NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: see RATINGS herein**

The delivery of the Series 2022 Bonds is subject to the opinion of Katten Muchin Rosenman LLP, Bond Counsel, to the effect that under existing law, interest on the Series 2022 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and that, assuming continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, interest on the Series 2022 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition: (i) interest on the Series 2022 Bonds is an item of tax preference for purposes of computing alternative minimum tax and (ii) interest on the Series 2022 Bonds is not excludable from the gross income of owners who are "substantial users," or "related persons" to substantial users, of the facilities financed or refinanced thereby. In the further opinion of Bond Counsel, under the existing statutes, interest on the Series 2022 Bonds is exempt from all taxation by the State and any county or any political subdivision thereof, except inheritance, transfer and estate taxes and except to the extent the franchise tax imposed by the laws of the State on banks and other financial institutions may be measured with respect to the Series 2022 Bonds or income therefrom. See "TAX MATTERS" herein.

$262,315,000
STATE OF HAWAII
Airports System Revenue Bonds
consisting of

$209,280,000 Series 2022A (AMT)	**$53,035,000 Refunding Series 2022B (AMT)**

The $209,280,000 aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2022A (AMT) (the "*Series 2022A Bonds*") and $53,035,000 aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2022B (AMT) (the "*Series 2022B Bonds*" and, together with the Series 2022A Bonds, the "*Series 2022 Bonds*") are being issued for the purpose of funding the costs of capital improvement projects at certain facilities of the Airports System (defined herein) and refunding certain outstanding Airports System Revenue Bonds of the State of Hawaii (the "*State*"). The Series 2022 Bonds are special limited obligations of the State, payable solely from and secured solely by the Revenues (as defined herein) derived by the State from the ownership and operation of the Airports System and the receipts from aviation fuel taxes imposed by the State.

See the inside cover page for maturities, principal amounts, interest rates, and yields of the Series 2022 Bonds. The Series 2022 Bonds shall be dated as of their date of delivery and shall bear interest from the date of delivery payable each July 1 and January 1, commencing July 1, 2022. The Series 2022A Bonds are subject to optional and mandatory redemption prior to maturity thereof upon the terms and conditions and at the price as described herein. The Series 2022B Bonds are not subject to redemption prior to maturity thereof.

The Series 2022 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. Purchases of the Series 2022 Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC participants. Purchases of the Series 2022 Bonds will initially be made in denominations of $5,000 or integral multiples thereof. Beneficial owners of the Series 2022 Bonds will not receive physical delivery of Series 2022 Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2022 Bonds. So long as DTC or its nominee is the registered owner of the Series 2022 Bonds, payment of the principal of, and premium, if any, and interest on, the Series 2022 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (See "**DESCRIPTION OF THE SERIES 2022 BONDS – Book-Entry Only System**" herein).

The Series 2022 Bonds do not constitute a general or moral obligation of the State nor a charge upon the general fund of the State. The full faith and credit of neither the State nor any political subdivision thereof is pledged to the payment of or as security for the Series 2022 Bonds. Neither the real property nor the improvements comprising the Airports System have been pledged or mortgaged to secure payment of the Series 2022 Bonds.

All purchasers of the Series 2022 Bonds, by their purchase of the Series 2022 Bonds and acceptance of the delivery thereof, will be deemed to have consented to the certain amendments to the Certificate as described more fully herein. See "**DESCRIPTION OF THE SERIES 2022 BONDS – Amendment to the Certificate**" herein.

The Series 2022 Bonds are offered when, as and if issued, subject to the approval of legality by Katten Muchin Rosenman LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Dentons US LLP, Honolulu, Hawaii. It is expected that the Series 2022 Bonds in definitive form will be available for delivery on or about February 3, 2022.

Morgan Stanley BofA Securities

Dated: January 20, 2022

$209,280,000
STATE OF HAWAII
AIRPORTS SYSTEM REVENUE BONDS,
SERIES 2022A
(AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP (419794)†
2036	$8,620,000	5.000%	2.050%	127.528[C]	G55
2037	9,050,000	5.000	2.080	127.205[C]	G63
2038	9,500,000	5.000	2.110	126.884[C]	G71
2039	9,975,000	4.000	2.290	115.758[C]	G89
2040	10,375,000	4.000	2.320	115.457[C]	G97
2041	10,795,000	4.000	2.350	115.158[C]	H21
2042	11,225,000	5.000	2.230	125.607[C]	H39

$11,000,000 4.000% Term Bonds due July 1, 2047, Priced: 113.378[C] to yield 2.530%, CUSIP† 419794H47
$49,790,000 5.000% Term Bonds due July 1, 2047, Priced: 124.032[C] to yield 2.380%, CUSIP† 419794H54
$78,950,000 5.000% Term Bonds due July 1, 2051, Priced: 123.616[C] to yield 2.420%, CUSIP† 419794H62

$53,035,000
STATE OF HAWAII
AIRPORTS SYSTEM REVENUE BONDS,
REFUNDING SERIES 2022B
(AMT)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP (419794)†
2023	$33,185,000	5.000%	0.670%	106.070	H70
2024	19,850,000	5.000	0.850	109.882	H88

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence LLC. Copyright© 2021 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. CUSIP® numbers are subject to being changed after the issuance of the Series 2022 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2022 Bonds. None of the State, the Underwriters or their agents or counsel assume responsibility for the accuracy of any CUSIP® numbers.

[C] Calculated to the July 1, 2032 optional redemption date.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the State or the Underwriters to give any information or to make any representation with respect to the Series 2022 Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is neither an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Series 2022 Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein have been furnished by the State and include information obtained by the State from DTC, the Airport Consultant and other sources that are deemed to be reliable. Such information and expressions of opinion are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change since the date hereof. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the registered or beneficial owners of the Series 2022 Bonds.

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, fairness or completeness of such information.

This Official Statement should be considered in its entirety. All references herein to laws, agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the Series 2022 Bonds are further qualified by reference to the information with respect thereto contained in the Certificate (including the Thirty-Fourth Supplemental Certificate). Copies of the Certificate are available for inspection at the offices of the State and the Paying Agent. The information contained herein is provided as of the date hereof and is subject to change.

The Series 2022 Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, nor has the Certificate been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts.

In making an investment decision, investors must rely on their own examination of the Airports System and terms of the offering, including the merits and risks involved. Neither the Securities and Exchange Commission, any state securities commission nor any other federal or state regulatory authority has approved or disapproved of the Series 2022 Bonds or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense.

References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

CUSIP numbers are included in this Official Statement for the convenience of the holders and potential holders of the Series 2022 Bonds. No assurance can be given that the CUSIP numbers will remain the same after the date of issuance and delivery of the Series 2022 Bonds.

