue payments into the Debt Service Account, including the making up of deficiencies therein; and last, for any lawful purpose in connection with the Wastewater System.

In the event that at any time the funds held by the receiver are insufficient for the payment of the principal and Redemption Price (if any) of, and interest then due on, the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons) and all Revenues of the Department and other of its moneys received or collected for the benefit or for the account of Holders of the Bonds by the receiver are to be applied as follows:

(1) Unless the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operation and Maintenance Expenses of the Wastewater System and all other proper disbursements or liabilities made or incurred by the receiver;

Second, to the payment to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) in the order of the maturity of such installments, earliest maturities first, and if the amounts available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amount due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, to the payment to the persons entitled thereto of the principal and premium, if any, due and unpaid upon the Bonds at the time of such payment without preference or priority of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and redemption premium, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operation and Maintenance Expenses of the Wastewater System and all other proper disbursements or liabilities made or incurred by the receiver;

Second, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied as described in the foregoing paragraphs, such moneys shall be applied by the receiver at such times, and from time to time, as it in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses, and liabilities of the Holders of the Bonds, their respective agents and attorneys, and all other sums payable by the City and County under the Bond Resolution including the principal and Redemption Price (if any) of all Bonds which shall then be payable, shall either be paid in full by or for the account of the City and County or provision satisfactory to the receiver shall be made for such payment, and all defaults under the Bond Resolution or the Bonds shall be made good and secured to the satisfaction of the receiver or provision deemed by the receiver to be adequate therefor, the receiver shall pay over to the Department all of its moneys, securities, funds and Revenues then remaining unexpended in the hands of the Bondholders' Committee (except moneys, securities, funds or Revenues deposited or pledged, or required by the terms of the Bond Resolution to be deposited or pledged, with the Director of Budget and Fiscal Services), control of the business and possession of the property of the Department shall be restored to the Department, and thereupon the City and County shall be restored to its former positions and rights under the Bond Resolution, and all Revenues shall thereafter be applied as provided for in the Bond Resolution. No such payment over to the Department by the receiver or resumption of this application of Revenues as provided in the Bond Resolution, shall extend to or affect any subsequent default under the Bond Resolution or impair any right consequent thereon.

Suits at Law or Equity and Mandamus and Appointment of a Receiver

If an Event of Default shall happen and shall not have been remedied, then and in every such case, but subject to the provisions, limitations and conditions as set forth in the Bond Resolution, the Holder of any Bond at the time Outstanding shall be entitled, for the equal benefit and protection of all Holders of the Bonds similarly situated to proceed, protect and enforce the rights vested in such Holder by the Bond Resolution by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action of law, whether for the specific performance of any covenant or agreement contained in the Bond Resolution, or in aid of the exercise of any power granted in the Bond Resolution, or to enforce any other legal or equitable right vested in the Holders of Bonds by the Bond Resolution or by law; provided, however, that no judicial proceeding shall be brought seeking the appointment of a receiver to take possession of the Wastewater System or to manage, receive and apply the Revenues unless the Holders of not less than a majority in principal amount of the Bonds then Outstanding or a Bondholders' Committee representing the Holders of not less than a majority in principal amount of the Bonds then Outstanding shall have joined in or consented to such proceeding.

Bondholders' Committee

If an Event of Default shall happen and shall not have been remedied, the Holders of not less than 25% in principal amount of the Bonds then Outstanding may call a meeting of the Holders of Bonds for the purpose of electing a Bondholders' Committee. Such meeting shall be called and proceedings thereat shall be conducted as provided for other meetings of Bondholders pursuant to the Bond Resolution. At such meeting the Holders of not less than a majority of the principal amount of the Bonds then Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any notice other than that required by the Bond Resolution. A quorum being present at such meeting, the Bondholders present in person or by proxy may, by the votes cast by the Holders of a majority in principal amount of the Bonds so present in person or by proxy, elect one or more persons who may or may not be Bondholders to the Bondholders' Committee which shall act as trustee for all Bondholders. The Bondholders present in person or by proxy at said meeting, or at any adjourned meeting thereof, shall prescribe the manner in which the successors of the persons elected to the Bondholders' Committee at such Bondholders' meeting shall be elected or appointed, and may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it, and may provide for the termination of the existence of the Bondholders' Committee.

