

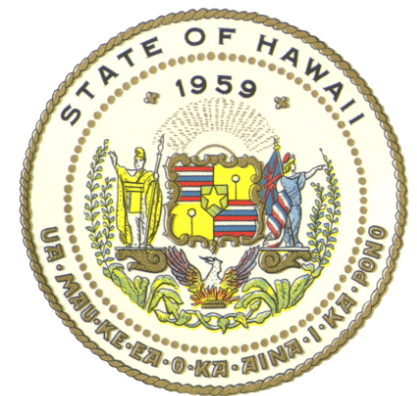
# State of Hawaii

## General Obligation Bonds of 2021

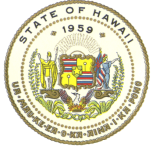
**\$1,900,325,000\***

**Investor Presentation**

**September 21, 2021**



**\*Preliminary, subject to change**



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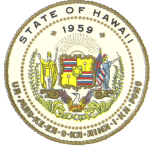
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# Transaction Summary



<b>Issuer:</b>	<b>State of Hawaii</b>		
<b>Issue:</b>	<b>\$1,900,325,000* Taxable General Obligation Bonds</b>		
<b>Ratings:</b>	<i>Moody's: Aa2 (Positive); S&amp;P: AA+ (Stable); Fitch: AA (Stable)</i>		
<b>Security:</b>	The Full Faith and Credit of the State of Hawaii		
<b>Series:</b>	Series GD	Series GE	Series GF - GJ
<b>Par Amount:</b>	\$600,000,000*	\$200,000,000	\$1,100,325,000*
<b>Purpose:</b>	New Money	Refund BANs	Advance Refunding
<b>Amortization:*</b>	2022 – 2041	2022 – 2041	2022 - 2033
<b>Refunded Bonds:*</b>	N/A	N/A	<i>Please see Appendix I of the Preliminary Official Statement</i>
<b>Tax Status:</b>	Federally Taxable; State of Hawaii Tax-Exempt		
<b>Call Provision:*</b>	To be Determined		
<b>Senior Manager:</b>	BofA Securities		
<b>Co-Senior Managers:</b>	Citigroup, Morgan Stanley		
<b>Co-Managers:</b>	Jefferies, RBC Capital Markets		
<b>Pricing:*</b>	Indications of Interest: September 28, 2021 Institutional Order Period: September 29, 2021		
<b>Closing:*</b>	October 14, 2021		

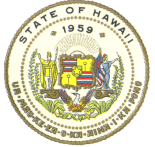
\* Preliminary, subject to change



# 2021 Plan of Finance Amortization

General Obligation Bonds of 2021							
Series	2021 GD	2021 GE	2021 GF	2021 GG	2021 GH	2021 GI	2021 GJ
Par Amount	\$600,000,000	\$200,000,000	\$27,500,000	\$86,800,000	\$141,800,000	\$108,000,000	\$736,225,000
Tax Status	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
Purpose	New Money	BANs Refunding	Refunding	Refunding	Refunding	Refunding	Refunding
Principal Due	October 1	October 1	February 1	August 1	August 1	August 1	August 1
Call Option	TBD	TBD	None	None	None	None	TBD
Maturity							
2022	\$25,215,000	\$8,680,000	\$27,500,000	\$86,800,000	--	--	--
2023	25,885,000	8,715,000	--	--	\$141,800,000	--	--
2024	26,330,000	8,760,000	--	--	--	\$108,000,000	--
2025	26,535,000	8,825,000	--	--	--	--	\$77,220,000
2026	26,805,000	8,915,000	--	--	--	--	78,000,000
2027	27,130,000	9,025,000	--	--	--	--	78,945,000
2028	27,510,000	9,155,000	--	--	--	--	80,060,000
2029	27,955,000	9,300,000	--	--	--	--	81,350,000
2030	28,435,000	9,460,000	--	--	--	--	82,755,000
2031	28,955,000	9,635,000	--	--	--	--	84,265,000
2032	29,525,000	9,820,000	--	--	--	--	85,910,000
2033	30,145,000	10,030,000	--	--	--	--	87,720,000
2034	30,820,000	10,255,000	--	--	--	--	--
2035	31,540,000	10,490,000	--	--	--	--	--
2036	32,310,000	10,750,000	--	--	--	--	--
2037	33,130,000	11,020,000	--	--	--	--	--
2038	34,010,000	11,315,000	--	--	--	--	--
2039	34,940,000	11,625,000	--	--	--	--	--
2040	35,910,000	11,945,000	--	--	--	--	--
2041	36,915,000	12,280,000	--	--	--	--	--
<b>Total</b>	<b>\$600,000,000</b>	<b>\$200,000,000</b>	<b>\$27,500,000</b>	<b>\$86,800,000</b>	<b>\$141,800,000</b>	<b>\$108,000,000</b>	<b>\$736,225,000</b>

Preliminary; subject to change.



# Introduction

## The State's Economic and Financial Metrics are Returning to or Exceeding Pre-Pandemic Levels

		June 2019	June 2020	June 2021
Monthly Economic Indicators <sup>(1)</sup>	Unemployment Rate	3.1%	14.4%	7.7%
	Single Family Home Prices (Oahu)	\$800,000	\$770,000	\$979,000
	Single Family Home Sales (Oahu)	327	302	451
	Visitor Arrivals	947,112	17,068	791,053
	Visitor Expenditures	\$1,630,780,000	\$107,000,000 <sup>(5)</sup>	\$1,437,100,000
Council on Revenues Projections <sup>(2)</sup>	FY 2020 Growth Rate	4.1%	-5.4% (Actual)	-5.4% (Actual)
	FY 2021 Growth Rate	3.0%	-11.0%	8.1% (Actual)
Monthly State Tax Revenues <sup>(1)</sup>	General Excise Tax	\$262,819,000	\$220,148,000	\$294,303,000
	Personal Income Tax (Withholding)	\$164,776,000	\$150,190,000	\$185,823,000
	Transient Accommodations Tax	\$42,571,000	\$5,302,000	\$44,267,000
	General Fund Revenues	\$589,649,000	\$478,090,000	\$735,357,000
Pension <sup>(3)</sup>	Market Value of Assets	\$17.2 billion	\$18.0 billion	\$21.4 billion
OPEB <sup>(3)</sup>	Fund Balances	\$1.8 billion	\$2.3 billion	\$3.7 billion
Reserves and Liquidity <sup>(4)</sup>	EBRF Balance	\$378.2 million	\$58.9 million	\$319.5 million
	HHRF Balance	\$183.8 million	\$191.3 million	\$187.2 million
	General Fund Balance	\$752.1 million	\$991.7 million	\$1,249.9 million
	Total EBRF, HHRF and GF Balance	\$1.3 billion	\$1.2 billion	\$1.8 billion
	State Treasury Pool	\$7.4 billion	\$7.3 billion	\$9.6 billion

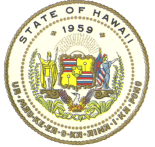
(1) Source: State of Hawaii Department of Business, Economic Development & Tourism – Monthly Economic Indicators.

(2) Forecasts: State of Hawaii Department of Taxation Council on Revenues; Actuals: State of Hawaii Department of Budget and Finance.

(3) State of Hawaii Employee Retirement System and Employer – Union Health Benefits Trust Fund. Pension market value is preliminary and subject to adjustment.

(4) State of Hawaii Department of Budget and Finance. Unaudited for FY 2021.

(5) Estimated.