Cautionary Note Regarding Forward-Looking Statements

This Official Statement contains disclosures which contain *"forward–looking statements"* within the meaning of the United States *Private Securities Litigation Reform Act of 1995*, Section 21E of the United States *Securities Exchange Act of 1934*, as amended, and Section 27A of the United States *Securities Act of 1933*, as amended. Forward–looking statements include all statements that do not relate solely to historical or current facts, and can be identified by use of words like *"believe," "intend," "expect," "project," "forecast," "estimate," "anticipate," "plan," "continue,"* or similar expressions or by the use of future or conditional verbs such as "*may*," "*will*," "*should*," "*would,*" or "*could*." These forward–looking statements are based on the current plans and expectations of the State and the Airport Consultant and are subject to a number of known and unknown uncertainties and risks, many of which are beyond their control and/or difficult or impossible to predict, that could significantly affect current plans and expectations and the Airports System's future financial position, including but not limited to changes in general economic conditions, demographic trends and State and federal funding of programs which benefit the Airports System. As a consequence, current plans, anticipated actions and projected or future financial positions and liquidity may differ materially from those expressed in (or implied by) any forward–looking statements made by the State or the Airport Consultant herein based on a number of factors, including, among others, the amount of Revenues and Aviation Fuel Taxes, cost reduction, capital markets condition, future long-term and short-term borrowings, the financial condition of the State and/or the Airports System, potential legislative or other actions, pandemics, including but not limited to COVID-19, epidemics and natural disasters and other risks and uncertainties discussed under the caption "**CERTAIN INVESTMENT CONSIDERATIONS**." Such forward-looking statements include, but are not limited to, certain statements contained in Appendix A – Report of the Airport Consultant attached hereto. The Report of the Airport Consultant should be read in its entirety, including the notes and assumptions set forth therein.

Investors are cautioned not to place undue reliance on such forward–looking statements when evaluating the information presented in this Official Statement. Forward-looking statements speak only as of the date they are made and, except as set forth in this Official Statement under the caption "**CONTINUING DISCLOSURE**" and Appendix G – Form of Continuing Disclosure Certificate, the State does not have any obligation, and does not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date hereof, whether as a result of new information, future events or otherwise.

STATE OF HAWAII

David Y. Ige, Governor

Josh Green, Lieutenant Governor

DEPARTMENT OF TRANSPORTATION

Director	Jade Butay
Deputy Director, Airports	Ross M. Higashi
Deputy Director, Harbors	Eduardo Manglallan
Deputy Director, Highways	Edwin H. Sniffen
Deputy Director, Administration	Patrick McCain
Acting Administrator, Airports Division	Davis K. Yogi

SPECIAL SERVICES
Paying Agent and Registrar
U.S. Bank National Association
Seattle, Washington

Airport Consultant
ICF SH&E, Inc.
Cambridge, Massachusetts

Bond Counsel
Katten Muchin Rosenman LLP
New York, New York

Financial Advisor
PFM Financial Advisors LLC
San Francisco, California

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STATE OF HAWAII
Airports System Revenue Bonds
consisting of

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INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto (the "*Official Statement*"), provides information regarding the sale and issuance of the $209,280,000 aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2022A (AMT) (the "*Series 2022A Bonds*") and $53,035,000 aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2022B (AMT) (the "*Series 2022B Bonds*" and, together with the Series 2022A Bonds, the "*Series 2022 Bonds*"). See "**DESCRIPTION OF THE SERIES 2022 BONDS**" below for a description of the principal terms of the Series 2022 Bonds. Capitalized terms used but not otherwise defined in this Official Statement shall have the respective meanings given to such terms in the Certificate (as defined below) and in Appendix D – Certain Definitions in the Certificate and in Appendix E – Summary of Certain Provisions of the Certificate.

The State of Hawaii (the "*State*"), acting by and through its Department of Transportation (the "*Department*"), will issue the Series 2022 Bonds pursuant to the State Constitution, the laws of the State and the Certificate of the Director of Transportation of the State dated as of May 1, 1969, as amended and supplemented (the "*Certificate*"), including as supplemented by the Thirty-Fourth Supplemental Certificate, dated as of February 1, 2022 (the "*Thirty-Fourth Supplemental Certificate*"). Pursuant to the Certificate, the State has previously issued 44 Series of State of Hawaii Airports System Revenue Bonds (the "*Prior Bonds*"). As of December 1, 2021, $1,532,945,000 of the Prior Bonds were outstanding. The outstanding Prior Bonds, the Series 2022 Bonds and any additional parity bonds issued by the State under the Certificate (the "*Additional Bonds*") are collectively referred to herein as the "*Bonds*."

The Series 2022 Bonds are being issued: (i) to pay the cost of capital improvement projects at certain facilities within the State's airports system (the "*Airports System*"), (ii) to pay capitalized interest on the Series 2022A Bonds, (iii) to fund a deposit into the Debt Service Reserve Account, (iv) to provide for the current refunding of the outstanding State of Hawaii Airports System Revenue Bonds, Refunding Series 2011 (AMT) (the "*Refunded Bonds*"), and (v) to pay certain costs of issuance relating to the Series 2022 Bonds. See "**DESCRIPTION OF THE SERIES 2022 BONDS – Sources and Uses of Funds**" below.

The Bonds, including the Series 2022 Bonds, are special limited obligations of the State, payable solely from and secured solely by the Revenues of the Airports System and receipts of the State's aviation fuel taxes ("*Aviation Fuel Taxes*"). **The Bonds, including the Series 2022 Bonds, do not constitute a general or moral obligation of the State nor a charge upon the general fund of the State. The full faith and credit of neither the State nor any political subdivision of the State is pledged to the payment of or as security for the Series 2022 Bonds. All Bonds, including the Series 2022 Bonds, are and will be secured equally and ratably by the Revenues and Aviation Fuel Taxes.** See "**SECURITY FOR**

THE BONDS" and "**FINANCIAL INFORMATION**" below for a description of the security for the Bonds and sources of Revenues of the Airports System.

The Airports System is comprised of five primary airports and ten secondary airports. The primary airports consist of Daniel K. Inouye International Airport ("*Daniel K. Inouye International*") in Honolulu, Kahului Airport ("*Kahului*") on Maui, Hilo International Airport ("*Hilo International*") and Ellison Onizuka Kona International Airport at Keahole ("*Kona*") on the Island of Hawaii, and Lihue Airport ("*Lihue Airport*") on Kauai. Daniel K. Inouye International is the State's principal airport. See "**THE AIRPORTS SYSTEM**" below. The Airports System is operated as a single integrated system for management and financial purposes on behalf of the State by the Department. See "**DEPARTMENT OF TRANSPORTATION**" below. The Department is authorized to impose and collect rates and charges for the Airports System services and properties to generate Revenues which, together with Aviation Fuel Taxes, will be sufficient to pay the costs of operation, to pay debt service on the Bonds and any subordinate indebtedness issued under the Certificate, to pay for maintenance and repair of the Airports System and to comply with the terms of the Certificate. Every odd-numbered Fiscal Year, the Department prepares a capital improvements program (the "*CIP*") that describes ongoing and proposed capital improvement projects that the Department proposes to undertake during that period. See "**CAPITAL IMPROVEMENTS PROGRAM**" below and Appendix A – Report of the Airport Consultant, for a description of current capital improvement projects comprising the CIP.