Bondholders May Direct Proceedings

The Holders of not less than a majority in principal amount of the Bonds at the time outstanding are authorized and empowered: (1) to direct the time, method, and place of conducting any proceeding for any remedy available to the holders of the Bonds; or (2) on behalf of the holders of the Bonds then outstanding, to consent to the waiver of any Event of Default or its consequences. No waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

The bond insurers for all Outstanding Bonds and for the Series 2007 Bonds have certain consent rights in connection with any default which may constrain the rights of the Holders described above.

Abandonment of Proceedings; Adverse Determination

No delay or omission of any Holder of Bonds to exercise any right or power arising upon the occurrence of a default under the Bond Resolution, including an Event of Default, shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein. Every power and remedy given by the Bond Resolution to the Holders of Bonds may be exercised from time to time and as often as may be deemed expedient by such Holders.

In case the Holders of the Bonds or a Bondholders' Committee formed pursuant to the Bond Resolution shall have proceeded to enforce any right under the Bond Resolution and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Holders of the Bonds or such Bondholders' Committee, then and in every such case the City and County, and the Holders of the Bonds shall be restored to their former positions and rights under the Bond Resolution, and all rights, remedies and powers of the Holders of the Bonds shall continue as if no such proceedings had been taken.

Amending and Supplementing of Resolution

Amending and Supplementing of Resolution Without Consent of Holders of Bonds. The City and County, from time to time and at any time and without the consent or concurrence of any Holder of any Bond, may adopt (i) a Series Resolution for the purpose of providing for the issuance of Bonds pursuant to the provisions as set forth in the Bond Resolution; (ii) to make any changes, modifications, amendments or deletions to the Bond Resolution which may be required to permit the Bond Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America; or (iii) if the rights of the Holders of the Bonds then Outstanding shall not be materially adversely affected thereby, a Supplemental Resolution (herein defined and referred to as a "Supplemental Resolution") for any one or more of the following purposes:

1. to make any changes or corrections in the Bond Resolution as to which the City and County shall have been advised by counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Bond Resolution, or to insert in the Bond Resolution such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable;

2. to add additional covenants and agreements of the City and County for the purpose of further securing the payment of the Bonds;

3. to surrender any right, power or privilege reserved to or conferred upon the City and County by the terms of the Bond Resolution;

4. to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge, or charge, created or to be created by the provisions of the Bond Resolution;

5. to grant to or to confer upon the Holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them; and

6. to modify in any other respect any of the provisions of the Bond Resolution.

Except for Series Resolutions authorizing the issuance of Bonds pursuant to the Bond Resolution, the City and County shall not adopt any Supplemental Resolution authorized by the foregoing provisions of the Bond Resolution unless in the Opinion of Counsel the adoption of such Supplemental Resolution is permitted by the Bond Resolution and the provisions of such Supplemental Resolution do not materially adversely affect the rights of the Holders of the Bonds then Outstanding.

Amendment of Resolution With Consent of Holders of the Bonds. With the consent of the Holders of not less than a majority of the Bonds then Outstanding and with written consent of each Support Facility Provider, the City and County from time to time and at any time may adopt a resolution amendatory of or supplemental to the Bond Resolution for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Bond Resolution, or modifying or amending the rights and obligations of the City and County thereunder, or modifying or amending in any manner the rights of the Holders of the Bonds then Outstanding. For purposes of the preceding sentence, the written consent of each Support Facility Provider providing a Support Facility for any Bonds will constitute consent of the Holders of such Bonds. Without the specific consent of the Holder of each such Bond which would be affected thereby, no Supplemental Resolution amending or supplementing the provisions of the Bond Resolution shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the Redemption Price (or the redemption premium) payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Bonds, the Holders of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Bond Resolution; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured by the Bond Resolution; or (4) authorize the creation of any pledge of the Revenues and other moneys pledged under the Bond Resolution, prior, superior or equal to the pledge of and lien and charge thereon created in the Bond Resolution for the payment of the Bonds except to the extent provided in the Bond Resolution; or (5) deprive any Holder of the Bonds in any material respect of the security afforded by the Bond Resolution; provided further, however, that without the specific consents of the Holders of not less than a majority in principal amount of the Term Bonds then Outstanding

and affected thereby, no Supplemental Resolution amending or supplementing the provisions of the Bond Resolution shall (a) change the amount of any Sinking Fund Installments for the retirement of Term Bonds or the due dates of such installments or the terms for the purchase or redemption thereof from such installments, or (b) reduce the aforesaid percentage of Term Bonds, the Holders of which are required to consent to any such Supplemental Resolution. (Nothing in this paragraph contained, however, shall be construed as making necessary the approval of the Holders of the Bonds of the adoption of any Supplemental Resolution). A modification or amendment with respect to the Sewer Fund or the Debt Service Account or Common Reserve Account or any Separate Series Reserve Account therein shall not be deemed a change in the terms of payments; provided that no such modification or amendment shall, except upon the consent of the Holders of all Bonds then outstanding affected thereby, reduce the amount or amounts required to be credited to the Debt Service Account or Common Reserve Account or any Separate Series Reserve Account.