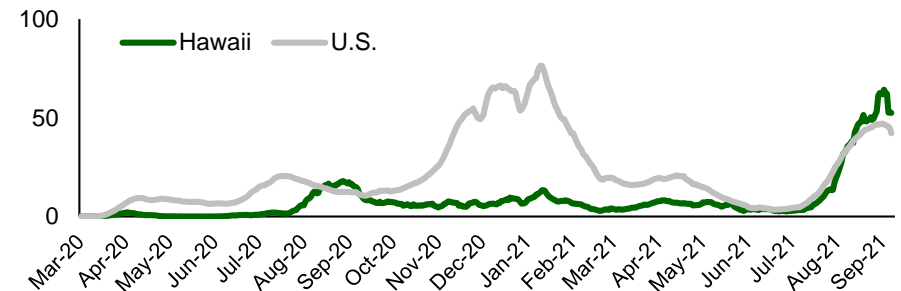


# Health Update

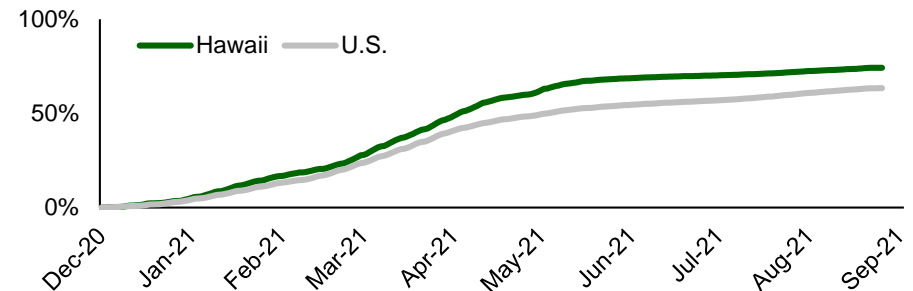
## *The State has a Comprehensive and Strategic Approach for Managing Health Issues*

- The State and each of Hawaii's Counties are requiring their employees to get vaccinated or tested weekly
- The U.S. Department of Defense and many large companies will soon require vaccinations or weekly testing
- The State is implementing a SMART Health Card which operates using QR code for individuals that received vaccination in Hawaii and can be easily used for entrance into establishments, such as restaurants
- The State is adding temporary hospital capacity and is bringing additional healthcare workers from the mainland to assist with the near-term increase in hospitalizations
- Statewide restrictions include requiring masks indoors and limiting social gatherings to 10 people indoors and 25 outdoors
- All of Hawaii's four counties have adopted emergency orders and/or rules limiting the size of indoor and outdoor gatherings and in some cases requiring proof of vaccination
- The Safe Travels program, which has allowed for over 5 million visitors to come to Hawaii safely since October 2020, was expanded to allow travelers to bypass the 10-day quarantine if they have been fully vaccinated
  - Visitors without proof of vaccination can continue to qualify for a quarantine exemption with a negative COVID-19 test

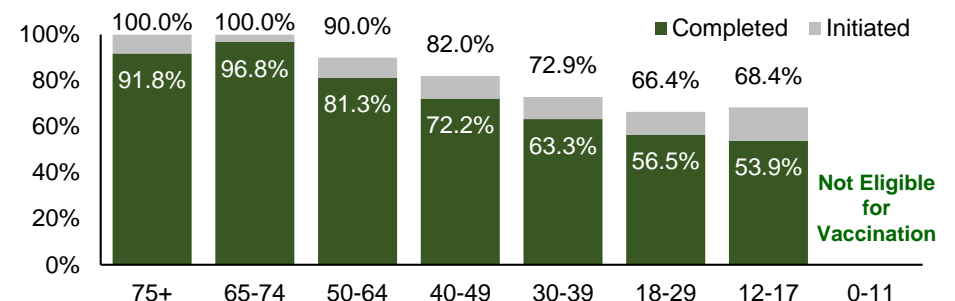
### New and Probable COVID-19 Cases per 100k<sup>(1)(2)</sup>



### Vaccination Rate (At Least One Dose)<sup>(1)</sup>



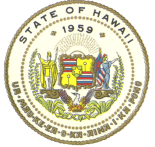
### Vaccination Rate by Age



Sources: CDC COVID Data Tracker. State of Hawaii Department of Health.

(1) 7-Day moving averages.

(2) Probable infections include people who never received a confirmatory test but are believed to have had the virus because of their known exposure and symptoms or because of a positive antigen test.

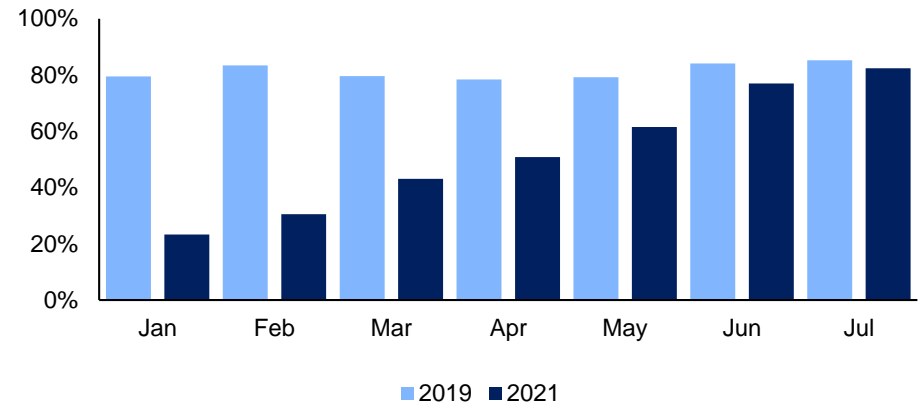


# Returning Tourism to Hawaii

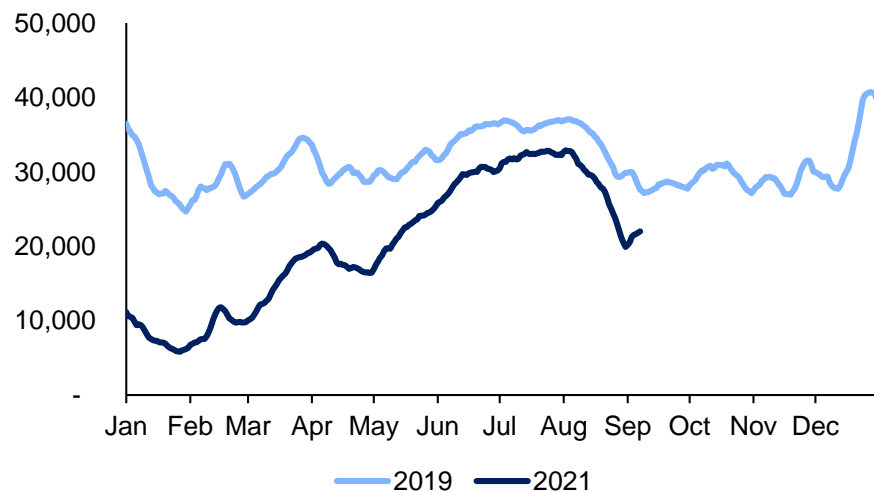
## *The State Successfully Managed the Return of Tourism to Hawaii*

- In July 2021, total passenger arrivals reached 89% of July 2019 levels and domestic passengers were 112% of July 2019 levels
- In July 2021, domestic and international air seats were at 118.1% and 2.1% of 2019 levels, respectively
- Hotel occupancy rose to 82% by July 2021, up from 24% in December 2020 and almost matching July 2019 occupancy levels of 85%
- Hotel room RevPar rebounded in July 2021 to \$303, dramatically higher than the December 2020 RevPar of \$69 and even surpassing the July 2019 level of \$260
- Many hotels are using the opportunity to reinvest and improve their facilities

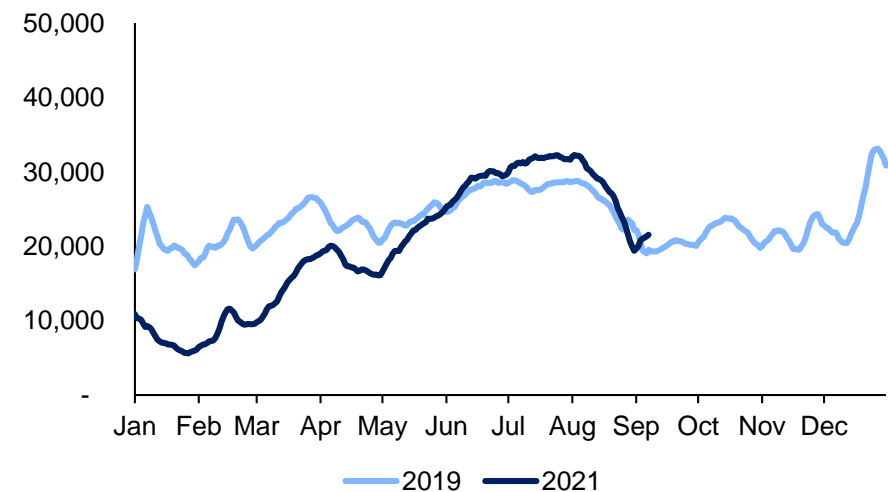
## Hotel Occupancy January – July (2019 vs. 2021)