The cover page of this Official Statement and this Introduction contain certain information for general reference only. Investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision. This Official Statement contains descriptions of the Department, the Airports System and the current CIP and certain other capital improvement projects developed in coordination with the signatory airlines; summaries of the Series 2022 Bonds, the security for the Bonds, certain financial information, and certain provisions of the Certificate; and descriptions of the agreements between the Department and the Signatory Airlines (defined below) and certain concession agreements. All references to agreements and documents are qualified in their entirety by the definitive forms of such agreements and documents. All references to the Certificate and to the Series 2022 Bonds are qualified by the definitive forms of such Certificate and the Series 2022 Bonds. Copies of the Certificate are available for examination at the offices of the Department's Airports Division (the "*Airports Division*"). Any statement or information involving matters of opinion or estimates are represented as opinions or estimates made in good faith, but no assurance can be given that facts will materialize as so opined or estimated. The following appendices are included as part of this Official Statement: Appendix A – Report of the Airport Consultant on the Proposed Issuance of State of Hawaii, Airports System Revenue Bonds, Series 2022, dated January 10, 2022 (the "*Report of the Airport Consultant*"), prepared by ICF SH&E, Inc. (the "*Airport Consultant*"); Appendix B – Audited Financial Statements; Appendix C – General Economic Information about the State of Hawaii; Appendix D – Certain Definitions in the Certificate; Appendix E – Summary of Certain Provisions of the Certificate; Appendix F – Form of Bond Counsel Opinion; Appendix G – Form of Continuing Disclosure Certificate; and Appendix H – Provision for Book-Entry Only System.

COVID-19

The worldwide outbreak of a highly contagious, upper respiratory tract illness caused by a novel strain of coronavirus (together with variants thereof, "*COVID-19*") has caused significant disruptions to domestic and international air travel, including passenger and cargo operations, and has had significant negative and adverse effects on the economies of the State, the nation, and the world. Certain of the information in this Official Statement that describes historical Airports System revenues, financial affairs and operations predates the COVID-19 pandemic or was prepared before the outbreak of COVID-19. Such "pre-COVID-19" information should be considered in light of the negative and adverse impacts from

COVID-19 subsequent to the dates of such data. The effects of COVID-19 and actions taken at State and national levels to reduce its spread have had, and are expected to continue to have, a significant adverse effect on the revenues, financial condition and operations of the Airports System and on the economy of the State. COVID-19 developments, and associated governmental and regulatory responses, are rapidly changing and cannot be predicted with any assurance. See "**COVID-19 DEVELOPMENTS**," "**PASSENGER TRAFFIC AND AIRLINES**" and "**FINANCIAL INFORMATION**" below. See also, Appendix A – Report of the Airport Consultant for a more detailed discussion on the impact of COVID-19 on the Airports System's revenues, financial condition and operations and a description of some of the actions that the Airports Division has taken in response to the COVID-19 pandemic.

Prospective Financial Information

Prospective financial information in this Official Statement was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Prospective financial information included in this Official Statement, including summaries of prospective financial information from the Report of the Airport Consultant, has been prepared by, and is the responsibility of, the Airports Division management. KPMG LLP, independent auditors, which audited the Airports Division financial statements, has neither examined nor compiled this prospective financial information and, accordingly, KPMG LLP does not express an opinion or offer any other form of assurance with respect thereto. The KPMG LLP report included in Appendix B – Audited Financial Statements of this Official Statement relates to the Airports Division's historical financial information, and procedures have not been performed on the financial information subsequent to the date of their report. It does not extend to the prospective financial information and should not be read to do so.

DESCRIPTION OF THE SERIES 2022 BONDS

General Provisions Regarding the Series 2022 Bonds

The Series 2022 Bonds will be issued as fully registered bonds in the aggregate principal amount as set forth on the cover, will be dated the date of initial delivery and will bear interest from that date to their respective maturities as set forth on the inside cover page, subject to redemption prior to maturity as described below. Ownership interests in the Series 2022 Bonds will be available in denominations of $5,000 and integral multiples thereof. Interest on the Series 2022 Bonds will be payable on July 1, 2022, and on each January 1 and July 1 thereafter.

The Depository Trust Company ("*DTC*") will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's nominee name) or such other name as may be requested by an authorized representative of DTC. So long as Cede & Co. is the registered owner of the Series 2022 Bonds, all payments of principal, premium, if any, and interest on the Series 2022 Bonds are payable by wire transfer by the Paying Agent to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to the DTC Participants for subsequent disposition to Beneficial Owners. See "**DESCRIPTION OF THE SERIES 2022 BONDS – Book-Entry Only System**" below and Appendix H – Provision for Book-Entry Only System.

Redemption

Optional Redemption. The Series 2022A Bonds will be subject to redemption at the option of the State, in the order of maturity as directed by the State, on or after July 1, 2032 in whole or in part on any date, by lot within any single maturity, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the purchase or redemption date.

The Series 2022B Bonds are not subject to redemption prior to maturity.

Sinking Fund Account Redemption. The Series 2022A Bonds maturing July 1, 2047 and bearing interest at the rate of 4.000% per annum are subject to Sinking Fund redemption by operation of the Sinking Fund Account at a redemption price equal to 100% of the principal amount thereof on July 1, of the years and in the respective principal amounts set forth below:

$11,000,000
Series 2022A Bonds
Maturing July 1, 2047 (4.000% per annum)

Year	Principal Amount
2043	$2,145,000
2044	2,240,000
2045	2,345,000
2046	2,090,000
2047*	2,180,000

*Stated maturity.

The Series 2022A Bonds maturing July 1, 2047 and bearing interest at the rate of 5.000% per annum are subject to Sinking Fund redemption by operation of the Sinking Fund Account at a redemption price equal to 100% of the principal amount thereof on July 1, of the years and in the respective principal amounts set forth below:

$49,790,000
Series 2022A Bonds
Maturing July 1, 2047 (5.000% per annum)

Year	Principal Amount
2043	$ 9,640,000
2044	10,115,000
2045	10,600,000
2046	9,480,000
2047*	9,955,000

*Stated maturity.

The Series 2022A Bonds maturing July 1, 2051 are subject to Sinking Fund redemption by operation of the Sinking Fund Account at a redemption price equal to 100% of the principal amount thereof on July 1, of the years and in the respective principal amounts set forth below:

$78,950,000
Series 2022A Bonds
Maturing July 1, 2051

Year	Principal Amount
2048	$12,715,000
2049	13,350,000
2050	14,010,000
2051*	38,875,000

*Stated maturity.