The bond insurers for all Outstanding Bonds and for the Series 2007 Bonds have certain consent rights in connection with any amendment which may constrain the rights of the Holders described above.

The proof of the giving of any consent of any Holder required and of the holding of Bonds for the purpose of giving consents shall be made in accordance with the Bond Resolution. Proof of consent may include any evidence that the City and County and the Director of Budget and Fiscal Services, in their separate discretion, determine to be sufficient. It shall not be necessary that the consents of the Holders of the Bonds approve the particular form of wording of the proposed amendment or supplement or of the Supplemental Resolution affecting such amendment or supplement, but it shall be sufficient if such consents approve the substance of the proposed amendment or supplement. A record, consisting of the papers required by the Bond Resolution, shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Resolution or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within 60 days after the publication and mailing of the notice required by the Bond Resolution.

The City and County shall furnish a notice of each amendment or supplement and a copy of the Supplemental Resolution effecting such amendment or supplement to each rating agency at least 15 days prior to the effective day of the Supplemental Resolution.

Discharge of Liens and Pledges; Bonds No Longer Outstanding and Deemed to be Paid

Except as otherwise provided in the Bond Resolution with regard to Option Bonds, the obligations of the City and County under the Bond Resolution and the liens, pledges, charges, trusts, covenants and agreements of the City and County made or provided for in the Bond Resolution, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding under the Bond Resolution:

(i) when such Bond shall have been canceled, or shall have been surrendered for cancellation or is subject to cancellation, or shall have been purchased by or behalf of the City and County from moneys held under the Bond Resolution; or

(ii) as to any Bond not canceled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal and redemption price (if any) of such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Paying Agent for such Bond, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) noncallable Refunded Municipal Obligations or noncallable Investment Securities described in item (i) of the definition of Investment Securities as set forth in the Bond Resolution, maturing as to principal and interest in such amount and at such times as will insure, together with any cash deposit, the availability of sufficient moneys to make such payment, whichever the City and County deems to be in its best interest and as verified by an independent nationally recognized firm of certified public accountants in a report delivered to the City and County and the Director of Budget and Fiscal Services, and all necessary and proper fees, compensation and expenses of the Director of Budget and Fiscal Services and the Paying Agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Director of Budget and Fiscal Services and said Paying Agents.

At such time as a Bond shall be deemed to be no longer Outstanding under the Bond Resolution, as aforesaid, such Bond, except for the purposes of any payment from such moneys, Refunded Municipal Obligations or Investment Securities, shall no longer be secured by or entitled to the benefits of the Bond Resolution.

Notwithstanding the foregoing, in the case of a Bond which is to be redeemed or otherwise prepaid prior to its stated maturity, no deposit under clause (b) of subparagraph (ii) of the second preceding paragraph above shall constitute such payment, discharge and satisfaction as aforesaid until such Bond shall have been irrevocably designated for redemption or prepayment and proper notice of such redemption or prepayment shall have been previously given in accordance with the Bond Resolution or provision shall have been irrevocably made for the giving of such notice.

Any such moneys so deposited with the Paying Agents for the Bonds as provided in the Bond Resolution may at the direction of the City and County also be invested and reinvested in Investment Securities, maturing in the amounts and times as set forth in the Bond Resolution. All income from all Refunded Municipal Obligations and Investment Securities in the hands of the Paying Agents which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be paid to the City and County for deposit in the Sewer Fund free and clear of any trust, lien, security interest, pledge or assignment securing any Bonds or otherwise existing under the Bond Resolution.

All moneys, Refunded Municipal Obligations or Investment Securities set aside and held in trust pursuant to the provisions of the Bond Resolution for the payment of Bonds (including interest and premium thereof, if any) shall be applied to and used solely for the payment of the particular Bond (including interest and premium thereof, if any) with respect to which such moneys and Investment Securities have been so set aside in trust.