## Total Passenger Arrivals<sup>(1)</sup>



## Domestic Passenger Arrivals<sup>(1)</sup>



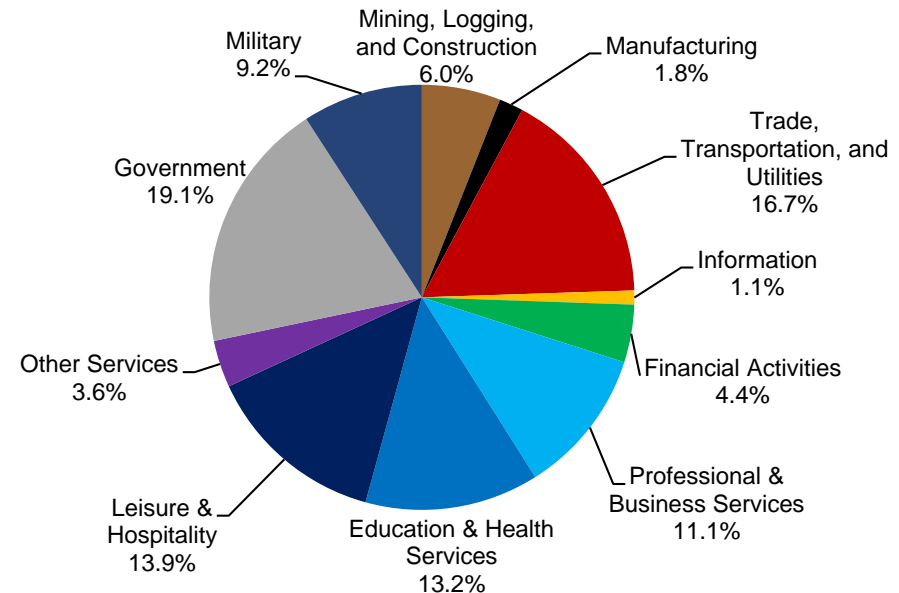


# Diversified Economy

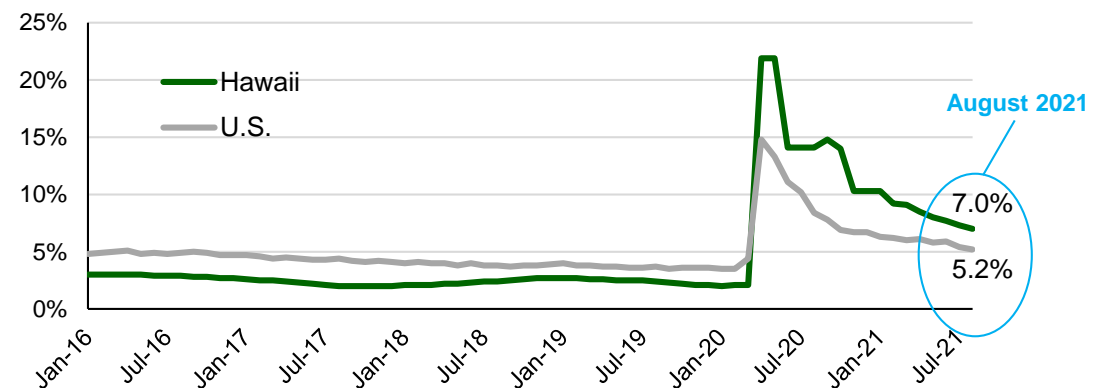
## *The State's Labor Market is Diversified and Improving*

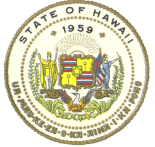
- Hawaii's **economy** has continued to **diversify**, with 84% of economic activity in non-tourism sectors in recent years (compared to 67% in 1988)
- **Federal (including military), state and local government** are stable components of the economy
- Strong **real estate market** with increasing prices and sales volume
- The **construction industry** remains strong, with large public and private sector capital projects ongoing
- The State's unemployment rate increased dramatically at the onset of the pandemic but has steadily declined with increased economic and tourism activity and as of August 2021 is at 7.0%

**Hawaii Nonfarm Employment Base  
(First 7-Months of 2021)<sup>(1)</sup>**



**Unemployment Rate (Seasonally Adj. 2016 to August 2021)**





# Real Estate Market and Development

## Home Prices Continue to Rise; Commercial, Residential, and Public Sector Projects are Planned or Underway

### Single Family and Condo Home Sales Data (% Change Between First 8 Months of 2020 and 2021)

Island	Single Family Homes		Condo Homes	
	Closed Sales	Median Price	Closed Sales	Median Price
Oahu	26.8%	20.2%	67.9%	8.1%
Maui	43.6%	29.3%	98.0%	11.3%
Hawaii	36.8%	20.5%	101.6%	24.3%
Kauai	78.1%	37.4%	119.8%	15.4%

Source: Hawaii Island Realtors and the Kauai Board of Realtors, the Honolulu Board of Realtors, and the Realtors Association of Maui.

### Major Commercial/Residential/Hospitality Developments Building Permits Issued from August 2020 - July 2021 Over \$50 Million

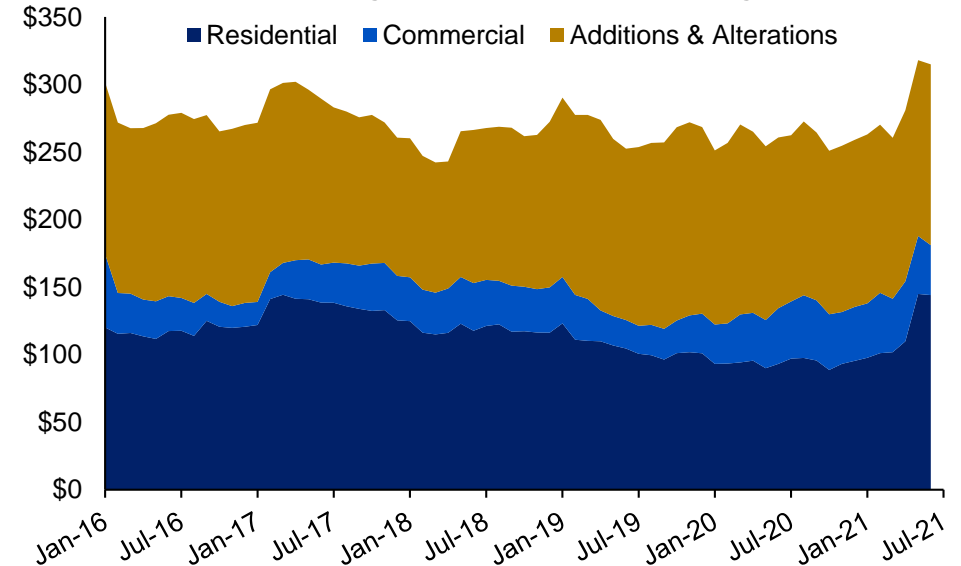
Island	Property	Type	Permit Value (\$ in Millions)
Oahu	Koula	Residential	\$220.4
Oahu	The Central Ala Moana	Residential	200.0
Hawaii	Kona Village Resort	Hotel	155.3
Oahu	Hoopili	Residential	123.1
Oahu	Sky Ala Moana	Residential	110.0
Maui	Kihei High School	Education	71.1
Oahu	Victoria Place	Residential	66.0
Oahu	Koa Ridge	Residential	64.7
Maui	Makena Golf & Beach Club	Res/Comm	56.0
Oahu	Mililani Solar	Commercial	56.0
Oahu	Waiawa Solar	Commercial	54.5
Oahu	Halewaiolu Senior Residences	Residential	54.1
Oahu	Turtle Bay Resort Hotel	Hotel	54.1

### Significant Capital Investment in Public Projects

Airports	\$2.7 billion planned for major system-wide projects through FY 2026
Honolulu Harbor	\$850 million modernization plan
New Aloha Stadium	\$350 million development of stadium entertainment district
Rail System (HART)	\$12 billion rail transit system on Oahu
Wastewater	Honolulu plans to spend \$2+ billion over the next 5 years
Water	Honolulu BWS has identified \$810 million of CIP through FY 2024

Source: Public news and Official Statements.