Notice of Redemption. In the event of redemption of the Series 2022A Bonds, the Department shall cause notice of redemption to be mailed at least thirty (30) days prior to the redemption date to each registered owner of a Series 2022A Bond in whose name the Series 2022A Bond is registered in the books of registry. No exchanges or transfers of the Series 2022A Bonds shall be required to be made during the forty-five (45) days next preceding a date fixed for an optional redemption. At the time notice of any optional or sinking fund redemption is given to Holders of Series 2022A Bonds, the Department shall cause such notice to be provided to Moody's Investors Service, S&P Global Ratings and Fitch Inc. and to major securities depositories and bond information services. See "**DESCRIPTION OF THE SERIES 2022 BONDS – Book-Entry Only System**" below.

Selection of Series 2022A Bonds for Redemption. If less than all of a maturity of the Series 2022A Bonds is to be redeemed, the Series 2022A Bonds of such maturity to be redeemed will be selected by lot. See "**DESCRIPTION OF THE SERIES 2022 BONDS – Book-Entry Only System**" below for a description of DTC's practices.

Effect of Redemption. If a Series 2022A Bond is subject by its terms to redemption and has been duly called for redemption in accordance with the Certificate, and if sufficient monies available for the payment of the redemption price and interest to accrue to the redemption date on such Series 2022A Bond are held for such purpose by U.S. Bank National Association, Seattle, Washington, as the Paying Agent and Registrar, such Series 2022A Bond so called for redemption shall become due and payable, and interest on such Series 2022A Bond shall cease to accrue on the redemption date designated in such notice.

Upon surrender of any Series 2022A Bond to be redeemed in part only, the Department will execute and the Paying Agent shall authenticate and deliver to the Holder a new Series 2022A Bond or Series 2022A Bonds representing the unredeemed principal amount of the Series 2022A Bond surrendered.

Sources and Uses of Funds

The following table sets forth the sources and uses of the proceeds of the Series 2022 Bonds:

SOURCES:	Series 2022A Bonds	Series 2022B Bonds	Total
Par Amount	$209,280,000.00	$53,035,000.00	$262,315,000.00
Premium	47,157,107.00	3,975,906.50	51,133,013.50
Other Available Money	--	228,801.04	228,801.04
Total Sources	$256,437,107.00	$57,239,707.54	$313,676,814.54
USES:			
Deposit to Project Fund	$228,823,326.12	--	$228,823,326.12
Deposit to Escrow Fund	--	$57,003,962.77	57,003,962.77
Deposit to Interest Account[(1)]	16,057,556.28	--	16,057,556.28
Deposit to Debt Service Reserve Fund	10,042,550.01	--	10,042,550.01
Issuance Expenses[(2)]	1,513,674.59	235,744.77	1,749,419.36
Total Uses	$256,437,107.00	$57,239,707.54	$313,676,814.54

[(1)] To pay part of the interest on the Series 2022A Bonds through January 1, 2024.
[(2)] Includes underwriters' discount, fees and other costs of issuance.

Plan of Refunding

Pursuant to the Certificate, a portion of the proceeds of the sale of the Series 2022B Bonds, together with other available money, will be deposited with U.S. Bank National Association, as escrow agent (the "*Escrow Agent*"), in an escrow fund (the "*Escrow Fund*") held by the Escrow Agent pursuant to an escrow deposit agreement (the "*Escrow Deposit Agreement*"), to be dated as of the date of issuance of the Series 2022 Bonds, by and between the Department and the Escrow Agent, to be applied to the redemption of the Refunded Bonds. The following table sets forth the schedule of Refunded Bonds.

Schedule of Refunded Bonds

Series	Maturity Date	Amount Outstanding ($)	Amount to be Refunded ($)	Interest Rate (%)	Redemption Date	Redemption Price	CUSIP Number†
2011	7/1/2023	34,930,000	34,930,000	5.000	2/22/2022	100.000	419794YX4
2011	7/1/2024	9,730,000	9,730,000	4.125	2/22/2022	100.000	419794YY2
2011	7/1/2024	11,955,000	11,955,000	5.000	2/22/2022	100.000	419794G48

† The above-referenced CUSIP Numbers are furnished for convenience only. No representation is made by the State, the Department, the Underwriters or the Paying Agent as to the accuracy or completeness of such CUSIP Numbers.

Book-Entry Only System

The Series 2022 Bonds will be issued as fully registered bonds without coupons and are initially to be registered in the name of Cede & Co., as nominee for DTC, as securities depository for the Series 2022 Bonds. Purchases by beneficial owners are to be made in book-entry form. If at any time the book-entry only system is discontinued for the Series 2022 Bonds, the Series 2022 Bonds will be exchangeable for other fully registered certificated Series 2022 Bonds of the same series in any authorized denomination, maturity and interest rate. See Appendix H – Provision for Book-Entry Only System. Interest will be payable by check or draft mailed to the Holder as of the Record Date. The Paying Agent and Registrar may impose a charge sufficient to reimburse the Department or the Paying Agent and Registrar for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Series 2022 Bond issued upon such exchange or transfer, and any other expenses of the Department or the Director of Finance as the Paying Agent and Registrar incurred in connection therewith, will be paid by the person requesting such exchange or transfer. At the request of any Holder of at least $1,000,000 principal amount of the Series 2022 Bonds, payment of interest will be made by wire transfer as directed by such Holder. Payment of principal of the Series 2022 Bonds will be made upon presentation and surrender of such Series 2022 Bonds at the office of the Paying Agent and Registrar.

NEITHER THE DEPARTMENT NOR U.S. BANK NATIONAL ASSOCIATION AS THE PAYING AGENT AND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2022 BONDS; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF ANY SERIES 2022 BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO ANY SERIES 2022 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2022

BONDS; OR (vi) ANY OTHER MATTER RELATING TO DTC OR THE BOOK-ENTRY ONLY SYSTEM.

Transfer of Series 2022 Bonds

So long as Cede & Co., as nominee for DTC (or other nominee of DTC), is the Bondholder of record of the Series 2022 Bonds, beneficial ownership interests in the Series 2022 Bonds may be transferred only through a Direct Participant or Indirect Participant and recorded on the book-entry system operated by DTC. In the event the book-entry-only system is discontinued, Series 2022 Bond certificates will be delivered to the Beneficial Owners as described in the Certificate. Thereafter, the Series 2022 Bonds, upon surrender thereof at the principal office of the Paying Agent with a written instrument of transfer satisfactory to the Paying Agent, duly executed by the holder thereof or such holder's duly authorized attorney, may be exchanged for an equal aggregate principal amount of Series 2022 Bonds of the same maturity and of any Authorized Denominations.

In all cases in which the privilege of exchanging or transferring Series 2022 Bonds is exercised, the Department shall execute and authenticate and deliver the Series 2022 Bonds in accordance with the provisions of the Certificate. For every such exchange or transfer of Series 2022 Bonds, the Department may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer but may impose no other charge therefor.