If moneys, Refunded Municipal Obligations or Investment Securities have been deposited or set aside with a Paying Agent pursuant to the Bond Resolution for the payment of a specific Bond and such Bond is deemed to have been paid and to be no longer Outstanding under the Bond Resolution as provided in the defeasance provisions of the Bond Resolution, but such Bond has not in fact been actually paid in full, no amendment to the defeasance provisions of the Bond Resolution may be made without the consent of the Holder of each Bond affected thereby.

The City and County may at any time surrender to a Paying Agent for a Series of Bonds for cancellation by it any Bonds of such Series previously executed and delivered, which the City and County may have acquired in any manner whatever, and such Bonds upon such surrender for cancellation shall be deemed to be paid and no longer Outstanding under the Bond Resolution.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and neither the City and County nor the Underwriters takes responsibility for the completeness or accuracy thereof. Neither the City and County nor the Underwriters can or does give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2025 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2025 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2025 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2025 Bonds. The Series 2025 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 Series 2025 Bond will be issued for each maturity of each issue of the Series 2025 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. 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 Section17A 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 has a Standard & Poor's rating of AA+. 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. The rules applicable to DTC and its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission.

Purchase of Ownership Interest. Purchases of Series 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant 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 Series 2025 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 Series 2025 Bonds representing their ownership interests in Series 2025 Bonds, except in the event that use of the Book-Entry System for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025 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 Series 2025 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 Series 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 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.

Notices. 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2025 Bonds of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2025 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 Bonds unless authorized by a Direct Participant in accordance with DTC's Money Market Instrument 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 the Series 2025 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments. Redemption proceeds, principal and interest payments on the Series 2025 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 City and County or 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, the City and County or the Paying Agent, as applicable, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest 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.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Series 2025 Bonds at any time by giving reasonable notice to the City and County. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2025 Bond certificates are required to be printed and delivered. The City and County may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event Series 2025 Bond certificates will be printed and delivered.

In reviewing this Official Statement it should be understood that while the Series 2025 Bonds are in the Book-Entry System, references in other Sections of this Official Statement to owners or holders should be read to include the person for whom the Participant acquires an interest in the Series 2025 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to owners or holders by the City and County will be given only to DTC. DTC will forward (or cause to be forwarded) the notices of the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

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

None of the City and County, the Paying Agent nor the Underwriters will have any responsibility or obligation to Direct Participants, to Indirect Participants or to Beneficial Owners with respect to (i) the accuracy of any records maintained by the DTC, any Direct Participants or Indirect Participants, (ii) the payment by DTC, any Direct Participants or any Indirect Participants of any amount in respect of principal of or interest on the Series 2025 Bonds, (iii) any notice which is permitted or required to be given to owners (except such notice as is required to be given by the City and County to DTC), (iv) any consent given or other action taken by DTC as Owner of the Series 2025 Bonds or (v) any other event or purpose.

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of Honolulu, Hawaii (the "City and County") in connection with the issuance of $_____ Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B (the "Bonds"). The Bonds are being issued pursuant to Chapter 49, Hawaii Revised Statutes, and the Revised Charter of the City and County of Honolulu, as amended (collectively, the "Act"), and the proceedings of the City Council, including Resolution No. 98-193, CD1, as amended and supplemented by Resolution No. 06-266, CD1 and Resolution No. 10-283 (First Bond Resolution), and the Series Resolution relating to the Bonds, and Certificate of the Director of Budget and Fiscal Services of the City and County, acknowledged and agreed to by the Director of Environmental Services of the City and County dated _____, 2025 (the "Certificate"). The City and County covenants and agrees as follows:

Section 1. ***Purpose of the Disclosure Certificate.*** This Disclosure Certificate is being executed and delivered by 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) (the "Rule").

Section 2. ***Definitions.*** In addition to the definitions set forth in the Certificate, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means 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" means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, 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.

"Department" means the Department of Environmental Services of the City and County.

"Dissemination Agent" means 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.

"*Financial Obligation*" means, for purposes of the Listed Events set out in Section 5(a) or (b) of this Disclosure Certificate, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Events" means any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" means 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*.

"Official Statement" shall mean the Official Statement, dated _____, 2025, prepared and distributed in connection with the initial sale of the Bonds.