### Value of Private Building Permits Issued (\$ in Millions)<sup>(1)</sup> Value of Hawaii Private Building Permits Increased 45.4% During First Half of 2021



Sources: State of Hawaii Department of Business, Economic Development & Tourism and County Building Departments.  
(1) 12-month rolling average basis.

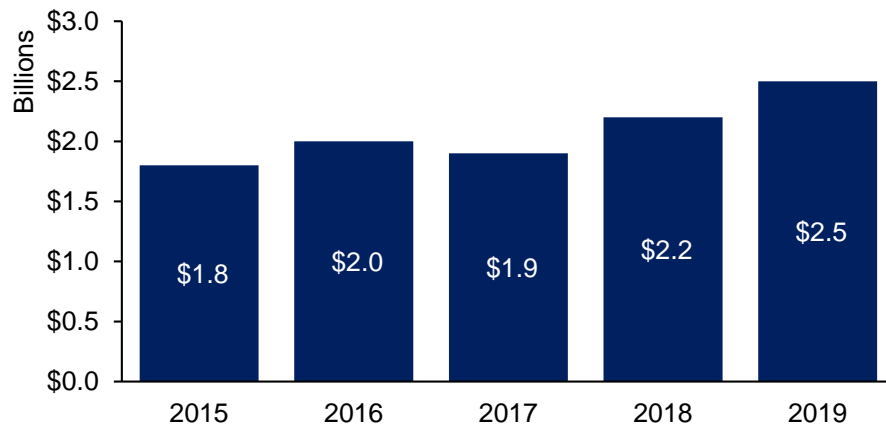


# Federal and Military Presence in Hawaii

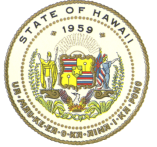
## *Federal and Military Programs are Important Parts of the Economy*

- The total compensation of federal government employees in Hawaii was about \$9.3 billion in 2020, up 1.6% from the previous year
- During the current COVID-19 pandemic, defense spending in Hawaii has remained stable, sustaining 49,000 local jobs
- While COVID-19 affected Hawaii's tourism industry, military service members and families continued to utilize local businesses and services helping to support the Hawaii economy
- FY 2019 direct Department of Defense spending on payroll and contracts totaled \$7.5 billion in Hawaii, the second highest of any state in the nation, in terms of spending to GDP ratio at 7.7%
- Hawaii was allocated COVID-19 related federal funding of \$12.5 billion in 2020 and \$6.9 billion in 2021

## Federal Contract Awards in Hawaii (FY 2015 – 2019)



2020 COVID-19 Federal Funding	Amount (\$MM)
Coronavirus Preparedness and Response	\$67.0
Families First Coronavirus Response	479.4
CARES	7,887.4
Paycheck Protection Program & Health Care Enhancement	3,644.1
Executive Action	374.5
<b>2020 Total</b>	<b>\$12,452.4</b>
2021 COVID-19 Federal Funding	Amount (\$MM)
Consolidated Appropriations Act	\$1,384.6
American Rescue Plan Act of 2021 – Total	5,537.3
Coronavirus State Fiscal Relief Fund	1,641.6
Coronavirus Local Fiscal Relief Fund	518.2
Education	577.7
Coronavirus Capital Projects Fund	115.3
All other programs	2,684.6
<b>2021 Allocation</b>	<b>\$6,921.9</b>



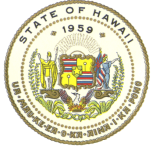
# State Government Structure

## *Hawaii has a Centralized State Government with Strong Executive Authority*

- The Governor's office has significant powers and scope
  - Governor and the Lieutenant Governor are the only directly elected executive officials (same ticket)
  - Executive authority to control spending through ability to restrict, delay or suspend appropriations
  - Broad powers of appointment
  - Authority to issue Emergency Proclamations
- State Legislature has the ability to increase taxes and authorize debt without voter approval
- The State's Constitution does not provide for voter driven initiatives
- The Council on Revenues ("the Council") provides independent quarterly revenue forecasts that facilitate better budget planning and execution
- Biennium budgeting and multi-year financial and capital planning are additional strengths
- Constitutional requirements for positive ending General Fund balance and either level debt service or level debt



***Hawaii's G.O. Bonds have a clear first lien priority on all General Fund balances***

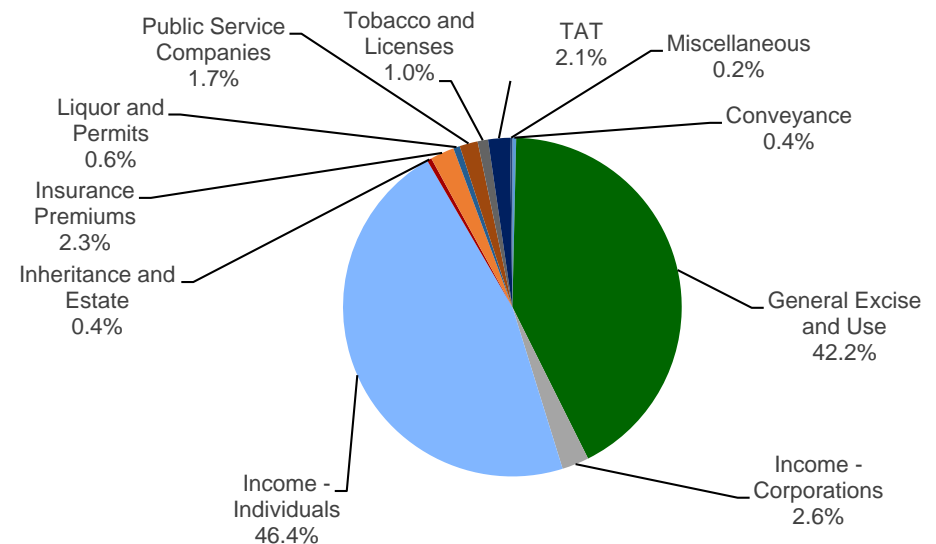


# State Revenues

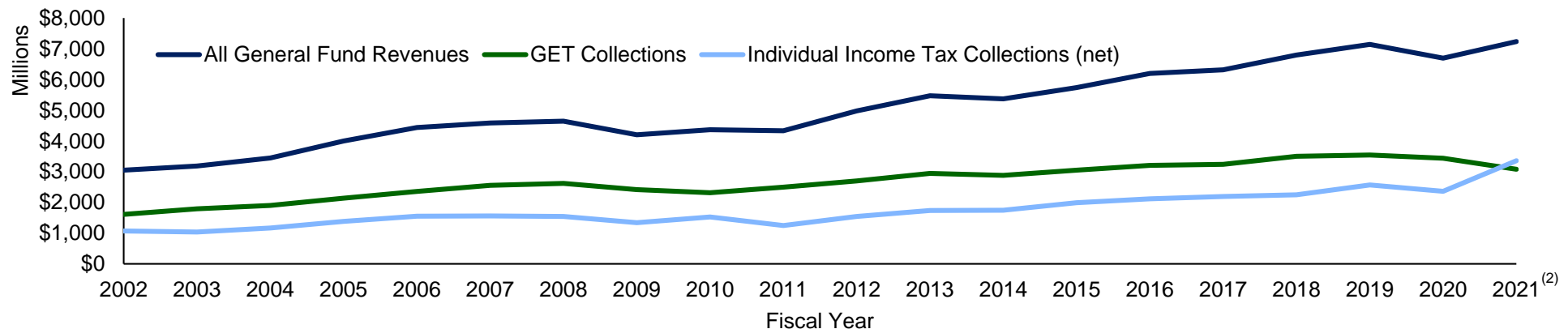
## *The State's Tax Structure Provides Stable Delivery of Tax Revenue*