Authority for Issuance

Article VII, Section 12 of the State Constitution and Part III, Chapter 39 of the Hawaii Revised Statutes ("*HRS*"), as amended (collectively the "*General Revenue Bond Law*"), permit the issuance of revenue bonds of the State payable from and secured by the Revenues and Aviation Fuel Taxes upon the approval of a majority of the members of each house of the State Legislature and pursuant to the Certificate and the Thirty-Fourth Supplemental Certificate of the Director of the Department (the "*Director*"), the latter of which becomes effective upon filing with the Director of Finance. The General Revenue Bond Law limits the maximum maturity of revenue bonds and also sets forth provisions for the sale, method of execution and other details of all revenue bonds. The State Legislature from time to time enacts laws (including the general appropriations act) authorizing the issuance of revenue bonds (without fixing any particular details), defining the purposes for which the bonds are to be issued and specifying the amount of the proceeds of such bonds which may be applied to such purposes. Pursuant to the General Revenue Bond Law, the Director has issued the Certificate, which, under State law, constitutes the security document pursuant to which all Bonds are issued and secured. The Thirty-Fourth Supplemental Certificate provides the terms of the Series 2022 Bonds including the principal amounts, the interest rates, the maturities, the redemption provisions and the covenants of the Department. The Series 2022 Bonds are being issued pursuant to the Certificate, the Thirty-Fourth Supplemental Certificate and the General Revenue Bond Law.

Administrative Directive No. 00-01, issued by the Governor on July 18, 2000 (the "*Directive*"), requires all departments of the State, including the Department, to organize and coordinate all bond issues with the Department of Budget and Finance. The Directive requires the Director of Finance to approve the amount, timing, pricing and details of every issuance of State bonds. The Director of Finance also approves the method of sale, pricing advisors or consultants, underwriters in a negotiated sale and other participants deemed necessary for each State financing.

Amendment to the Certificate

As a condition to the purchase of any Series 2022 Bond, each purchaser of a Series 2022 Bond, by his or her acceptance thereof, will consent to the proposed amendment contained in the Thirty-Fourth Supplemental Certificate and waive any revocation rights relating to such consent. After delivery of the Series 2022 Bonds, holders representing approximately 49% of the total amount of Bonds outstanding at such time will have consented to the proposed amendment. The proposed amendment authorizes Supplemental Certificates to set an alternate methodology for the selection of Additional Bonds to be redeemed within a single maturity. The proposed amendment does not and will not impact the methodology for selection of redemption of the Series 2022A Bonds from that set forth under the subcaption "**Redemption – Selection of Series 2022A Bonds for Redemption**" above or for any of the previously issued and outstanding Prior Bonds.

SECURITY FOR THE BONDS

General

The Bonds, including the Series 2022 Bonds, are special limited obligations of the State, payable solely from and secured solely by the Revenues and Aviation Fuel Taxes. The Bonds, including the Series 2022 Bonds, are equally and ratably secured by a lien and charge on the Revenues and Aviation Fuel Taxes prior and paramount to the lien thereon of any other bonds. The term "*Revenues*" means and includes all income, revenues and moneys derived by the State from the ownership by the State or operation and management by the Department of the Airports System, or the furnishing and supplying of services, facilities and commodities, and derived from rates, rentals, fees and charges fixed, imposed and collected by the Department. Revenues do not include proceeds from the sale of bonds or passenger facility charges unless inclusion is specifically provided in a supplemental certificate. See Appendix D – Certain Definitions in the Certificate and Appendix E – Summary of Certain Provisions of the Certificate, for complete definitions of Revenues and Aviation Fuel Taxes.

The Bonds, including the Series 2022 Bonds, do not constitute a general or moral obligation of the State nor a charge upon the general fund of the State. The full faith and credit of neither the State nor any political subdivision thereof is pledged to the payment of or as security for the Bonds, including the Series 2022 Bonds. Neither the real property nor the improvements comprising the Airports System have been pledged or mortgaged to secure payment of the Bonds, including the Series 2022 Bonds.

State law creates a special fund in the Treasury of the State designated as the Airport Revenue Fund. The Certificate provides that the Airport Revenue Fund shall be continued as long as any Bonds remain outstanding and provides that all Revenues and Aviation Fuel Taxes shall be deposited in the Airport Revenue Fund. The Certificate further provides that amounts deposited in the Airport Revenue Fund shall be used solely in the following order of priority (and as shown below under the heading "**SECURITY FOR THE BONDS - Flow of Funds**"): (1) payment of the costs of operation, maintenance, and repair of Airports System properties, including reserves and certain administrative expenses of the Department related to the Airports System; (2) transfer to the Interest Account, Serial Bond Principal Account, Sinking Fund Account and Debt Service Reserve Account for the payment of debt service on Bonds and any subordinate indebtedness issued under the Certificate; (3) transfers to the Airports System Major Maintenance, Renewal, and Replacement Account to maintain the balance established pursuant to the recommendation of the Consulting Engineer and to make up any deficiencies in certain of the accounts listed under (2) above; (4) transfers to the State General Fund to reimburse the State General Fund for debt service on reimbursable general obligation bonds issued for Airports System purposes; (5) betterments and improvements to the Airports System; (6) transfers to Special Reserve and Other Funds created by law; and

(7) any other lawful purpose in connection with the Bonds or the Airports System. See Appendix E – Summary of Certain Provisions of the Certificate – Application of Revenues and Aviation Fuel Taxes.

Flow of Funds

The following table illustrates the flow of funds in the Airport Revenue Fund pursuant to the Certificate:

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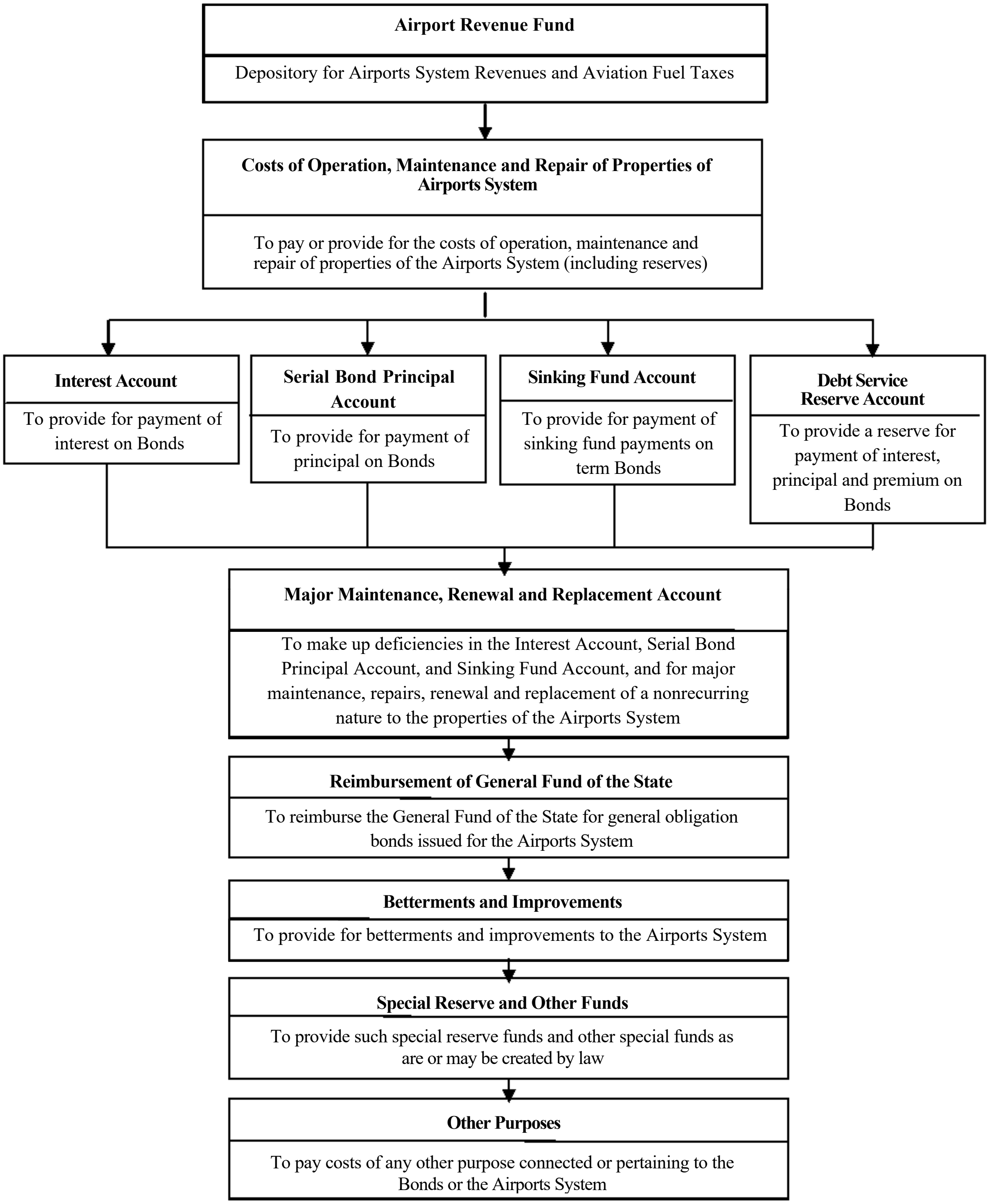

Source: Certificate of the Department of Transportation Providing for the issuance of State of Hawaii Airports System Revenue Bonds, dated May 1, 1969, as amended.

Rate Covenant; Pledge of Revenues and Aviation Fuel Taxes

Under the General Revenue Bond Law and Section 7.02 of the Certificate, the Department is required to impose, prescribe and collect rates, rentals, fees or charges for the use and services of, and the facilities and commodities furnished by, the Airports System, and to revise such rates, rentals, fees or charges from time to time whenever necessary, so that, together with Aviation Fuel Taxes, the Airports System shall be and always remain self-sustaining. The Department has covenanted in the Certificate to meet this statutory requirement by establishing and collecting such rates, rentals, fees or charges as will produce Revenues which, together with Aviation Fuel Taxes, will be at least sufficient: (i) to pay the costs of operation, maintenance and repair of the Airports System (including reserves) and the expenses of the Department in connection with such operation, maintenance and repair; (ii) to pay all indebtedness payable from or secured by Revenues and Aviation Fuel Taxes and to fund all reserves; (iii) to reimburse the General Fund of the State for all bond requirements for general obligation bonds issued for the Airports System, or issued to refund any of such bonds; and (iv) to satisfy the other provisions of the Certificate.

The Department will at all times impose, prescribe, adjust, fix, enforce and collect rates which will, together with that amount of unencumbered funds on deposit in the Airport Revenue Fund on the last day of a Fiscal Year (which the Department shall certify as Revenues to the Director of Finance for the next succeeding Fiscal Year solely for the purposes of this test), yield Net Revenues and Taxes with respect to the immediately ensuing twelve months in an amount at least equal to one and twenty-five hundredths (1.25) times the Debt Service Requirement for such period net of (i) the amount of Available PFC Revenues deposited or irrevocably committed to be deposited, as the case may be, by the Director during such period into the Interest Account, the Serial Bond Principal Account and the Sinking Fund Account for the purposes of deposits into such accounts provided under the Certificate; and (ii) the amount of Federal Direct Payments deposited or irrevocably committed to be deposited, as the case may be, by the Director during such period into the Interest Account for the purpose of paying interest on any Bonds as provided in a Supplemental Certificate (the "*Annual Adjusted Debt Service Requirement*"). See Appendix E – Summary of Certain Provisions of the Certificate, for a definition of Net Revenues and Taxes.

For purposes of calculating the Annual Adjusted Debt Service Requirement, Available PFC Revenues includes only PFC proceeds actually deposited or irrevocably committed to be deposited into the Interest Account, the Serial Bond Principal Account and the Sinking Fund Account during such Fiscal Year, and Federal Direct Payments includes only Federal Direct Payments actually deposited into the Interest Account during such Fiscal Year.

See Appendix E – Summary of Certain Provisions of the Certificate – Rate Covenant for a description of the Rate Covenant.

Debt Service Reserve Account

In order to provide a reserve for the payment of the principal of, premium, if any, and interest on the Bonds, the Certificate creates a Debt Service Reserve Account in the Airport Revenue Fund. Subject to provisions granting the Department the option to fund the Debt Service Reserve Account with a Qualified Letter of Credit or Qualified Insurance, the Certificate requires that moneys credited to the Debt Service Reserve Account be maintained in an amount equal to the Debt Service Reserve Requirement for the Bonds. As of the date of the issuance and delivery of the Series 2022 Bonds, there will be $117.5 million on deposit in the Airport Revenue Fund for credit to the Debt Service Reserve Account created by the Certificate, which amount will be equal to the Debt Service Reserve Requirement for all Bonds then outstanding (including the Series 2022 Bonds). Moneys in the Airport Revenue Fund on credit to the Debt Service Reserve Account shall, except for the transfer therefrom to the Airport Revenue Fund of excess amounts in accordance with the Certificate, be used and applied solely for the purpose of paying the principal of and interest and premium, if any, on the Bonds then outstanding (including the Series 2022 Bonds) when due, whether at their maturity or upon the redemption or purchase thereof, and shall be so used and applied whenever there are insufficient moneys in the Airport Revenue Fund on credit to the Interest Account, Sinking Fund Account and Serial Bond Principal Account therein for such purposes. In connection with the issuance of Additional Bonds, including the Series 2022 Bonds, unless upon the delivery of such Additional Bonds there shall then already be on deposit in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds to be outstanding upon the issuance of such Additional Bonds (including such Additional Bonds), there shall (1) be paid into the Airport Revenue Fund for credit to the Debt Service Reserve Account therein such amount, if any, of the proceeds of the sale of such Additional Bonds as the Department may determine, so that there shall then be on deposit in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds to be outstanding upon the issuance of such Additional Bonds (including such Additional Bonds), or (2) if and to the extent there shall not be paid into the Airport Revenue Fund for credit to the Debt Service Reserve Account therein proceeds of such Additional Bonds in an amount so that there shall then be on credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds to be outstanding upon the issuance of such Additional Bonds, there shall be credited to the Debt Service Reserve Account, at such time or from time to time as the Department may determine, such amount or amounts, as the Department may determine, of the moneys available therefor so that by no later than five (5) years from the date of such Additional Bonds there shall then be on deposit in the Airport Revenue Fund for credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds then outstanding, exclusive of other Additional Bonds which may have been issued during such five (5) year period and with respect to which credits are then being made to the Debt Service Reserve Account in accordance with this sentence.