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

"Rule" means 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, 2026, provide to the MSRB an Annual Report that 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. If the City and County's fiscal year changes, the City and County, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(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 other than the City and County). If the City and County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City and County shall send a notice to the MSRB in substantially the form attached as Exhibit A. The audited financial statements of the Department 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.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City and County) file a report with the City and County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. ***Content of Annual Reports.***

(a) The Annual Report shall contain or incorporate by reference the following information:

(i) Audited financial statements of the Department for the prior fiscal year, 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 Department's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement relating to the Bonds, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available;

(ii) Budgeted revenues and expenditures of the Department for the current fiscal year;

(iii) To the extent not provided in the audited financial statements, historical information of the type shown in Tables 23 and 24 of the Official Statement, entitled "Department of Environmental Services Sewer Fund Enterprise Fund Statement of Revenues, Expenses and Charges in Retained Earnings (Deficit)" and "Department of Environmental Services Sewer Fund Enterprise Fund Balance Sheet," respectively; and

(iv) To the extent not provided in the audited financial statements, historical information of the type shown in Tables 21 and 22 of the Official Statement, entitled "Outstanding Wastewater Revenue Bonds" and "Revenue Bond Debt Service Requirements," respectively.

(b) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the City and County or related public entities, which have been made available to

the public on the MSRB's website. The City and County shall clearly identify each such other document so included by reference.

If the inclusion or format of the information referenced above is changed in any future official statement, thereafter the Annual Report shall instead 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.

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, not later than ten New York securities market business days after the occurrence of the event:

i. Principal and interest payment delinquencies;

ii. Non-payment related defaults, if material;

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

iv. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability. Notices of Proposed Issue (IRS Form 5701 TEB)) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

vii. Modifications to rights of Bondholders, if material;

viii. Optional or unscheduled Bond calls, if material, and tender offers;

ix. Defeasances;

x. Release, substitution, or sale of property securing repayment of the Bonds, if material;

xi. Rating changes;

xii. Bankruptcy, insolvency, receivership or similar event of the City and County;

xiii. The consummation of a merger, consolidation, or acquisition involving the City and County or the sale of all or substantially all of the assets of the City and County, 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, if material;

xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

xv. Incurrence of a financial obligation of the City and County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City and County, any of which affect Bond holders, if material; or

xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City and County, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (xii) 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, 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.

(c) 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.

(d) 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 (10) 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.

(e) The City and County intends to comply with the Listed Events described in Section 5(a)(xv) and Section 5(a)(xv), and the definition of "Financial Obligation" in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

Section 6. ***Termination of Reporting Obligation.*** The City and County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Bonds, or upon delivery to the City and County or the Dissemination Agent (if other than the City and County) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. 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 Section 5(c).

Section 7. ***Dissemination Agent.*** From time to time, the City and County may 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. If at any time there is not any other designated Dissemination Agent, the City and County shall be the Dissemination Agent. The initial Dissemination Agent shall be the City and County. The sole remedy of any party against the Dissemination Agent shall be nonmonetary and specific performance. The Dissemination Agent shall not be responsible for the form or content of any Annual Report, notice of Listed Event, or other document furnished to the Dissemination Agent by the City and County. The Dissemination Agent shall receive reasonable compensation for its services provided hereunder. The Dissemination Agent may resign at any time by providing at least 60 days' notice to the City and County.

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 all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, 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 Certificate for amendments to the Certificate with the consent of Holders, or (ii) does not, in the opinion of the City and County, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

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 Section 5(c), 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 or the Dissemination Agent (if other than the City and County), as the case may be, 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 Certificate, and the sole remedy under this Disclosure Certificate in the event of any failure of the City and County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. ***Duties, Immunities and Liabilities of Dissemination Agent.*** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City and County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the City and County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. ***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.

Date: _____, 2025

_____
Andrew T. Kawano
Director of Budget and Fiscal Services
City and County of Honolulu

The above and foregoing certificate is hereby approved as to form and legality this __ th day of _____, 2025.

_____
Dana M.O. Viola
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, Hawaii
Name of Bond Issue:	Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B
Date of Issuance:	_____, 2025

NOTICE IS HEREBY GIVEN that the City and County of Honolulu, Hawaii (the "City and County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated _____, 2025, executed by the City and County for the benefit of the holders and beneficial owners of the above-referenced Bonds. The City and County anticipates that the Annual Report will be filed by _____.