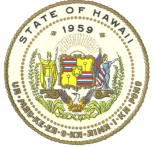
- The General Excise Tax (GET) and Individual Income Tax comprise over 89% of the State's annual General Fund tax revenues
- The GET is a broad tax based on the gross income that businesses generate in the State
- GET is levied at a low rate and has been a stable source of revenue to the State for several decades
- Unlike most other state sales taxes, Hawaii's GET applies to revenue generated on services in addition to its broad application to revenue from the sale of goods
- Transient Accommodations Tax (TAT) accounted for only about 2% of General Fund Revenues in FY 2021 and is expected to grow in FY 2022

**State General Fund  
Tax Revenue Composition (FY 2021)<sup>(1)</sup>**



## 20-Year History of General Fund Tax Revenues



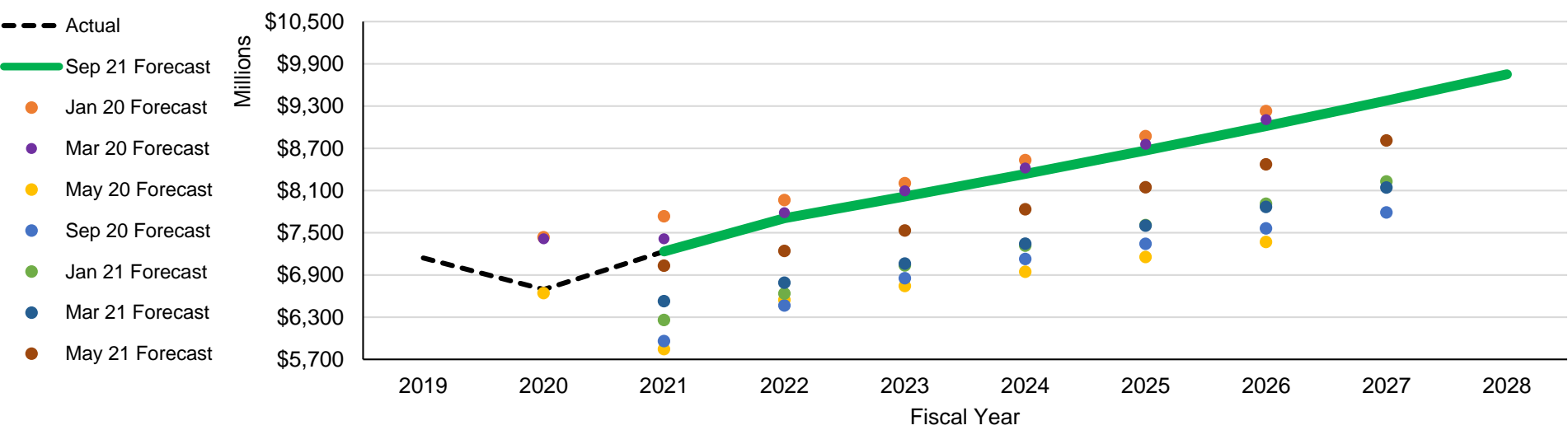


# Council on Revenues Forecast

## Recent Council Forecasts Show Revenue Outlook Returning to Pre-Pandemic Levels

- The Council’s September 2021 forecast increased FY 2022 revenue growth to 6.3% from its May 2021 forecast of 3.0% and maintained 4% annual growth for Fiscal Years 2023-2028
  - This change increased the General Fund Financial Plan by \$1.58 billion for FY 2022-2026, which was in addition to the \$3.1 billion that was added as a result of the upward revision in the Council’s May 2021 forecast
- The upward revision in the 2022 forecast is due to robust collections of general excise and income taxes as well as increased tourist arrivals and consumer spending so far in 2021
- The Council acknowledges the level of uncertainty regarding COVID-19 and reduction in further Federal stimulus spending

## Council on Revenues Forecasted Tax Revenues<sup>(1,2)</sup>



Sources

- (1) Forecast: Department of Taxation Council on Revenues.  
(2) Actual: Hawaii Department of Business, Economic Development & Tourism.

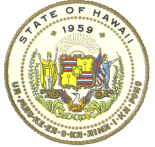


# General Fund Financial Plan Assumptions/Details

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***The State's Updated Multi-Year General Fund Financial Plan is Based upon the Recent September 2021 Council on Revenues Forecast***

- Expenditures are based upon all Legislatively approved budgets in 2021
  - Also incorporates 2021 Legislative Session tax measures, Special Funds and Emergency Budget and Reserve Fund transfers as well as working capital borrowing
  - Out year expenditures for Executive branch reflect continuation of recurring budget costs with increases for projected debt service, pension contribution, FICA, employee health benefits, OPEB and Medicaid costs
  - Other budgets (Judiciary, Legislative, Office of Hawaiian Affairs) assume continuation of recurring budget costs
  - Specific appropriations include \$390 million for additional OPEB prefunding contributions and \$250 million for an additional deposit into the Emergency Budget and Reserve Fund
- Improved Council on Revenues forecast allows for significant planned actions and set asides to be included in the updated Financial Plan (requires further Legislative approval and possibly federal approval due to receipt of COVID-19 funds)
  - Proposed voluntary set asides include a \$1.05 billion deposit to the State's Emergency Budget Reserve Fund later this fiscal year and \$250 million in OPEB payments above the ARC requirement in FY 2023 among other one-time expenditures
  - The State has the flexibility to not implement these items in the event that revenue forecasts change
- Before taking into account the large proposed voluntary reserve and OPEB deposits, the updated General Fund Financial Plan projects recurring revenues in excess of recurring expenditures each and every year through FY 2027
  - This will provide the State considerable flexibility in its ongoing financial management in the event that future Council revenue projections are reduced



# General Fund Financial Plan as of September 8, 2021

## *The State's General Fund Financial Plan Shows Recurring Budgetary Balance and Record Reserves*

(\$ in millions)	Adj. Act. FY 2020	Est. FY 2021	Est. FY 2022	Est. FY 2023	Est. FY 2024	Est. FY 2025	Est. FY 2026	Est. FY 2027
<b>REVENUES</b>								
<b>Executive Branch:</b>	-6.3%	8.1%	6.3%	4.0%	4.0%	4.0%	4.0%	4.0%
Tax revenues	\$6,694.7	\$7,250.4	\$7,707.0	\$8,015.3	\$8,335.9	\$8,669.4	\$9,016.1	\$9,376.8
Nontax revenues	1,562.2	1,721.5	740.3	750.7	767.1	783.8	887.0	907.8
Judicial Branch revenues	28.2	31.1	27.2	27.2	27.2	27.2	27.2	27.2
Other revenues/adjustments:	-	-	(41.1)	(105.1)	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$8,285.1</b>	<b>\$9,003.0</b>	<b>\$8,433.4</b>	<b>\$8,688.1</b>	<b>\$9,130.3</b>	<b>\$9,480.3</b>	<b>\$9,930.3</b>	<b>\$10,311.8</b>
<b>EXPENDITURES</b>								
<b>Executive Branch:</b>								
Operating	8,024.0	8,047.9	7,663.9	7,758.6	8,298.5	8,410.4	8,628.9	8,576.8
CIP	-	-	-	-	-	-	-	-
Specific appropriation/CB	159.5	829.4	15.7	46.4	47.0	47.1	47.1	47.1
Other expenditures/adjustments	-	-	1,064.6	1,174.9	639.4	631.0	628.0	628.1
<b>Sub-total - Exec Branch</b>	<b>8,163.5</b>	<b>8,877.3</b>	<b>8,744.2</b>	<b>8,979.9</b>	<b>8,984.9</b>	<b>9,088.5</b>	<b>9,304.0</b>	<b>9,252.0</b>
Legislative Branch	42.6	41.1	41.1	41.4	41.9	41.9	41.9	41.9
Judicial Branch	172.2	163.0	164.9	165.3	165.8	166.0	166.0	166.0
OHA	3.1	3.0	2.3	2.3	2.3	2.3	2.3	2.3
Counties	-	-	-	-	-	-	-	-
Lapses	(346.9)	(328.5)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
<b>TOTAL EXPENDITURES</b>	<b>\$8,034.5</b>	<b>\$8,755.9</b>	<b>\$8,872.5</b>	<b>\$9,108.9</b>	<b>\$9,114.9</b>	<b>\$9,218.7</b>	<b>\$9,434.2</b>	<b>\$9,382.2</b>
<b>REV. OVER (UNDER) EXPEND.</b>								
<b>CARRY-OVER BALANCE (DEFICIT)</b>	250.6	247.2	(439.0)	(420.9)	15.5	261.7	496.2	929.7
Beginning	752.1	1,002.7	1,249.9	810.9	390.0	405.5	667.2	1,163.3
<b>Ending</b>	<b>\$1,002.7</b>	<b>\$1,249.9</b>	<b>\$810.9</b>	<b>\$390.0</b>	<b>\$405.5</b>	<b>\$667.2</b>	<b>\$1,163.3</b>	<b>\$2,093.0</b>
<b>Estimated EBRF Balances<sup>(1)</sup>:</b>	\$58.9	\$319.5	\$1,374.7	\$1,382.6	\$1,390.1	\$1,397.4	\$1,404.4	\$1,411.6
<b>EBRF Fund Balance as % of Prior Year Revenues</b>	0.74%	3.86%	15.27%	16.39%	16.00%	15.30%	14.81%	14.21%
<b>(State Policy Target of 10%)</b>								