See Appendix E – Summary of Certain Provisions of the Certificate – Application of Revenues and Aviation Fuel Taxes.

Additional Indebtedness

Section 3.04 of the Certificate permits the issuance of Additional Bonds payable from and secured by Revenues and Aviation Fuel Taxes on parity with the Bonds (including the Series 2022 Bonds) for the purpose of paying or reimbursing the cost of acquiring, purchasing or constructing properties to constitute part of the Airports System or reconstructing, improving, bettering or extending the Airports System**,** upon satisfaction by the Department of certain prospective or historical debt service coverage tests. The debt service coverage tests read as follows:

1. Prospective Coverage Test.

(a) The Net Revenues and Taxes as certified by the Accountant for the most recent Fiscal Year (for which audited financial statements of the Department are available) preceding the issuance of such series of Additional Bonds shall have equaled not less than one hundred twenty-five per cent of the Annual Adjusted Debt Service Requirement for such Fiscal Year of the Bonds outstanding during such year. In calculating Net Revenues and Taxes, any unencumbered funds on deposit in the Airport Revenue Fund on the last day of a Fiscal Year preceding the Fiscal Year for which the calculation is made, which the Department shall certify as Revenues solely for this purpose to the Director of Finance for the next succeeding Fiscal Year, may be taken into account as provided in Section 7.02; provided, however, that the rates, rentals, fees or charges imposed, prescribed and collected by the Department for such Fiscal Year for which the calculation is being made produce Revenues which, together with the Aviation Fuel Taxes but without the inclusion of unencumbered funds on deposit in the Airport Revenue Fund satisfy the requirement set forth in the second sentence of Section 7.02. For purposes of this paragraph, in calculating Annual Adjusted Debt Service Requirement for such most recent Fiscal Year, (i) Available PFC Revenues includes only PFC remittances actually deposited into the Interest Account, the Serial Bond Principal Account and the Sinking Fund Account in such Fiscal Year, and (ii) Federal Direct Payments includes only Federal Direct Payments actually deposited into the Interest Account in such Fiscal Year; and

(b) The annual Net Revenues and Taxes and unencumbered funds on deposit in the Airport Revenue Fund to be designated as Revenues to the Director of Finance solely for this test estimated by the Consulting Engineer to be derived during each of the three Fiscal Years following the close of the Period of Construction (as estimated by the Consulting Engineer) of the project or projects to be financed by such series of Additional Bonds shall equal not less than one hundred twenty-five per cent of the Annual Adjusted Debt Service Requirement for each of the three Fiscal Years following the close of the Period of Construction of all Bonds then outstanding and the Additional Bonds proposed to be issued; or

2. Historical Coverage Test.

The Department delivers to the Director of Finance a certificate of the Director (accompanied by an Accountant's report) certifying that, taking all outstanding Bonds (other than Bonds proposed to be refunded by the series of Additional Bonds proposed to be issued) and the Additional Bonds proposed to be issued into account as if such Bonds had been issued at the beginning of the most recent Fiscal Year for which audited financial statements of the Department are available, the Net Revenues and Taxes for such Fiscal Year plus any unencumbered funds on deposit in the Airport Revenue Fund on the last day of the Fiscal Year preceding the Fiscal Year for which the calculation is made, which the Department shall certify as Revenues to the Director of Finance solely for this purpose (such unencumbered funds not to exceed 25% of the maximum Annual Adjusted Debt Service Requirement with respect to such outstanding Bonds and proposed series of Additional Bonds for any future Fiscal Year), were not less than one hundred twenty-five per cent of the maximum Annual Adjusted Debt Service Requirement with respect to such outstanding Bonds and proposed series of Additional Bonds for any future Fiscal Year.

The Series 2022 Bonds are being issued as Additional Bonds through the use of the prospective coverage test described above.

Subordinate Indebtedness and Other Indebtedness

The Certificate permits the issuance of other bonds or obligations payable from the Revenues and Aviation Fuel Taxes junior and inferior to the payment of the Bonds from the Revenues and Aviation Fuel Taxes. The Department issued the Series 2013 Lease Revenue Certificates of Participation in December 2013, the Series 2016 Lease Revenue Certificates of Participation in April 2016 and the Series 2017 Lease Revenue Certificates of Participation in March 2017 (collectively, the "*COPs*"). The COPs represent participations in equipment lease rent payments to be made by the Department. Lease rent payments to holders of the COPs are payable from Revenues and Aviation Fuel Taxes subordinate in right of payment to the payments of debt service on the Bonds.

In order to finance the construction of consolidated rental car facilities ("*ConRACs*") at Daniel K. Inouye International and Kahului, the Department issued its $249,805,000 original aggregate principal amount of Airports System Customer Facility Charge Revenue Bonds, Series 2017A (Taxable) (the "*2017 CFC Bonds*") and $194,710,000 original aggregate principal amount of Airports System Customer Facility Charge Revenue Bonds, Series 2019A (the "*2019 CFC Bonds*" and, together with the 2017 CFC Bonds, the "*CFC Bonds*"). The CFC Bonds are secured by a pledge of the rental car customer facilities charges ("*CFCs*"), and are not secured by the Revenues and Aviation Fuel Taxes.

COVID-19 DEVELOPMENTS

Like most of the world, the State and its residents have been significantly impacted by the ongoing COVID-19 pandemic. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020, and has had significant adverse health and financial impacts throughout the world and the State and has caused significant disruptions to domestic and international air travel, including both passenger and cargo operations. On March 4, 2020, State Governor David Y. Ige (the "*Governor*") proclaimed the spread of COVID-19 in the State to be a disaster, and declared a state of emergency. The Governor of the State has since issued a series of supplemental proclamations to address the spread of COVID-19, initially closing non-essential business and government activities, then subsequently authorizing re-openings subject to safety regulations.

Safe Travels Program. In March 2020, the State imposed a mandatory 14-day (subsequently reduced to 10-day and as of January 3, 2022 further reduced to 5-day) self-quarantine requirement for all persons entering the State, as well as for interisland travelers to Hawaii Island, Kauai and Maui County. On October 15, 2020, the State's "Safe Travels" pre-travel testing program (the "*Safe Travels Program*") began to allow travelers from the United States mainland, Japan, South Korea and Canada (and later expanded to include Taiwan, Philippines and French Polynesia) who had received a negative test result from an FDA-approved nucleic acid amplification test administered within 72 hours of their flight from a State-approved COVID-19 testing facility to avoid the otherwise mandatory quarantine. The State subsequently implemented a vaccine exemption program to allow in State vaccinated interisland travelers to avoid the interisland quarantine requirement, later ending the testing requirements for interisland travel and expanding the vaccine exemption program to allow all individuals fully vaccinated in the United States and its territories to avoid testing and quarantine requirements. Although the State only accepts nucleic acid amplification test results from State-approved COVID-19 testing facilities for unvaccinated travelers from the United States mainland and the territories, it has expanded its test verification platform within the Safe Travels Program to include multiple Digital Health Pass Partners such as AZOVA, CLEAR and CommonPass.