Dated:

CITY AND COUNTY OF HONOLULU, HAWAII

By: _____
Authorized Signatory

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[*To be provided by Bond Counsel*]

EXHIBIT D

FORM OF PAYING AGENT AGREEMENT

PAYING AGENT AGREEMENT

by and between

CITY AND COUNTY OF HONOLULU

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Registrar and Paying Agent

Dated as of [Closing Date], 2025

TABLE OF CONTENTS

Page

Section 1.	Definitions	1
Section 2.	Registrar and Paying Agent Responsibilities	1
Section 3.	Bank Appointment and Receipt	2
Section 4.	Cost of Issuance Fund	2
Section 5.	Reserved	2
Section 6.	Liability of Bank; Duties of Bank; Evidence Upon Which Bank May Act; Replacement of Bank	2
Section 7.	Removal of Bank	3
Section 8.	[Reserved]	4
Section 9.	Benefit of Agreement; Amendments	4
Section 10.	Parties in Interest; Non-Assignment	5
Section 11.	Waiver	5
Section 12.	Notices	5
Section 13.	Severability	5
Section 14.	Law and Place of Enforcement of this Agreement	6
Section 15.	Counterparts	6
Section 16.	Effects of Table of Contents and Section Headings	7

PAYING AGENT AGREEMENT

This Paying Agent Agreement (the "Agreement"), dated and effective as of [Closing Date], 2025, by and between the CITY AND COUNTY OF HONOLULU (the "City and County") and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Registrar and Paying Agent (the "Bank"),

W I T N E S S E T H:

Whereas, pursuant to the Bond Series Certificate (the "Certificate") of the City and County of Honolulu relating to $[PRINCIPAL AMOUNT] Wastewater System Revenue Bonds (First Bond Resolution) Senior Series 2025B (the "Bonds"), to provide moneys to finance improvements and the refunding of prior wastewater bonds permitted by the Certificate (as such term is defined in the Certificate), and to pay costs of issuance of the Bonds;

Whereas, the City and County wishes to have the Bank act as Registrar and Paying Agent with respect to the Bonds;

Whereas, the Director of Budget and Fiscal Services of the City and County (the "Director of Budget and Fiscal Services") has appointed the Bank as Registrar and Paying Agent for the Bonds pursuant to the Certificate;

Whereas, the City and County wishes to enter into this Agreement to carry out the aforesaid purposes;

Whereas, the Bank has acknowledged receipt from the City and County of certified copies of proceedings authorizing the Bonds (the "Proceedings");

Now, therefore, in consideration of the foregoing and of the mutual covenants herein set forth, the City and County and the Bank agree as follows:

SECTION 1. Definitions. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Certificate.

The term "Certificate of the City and County" means a certificate signed by the Director of Budget and Fiscal Services of the City and County of Honolulu, or a deputy of such officer.

SECTION 2. Registrar and Paying Agent Responsibilities. (a) The Bank hereby accepts its appointment as Registrar and Paying Agent pursuant to the Certificate.

(b) The Bank and the City and County hereby agree that the provisions of Sections 7, 8, 9, 12, 14 and 15 of the Certificate, and the definitions of all terms used in such Sections are incorporated herein as fully as if set forth herein. The Bank will observe, perform and fulfill each such agreement in the Certificate applicable to the Bank.

(b) Notwithstanding anything to the contrary contained herein, the Bank's obligations and responsibilities hereunder as Registrar and Paying Agent with respect to the Bonds shall take effect immediately as of the date hereof.

SECTION 3. Bank Appointment and Receipt. (a) The Bank hereby accepts its appointment as Registrar and Paying Agent pursuant to the Sections of the Certificate specified in Section 2 hereof.

(b) The Bank and the City and County hereby agree that the provisions of the Certificate specified in Section 2 hereof and the definitions of all terms used in such Section are incorporated herein as fully as if set forth herein. The Bank will observe, perform and fulfill each such agreement in the Certificate applicable to the Bank in its capacity as Registrar and Paying Agent.

SECTION 4. Cost of Issuance Fund. As directed by the City and County, the Bank shall create an account to be named the "City and County of Honolulu, Hawaii, Wastewater Series 2025B Cost of Issuance Fund" (the "Fund"). The City and County or its designee shall deposit such funds in the Fund and request withdrawals of funds from the Fund in writing. Any balances remaining in the Fund upon termination of such Fund, shall be withdrawn and transferred to the City and County or in accordance with the City and County's written instruction. The Bank shall invest funds provided to it hereunder only at, and in accordance with, the written direction of the City and County. The Bank shall have no obligation to invest and reinvest any cash held by it in the Fund in the absence of timely and specific written direction from the City and County. In no event shall the Bank be liable for the selection of investments or for investment losses incurred thereon.

The Bank shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of the City and County to provide timely written investment direction. The Bank may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the City and County. The Bank may conclusively rely upon such written direction from City and County as to both the suitability and legality of the directed investments. For so long as the Fund remains open, the Bank shall provide the City and County with a monthly account statement showing all receipts and disbursements.

SECTION 5. Reserved.