1) EBRF adds \$250M in FY 2021 per Act 6/SSLH21; adds \$1,050M in FY 2022.

Sources: Department of Accounting and General Services; Department of Budget and Finance.

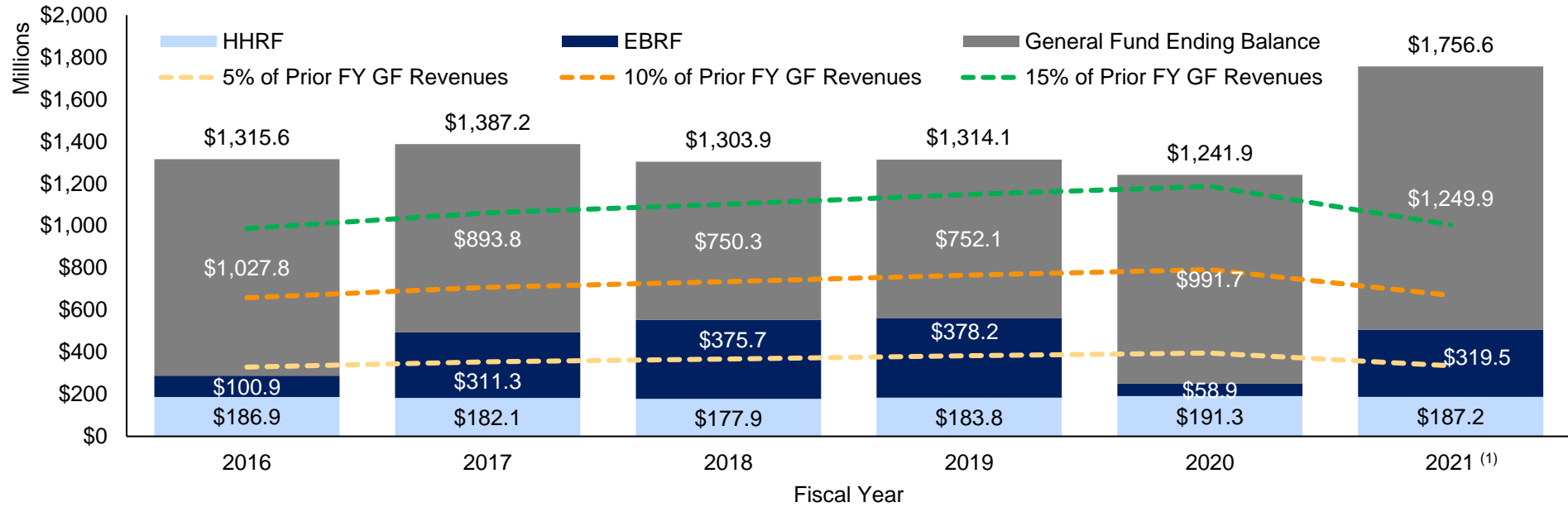
Note: Due to rounding, details may not add to totals.



# Reserves and Liquidity

## The State Continues to Maintain Strong Reserves and Sizeable General Fund Ending Balances

### Historical Fund Balances



### Emergency Budget and Reserve Fund ("EBRF")

- \$345 million was transferred to the General Fund in FY 2020
- FY 2021 ending balance of \$319.5 million, which includes a \$250 million increase from FY 2020
- Policy target at 10% of prior fiscal year revenues
  - FY 2021 EBRF balance was 3.86% of FY 2020 General Fund revenues

### Hawaii Hurricane Relief Fund ("HHRF")

- Fund was not used to balance the budget during COVID-19
- FY 2021 market valuation of \$187.2 million
- While not a formal budgetary reserve, HHRF remains available as a flexible liquidity source, if needed
- Investment income goes to the General Fund



# Pension

## *FY 2021 Preliminary Results have Improved Pension Funding Levels over FY 2020*

### Hawaii ERS Key Metrics

Hawaii ERS	FY 2020
Asset Valuation	\$18.0 billion
Investment Return	1.3%
UAAL	\$14.6 billion
Funded Ratio	55.3%
Funding Period	26 years

### Enacted Higher Rates (Employer Contributions)<sup>(1)</sup>

	General	Police & Fire
FY 2017	17%	25%
FY 2018	18%	28%
FY 2019	19%	31%
FY 2020	22%	36%
FY 2021	24%	41%

- Investment returns for FY 2021 exceeded the State's target return of 7.0% and show a preliminary asset valuation increase to \$21.4 billion<sup>(2)</sup>
  - These returns will further reduce the ERS Net Pension Liability
- Act 17/2017 (SB936) employer contribution increases are fully implemented
- Stress tests, conducted annually since 2017, show system is sustainable in a low-return environment
- For further information, please visit:  
<https://ers.ehawaii.gov>

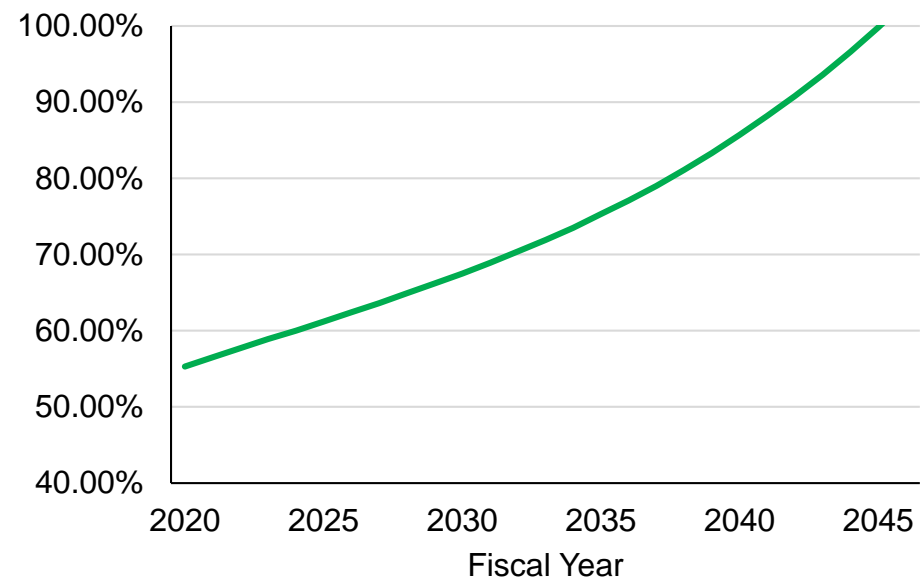
(1) Contributions as % of payroll.