SECTION 6. Liability of Bank; Duties of Bank; Evidence Upon Which Bank May Act; Replacement of Bank. (a) The Bank shall not be liable for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions hereof nor for any error of judgment made in good faith by the Bank nor in its individual capacity for the obligations represented by the Bonds; provided, however, that the Bank shall not be relieved from liability for its own negligence or willful misconduct. The Bank shall indemnify and save harmless the City and County and its officers, employees, and agents from and against any and all actions, claims, suits, damages or costs arising out of or resulting from the negligence or willful misconduct of the Bank, its officers, employees, or agents. The City and County, its officers, employees and agents shall in no way be held liable for any damages, causes of action or suits resulting from the acts or activities of the Bank which are not otherwise in accordance with this Agreement.

(b) The Bank agrees to perform all of the duties and obligations as are specifically set forth in this Agreement.

(c) The Bank may conclusively rely, as to the correctness of statements, conclusions and opinions therein, upon any certificate, report, opinion or other document furnished to the Bank pursuant to any provision of this Agreement; the Bank shall be protected and shall not be liable for acting or proceeding, in good faith upon such reliance; and the Bank shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. The Bank may consult with counsel, who may be counsel to the City and County or independent counsel, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance herewith. Any request, consent, certificate, notice, appointment or other direction made or given by the City and County to the Bank shall be deemed to have been sufficiently made or given by the proper party or parties if executed on behalf of the City and County by the Director of Budget and Fiscal Services or his duly appointed designee.

(d) No provision of this Agreement shall require the Bank to expend or risk its own funds in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that payment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) The Bank may act, either as principal or agent, may engage in or be interested in any financial or other transaction with the City and County, and may act as depositary, trustee or agent for any holder or holders of the Bonds as freely as if it were not Bank hereunder.

SECTION 7. Removal of Bank. (a) The City and County may, upon sixty (60) days' written notice to the Bank, remove the Bank or any successor thereto. In the event of any such removal by the City and County, or the resignation, disability, ineligibility or refusal to act of the Bank, the City and County, by a duly executed written instrument of the Director of Budget and Fiscal Services shall forthwith appoint a registrar and paying agent to fill such vacancy. In the event that the City and County does not appoint a successor registrar and paying agent within thirty (30) days of notifying the Bank, or any successor registrar and paying agent of its removal, the removed Bank or successor registrar and paying agent as the case may be, may petition a court of competent jurisdiction for the appointment of a successor registrar and paying agent. All expenses incurred by the removed Bank, or successor registrar and paying agent as the case may be, in prosecuting any such petition shall be reimbursed by the City and County. A successor registrar and paying agent shall be a bank having corporate trust powers or a trust company, in each case with a capital stock, surplus and undivided profits aggregating in excess of Ten Million Dollars ($10,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above mentioned, then for the purpose of this Section the combined capital stock, surplus and undivided profits of such bank or trust company shall be deemed to be its combined capital stock, surplus and undivided profits as set forth in its most recent report of condition so published. Any successor registrar and paying agent so appointed shall have all the powers and obligations of the Bank hereunder theretofore vested in its predecessor. Upon acceptance of appointment by the successor registrar and paying agent as provided in this Section, the City and County shall mail notice of the resignation or removal of the Bank, the effective date of such resignation or removal and the succession of the successor registrar and paying agent to the trusts hereunder to the registered owners of the Bonds shown on the books of registry for the Bonds. If the City and County shall fail to mail such

notice within ten (10) business days after acceptance of appointment by the successor registrar and paying agent, the successor registrar and paying agent shall cause such notice to be mailed at the expense of the City and County. Each Bank appointed hereunder shall signify its acceptance of the duties and obligations imposed upon it hereunder as Bank by executing and delivering to the City and County and to the predecessor Bank hereunder a written acceptance of such duties and obligations, and such written acceptance shall include a statement to the effect that the Bank is qualified to act as such under the laws of the City and County, and thereupon such successor registrar and paying agent without further act, deed or conveyance, shall become vested with all of the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bank, with like effect as if originally named Bank herein; but, nevertheless, at the request of the City and County or the successor registrar and paying agent such predecessor Bank shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor registrar and paying agent all of the right, title and interest of such predecessor Bank in and to any property held by it hereunder and shall pay over, transfer, assign and deliver to the successor registrar and paying agent any moneys or other property subject to the trusts and conditions herein set forth. Upon acceptance by such successor registrar and paying agent of the trusts created hereunder, all further title, rights, duties and obligations of the predecessor Bank under this Agreement shall cease and terminate and be discharged, except for rights or liabilities theretofore accrued to or by the City and County or the predecessor Bank. Upon the request of the successor registrar and paying agent the City and County shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor registrar and paying agent all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Any bank or trust company into which the Bank may be merged or with which it may be consolidated shall become the Bank without action of the City and County.

(b) The Bank may at any time resign and be discharged of its duties and obligations hereunder by giving not less than sixty (60) days' written notice to the City and County. Notwithstanding the effective date of any such resignation stated in such notice, such resignation shall not take effect until a successor registrar and paying agent shall have been appointed, and shall take effect immediately on the appointment of such successor registrar and paying agent.

SECTION 8. [Reserved].

SECTION 9. Benefit of Agreement; Amendments. (a) This Agreement is made for the benefit of the City and County and the holders from time to time of the Bonds. This Agreement shall not be repealed, revoked, altered or amended without the written consent of all such holders; provided, however, that the City and County and the Bank may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

(i) to cure any ambiguity or formal defect or omission in this Agreement;

(ii) to grant to, or confer upon, the Bank for the benefit of such holders any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Bank; and

(iii) to subject to this Agreement additional funds, securities or properties.

(b) The Bank shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including (i) the extent, if any, to which any change, modification or addition affects the rights of the holders of the Bonds, and (ii) the extent, if any, to which any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 10. Parties in Interest; Non-Assignment. (a) This Agreement shall inure to the benefit of, and be binding upon each successor in office of, the Director of Budget and Fiscal Services, and each such successor, from the time such person assumes office shall be deemed to be substituted for the undersigned Director of Budget and Fiscal Services as a party hereto, with all of the rights and duties of the Director of Budget and Fiscal Services hereunder.

(b) This Agreement shall not be assigned by the Bank without the prior written consent of the City and County. Any voluntary or involuntary assignment or transfer of a controlling interest in the Bank shall be communicated to the City and County within a reasonable time. Subject to the foregoing, all terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the Bank, its successors and assigns.

SECTION 11. Waiver. No waiver shall be deemed to be made by any party of any of its rights hereunder unless the same shall be in writing. The City and County's or the Bank's inaction, silence, or failure to demand strict performance shall not be deemed a waiver. Each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the waiving party or the obligations of any other party in any other respect at any other time.

SECTION 12. Notices. All notices and communications required to be delivered pursuant to this Agreement shall be given in writing, or by telegram, telex, or cable or first class mail, postage prepaid, addressed to the following parties, at the following addresses:

The City and County:

Director of Budget and Fiscal Services
City and County of Honolulu
530 South King Street, Room 115
Honolulu, Hawaii 96813
Attn: Division of Treasury

The Bank:

U.S. Bank Trust Company, National Association
60 Livingston Avenue
Saint Paul, Minnesota 55107
Attn: Corporate Trust

SECTION 13. Severability. (a) If any one or more of the covenants or agreements provided in this Agreement on the part of the City and County or the Bank to be performed

should be determined by a court of competent jurisdiction to be contrary to law, such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Agreement and the invalidity thereof shall in no way affect the validity of other provisions of this Agreement or of the Bonds, and the holders of the Bonds shall retain all of the rights and benefits accorded them hereunder and under applicable provisions of law.

(b) If any provision of this Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable or invalid as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because such provision conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstance shall not have the effect of rendering such provision in question inoperative or unenforceable or invalid in any other case or circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatsoever.

SECTION 14. Law and Place of Enforcement of this Agreement. This Agreement shall be construed and interpreted in accordance with the laws of the State of Hawaii. Any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in said State.

SECTION 15. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 16. Effects of Table of Contents and Section Headings. The Table of Contents and headings of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Agreement or any provision hereof.

IN WITNESS WHEREOF, the parties hereto have each caused this Paying Agent Agreement to be executed by their duly authorized officers, as of the date first above written.

CITY AND COUNTY OF HONOLULU

By:_____
Andrew T. Kawano
Director of Budget and Fiscal Services

[SEAL]

APPROVED AS TO FORM AND LEGALITY:

_____
Dana M.O. Viola
Corporation Counsel
City and County of Honolulu

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Registrar and Paying Agent

By:_____
Authorized Officer

Report Title:
Issuance and Sale of Wastewater System Revenue Bonds, Series 2025

Description:
Recommendation of the adoption of the Resolution authorizing the issuance and sale of a not to exceed principal amount of Wastewater System Revenue Bonds.

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