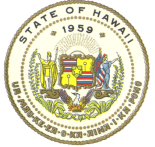
(2) Preliminary and subject to adjustment.

Note: The graphic includes contributions for both the State and counties.

Source: Employee's Retirement System of the State of Hawaii.

### Projected ERS Funded Ratio (FY 2020)



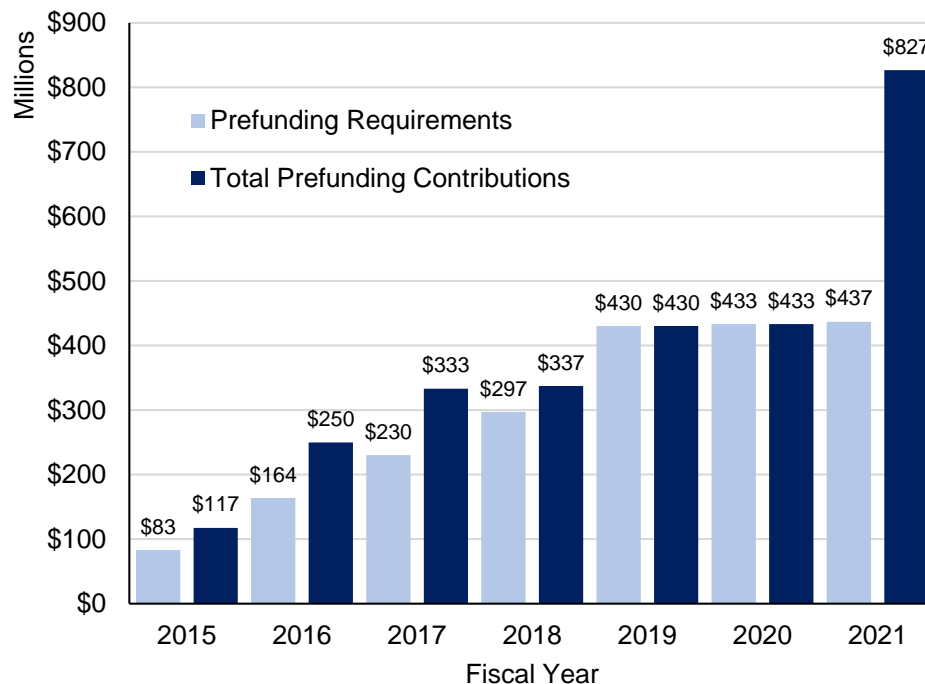


# OPEB

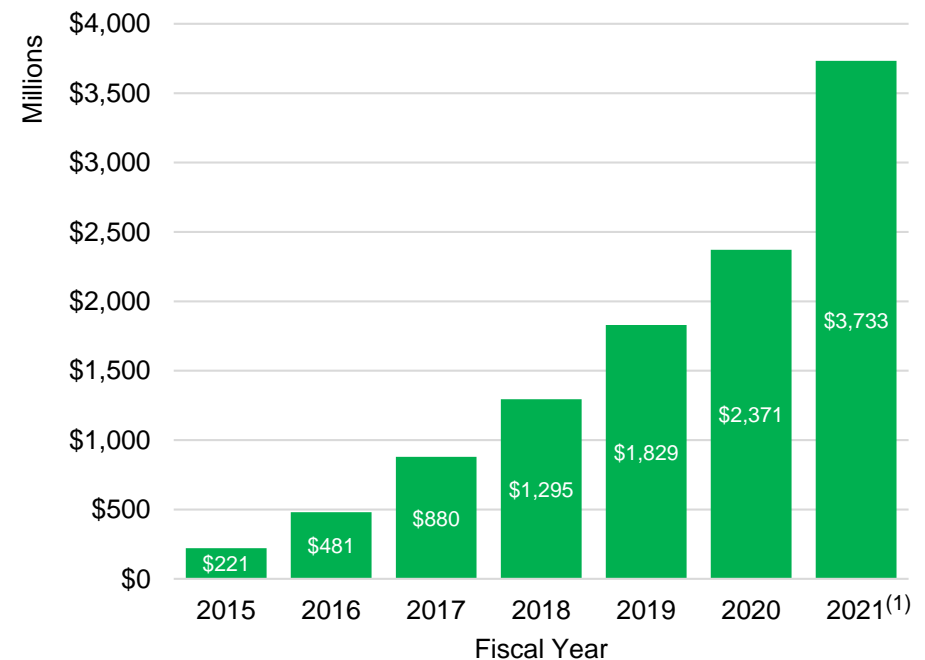
## *The State Continues to Build a Substantial Balance in its OPEB Trust Fund*

- Act 268, Session Laws of Hawaii 2013 requires the State to pre-fund its OPEB costs and pay down the unfunded actuarial accrued liability over a 30-year period
- Under the Act, increasing OPEB prefunding contributions were phased in through FY 2018 with 100% of the ARC payment made beginning with FY 2019
- The State made its full ARC payment for FY 2021 and an additional prefunding contribution of \$390 million, making the total prefunding contribution for FY 2021 \$827 million
- State OPEB prefunding contributions and investment returns resulted in a State OPEB Trust Fund balance estimated to be \$3.7 billion at the end of FY 2021, up from \$2.4 billion at the end of FY 2020
- The State's FY 2021 OPEB contributions and investment returns are expected to increase the funded ratio above the FY 2020 funded ratio of 21%

**EUTF Prefunding Contributions (State Only)**



**EUTF Balance and Funded Ratio (State Only)**



Source: Hawaii Employer-Union Health Benefits Trust Fund.

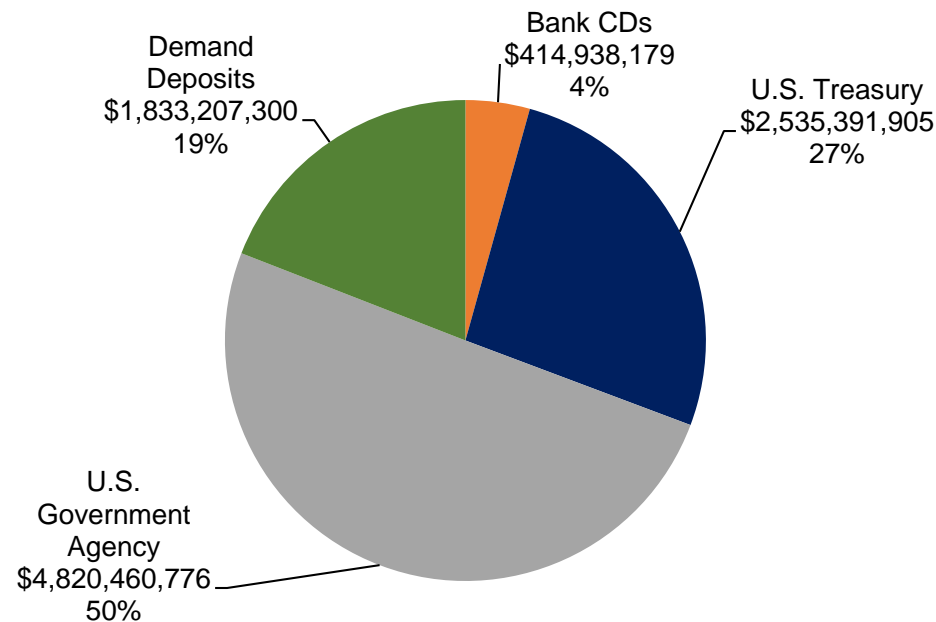
(1) Estimated. Includes a \$390 million prefunding contribution accrued as of June 30, 2021 and paid in July 2021.



# Treasury Portfolio

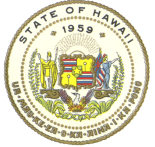
*The State's Liquidity Provides Future Financial Flexibility*

**Portfolio Breakdown by Security Type (6/30/2021)**



**Portfolio Breakdown by Category, June 2019, 2020 and 2021**

Portfolio	6/30/2019	6/30/2020	6/30/2021
U.S. Government Agency	\$4,470,845,979	\$2,734,758,309	\$4,820,460,776
Bank CDs	1,720,628,864	1,596,510,758	414,938,179
U.S. Treasury	664,417,411	1,597,103,595	2,535,391,905
Demand Deposits <sup>(1)</sup>	533,047,374	1,361,904,167	1,833,207,300
<b>Total Cash &amp; Investments</b>	<b>\$7,388,939,628</b>	<b>\$7,290,276,829</b>	<b>\$9,603,998,160</b>

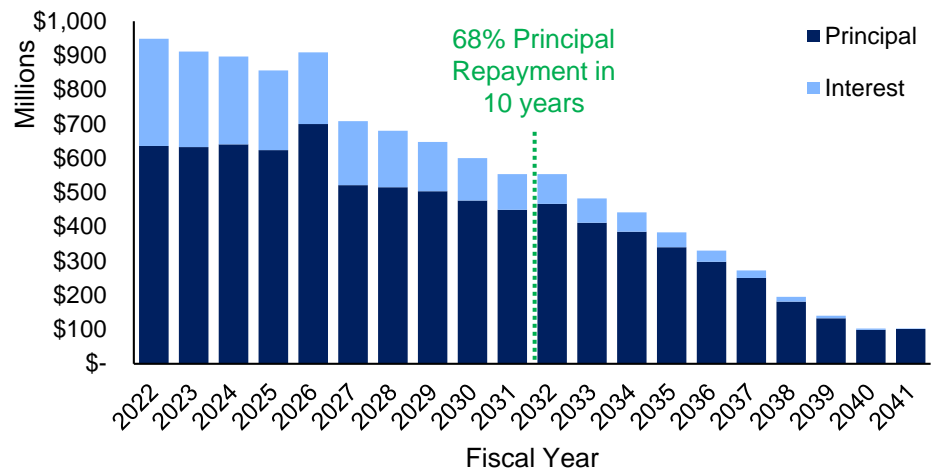


# Debt Management

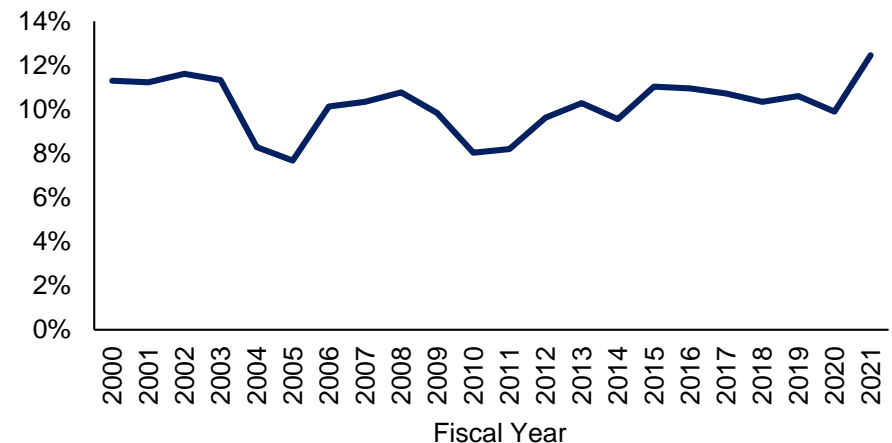
## *The State has a Long Record of Conservative Debt Management Practices that are Governed by a Formal Debt Management Policy*

- Principal and interest on G.O. Bonds are a first charge on the General Fund and have a pledge of full faith and credit
- G.O. Bonds have conservative Constitutional constraints on debt structure
  - Limits final maturity to 25 years, and principal can be deferred no more than 5 years
  - Requires level debt service or level principal amortization
  - Maximum annual debt service can be no more than 18.5% of the average of the prior three year General Fund revenues
- No Statewide vote required for debt issuance
- The State conservatively manages its debt portfolio
  - Bonds issued with 20 year final maturity and level debt service
  - 2021 new money issuance has no principal deferral
  - 100% fixed rate G.O. debt with no derivatives
  - 68% of principal amortizes over the next 10 years

**G.O. Debt Service Profile<sup>(1)</sup>**

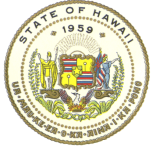


**Debt Service as % of General Fund Revenues<sup>(2)</sup>**



(1) Includes \$63 million of reimbursable G.O. Bonds and excludes \$200 million Bond Anticipation Notes. The State also has a de minimis amount of Certificates of Participation outstanding.

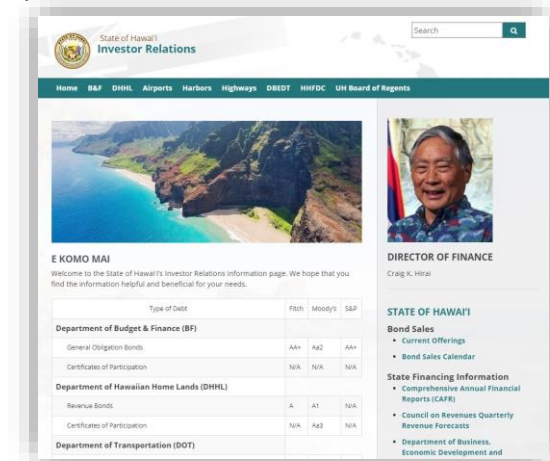
(2) Excludes reimbursable G.O. Bonds and Bond Anticipation Notes debt service. General Fund Revenues are net of Working Capital Borrowings and Reserve Fund transfers.



# Investor Relations and Contact Information

***Please Join Us for a Live Online Investor Presentation on September 27, 2021***

- On behalf of the State's syndicate, Morgan Stanley will host a live presentation via Zoom for institutional investors on Monday, September 27 at 2:00 PM Eastern
- To access the Zoom presentation please RSVP to [judith.asuzu@ms.com](mailto:judith.asuzu@ms.com) and [shannon.canning@ms.com](mailto:shannon.canning@ms.com)
- The State requests that questions regarding its credit or financing also be submitted in advance by Wednesday, September 22, 2021



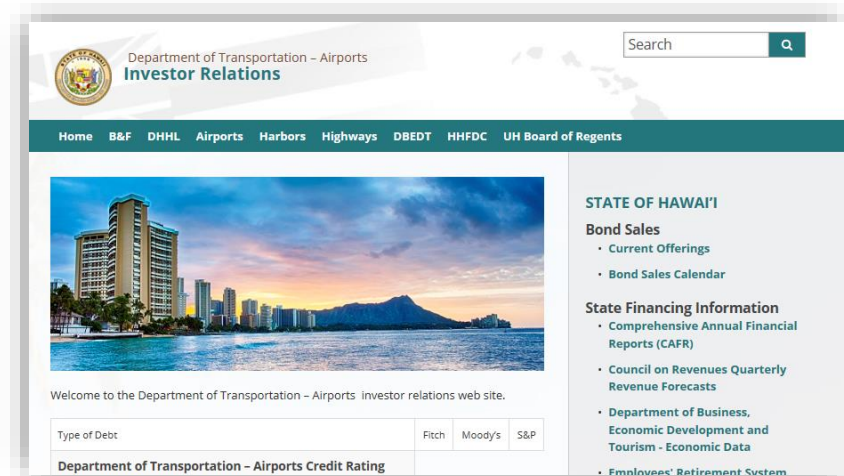
***For questions, please contact the following individuals below or visit the State's investor relations website***

## **State of Hawaii, Department of Budget & Finance**

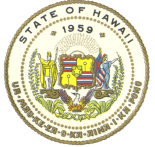
Rod Becker (roderick.k.becker@hawaii.gov, 808-586-1612)

## **BofA Securities (Lead Bookrunner)**

Frank Lauterbur (frank.lauterbur@bofa.com, 213-345-9575)



***Additional information may also be found at:*** <http://investorrelations.hawaii.gov/> (pictured)



# Conclusion

*Hawaii has a Resilient Economy with Growing General Fund Revenues,  
Prudent Financial Management and an Enduring Appeal Worldwide*

**Napali Coast – Kauai**



**Kona Coast – Hawaii Island**



**Honolulu – Oahu**



**Manele – Lanai**