Beginning in July 2021, the emergence of the "Delta" variant of COVID-19 caused a significant increase in the number of new COVID-19 cases reported in the State, along with much of the rest of the United States. To address the spread of the Delta variant in the State, on August 23, 2021, the Governor urged travelers to defer non-essential travel plans. On October 19, 2021, the Governor announced that beginning November 1, 2021, it was safe for fully vaccinated residents and visitors to resume non-essential travel to and within the State, citing progress in reducing case counts and increasing hospital capacity.

On October 25, 2021, President Biden issued a Proclamation "Advancing the Safe Resumption of Global Travel During the COVID-19 Pandemic" (the "*Presidential Proclamation*") which lifted COVID-19 travel restrictions, beginning November 8, 2021, for fully vaccinated foreign nationals seeking to enter the United States. Due to the emergence of the "Omicron" variant, on December 2, 2021, President Biden announced an update to the Presidential Proclamation, effective December 6, 2021. The State has aligned with federal international requirements. Effective December 6, 2021, non-United States citizens and United States citizens traveling directly (on a nonstop flight) to the State from any international destination can bypass quarantine and the State's Safe Travels Program if they provide both proof of vaccination and a negative COVID-19 test result (either an antigen test or a nucleic acid amplification test) within one (1) day of boarding a flight to the State. Non-vaccinated United States citizens traveling directly to the State from any international destination can bypass quarantine and the State's Safe Travels Program if they provide a negative COVID-19 test result (either an antigen test or a nucleic acid amplification test) within one (1) day of boarding a flight to the State. There will be no additional State requirements for passengers flying directly into the State from an international destination. No safe travels account will be required for entry into the State from an international location and the airlines will screen passengers prior to their departure to the State. If non-United States citizens and United States citizens fail to meet the federal international requirements, they will not be allowed to board the flight to the State. The State's Safe Travels Program applies only to domestic travel from the United States and its territories; however, international passengers entering the State from another state or territory in the United States will be treated as domestic travelers and will be required to comply with the State's Safe Travels Program. Additionally, effective November 8, 2021, the State, in alignment with the federal government, accepts vaccines approved or authorized by the United States Food and Drug Administration, and vaccines listed for emergency use by the World Health Organization. More recently, the spread of the "Omicron" variant, combined with other factors including severe winter storms, has caused the cancellation of many flights in the United States, including some flights to, from and within the State.

As of December 1, 2021, the Governor ended the statewide capacity limits pertaining to social gatherings; however the counties remained free to impose their own requirements. Under the Safe Access Oahu and Safer Outside Maui programs, proof of vaccination or a negative test is required to enter restaurants, bars, gyms and recreational settings in Oahu and Maui, respectively. Beginning January 8, 2022, in order to be considered fully vaccinated under the Safer Outside Maui program, Maui County is requiring booster shots for those eligible to get them. Effective December 1, 2021, the City and County of Honolulu no longer requires the 6-foot social distancing requirement for restaurants and as of January 5, 2022 the City and County of Honolulu is requiring that all indoor events with at least 1,000 people attending limit attendees to 50% or less of capacity. The indoor mask requirement across the State is still in effect.

It cannot be predicted with any level of certainty when and whether these restrictions will be eased, reinstated, or enhanced for any or all travel segments. In addition, foreign countries may require returning residents to quarantine upon return, which may continue to limit international traffic to and from the State. The Department cannot predict the ultimate effect of the "Omicron" variant or any future COVID-19 variants on the operations and finances of the Airports System.

Additionally, there can be no assurance that any emergency declaration, quarantine requirements and/or quarantine exception program as currently in effect and/or as proposed will not be modified, terminated, extended or reinstated, in whole or in part.

Prior to the COVID-19 pandemic, in Fiscal Year ending June 30, 2019, the State saw more than 18.7 million enplaned passengers travel through its Airports System. As a result of the COVID-19 pandemic, all travel segments (interisland, United States mainland and international) were negatively impacted at the end of Fiscal Year ending June 30, 2020. Throughout Fiscal Year ending June 30, 2021, as traffic performance steadily improved on a monthly basis, a full year's effect of the COVID-19 pandemic on the State air traffic resulted in a 67.6% decline compared to Fiscal Year ending June 30, 2019 traffic, with the State reporting 6.1 million enplanements in Fiscal Year ending June 30, 2021. After the State's vaccine exemption program was expanded in July 2021 to allow all individuals fully vaccinated in the United States and its territories to avoid testing and quarantine requirements, the total enplaned passenger level at the Airports System recovered to 82.1% of the July 2019 level in July 2021 (with United States mainland enplanements reaching 111.9% of the July 2019 level in July 2021) and 76.7% of the August 2019 level in August 2021 (with United States mainland enplanements reaching 104.2% of the August 2019 level in August 2021). The total enplaned passenger levels at the Airports System declined to 64.8% of the September 2019 level in September 2021 (with United States mainland enplanements declining to 97.0% of the September 2019 level in September 2021) and 66.9% of the October 2019 level in October 2021 (with United States mainland enplanements declining to 94.0% of the October 2019 level in October 2021), following the Governor's announcement on August 23, 2021, urging travelers to defer their plans to the State, due to the "Delta" variant during the summer. The total enplaned passenger levels at the Airports

System recovered to 78.0% of the November 2019 level in November 2021 (with United States mainland enplanements recovering to 107.3% of the November 2019 level in November 2021).[1]

Vaccinations. The first FDA authorized does of COVID-19 vaccine was administered in the State on December 15, 2020. As of January 20, 2022, approximately 2.67 million doses of the COVID-19 vaccine had been administered in the State, with approximately 81.3% of the State's population having received at least one dose of the COVID-19 vaccine, approximately 75.4% of the State's population receiving two doses of the COVID-19 vaccine and approximately 31.1% of the State's population receiving three doses of the COVID-19 vaccine. In September 2021, the State launched its SMART Health Card program, which allows vaccinated individuals to upload proof of vaccination to a State database and display their vaccinated status via a QR code on Apple and Android devices.

Additional Information. Additional information with respect to State COVID-19 metrics can be found on the following website established by the State at: https://hawaiicovid19.com/. Reference to such website address is for informational purposes only. Such website and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Summary of Actions Taken in Response to COVID-19. In response to the COVID-19 pandemic, the Department has taken and is currently taking various financial actions to ensure the financial safety of the Airports System, to ease the financial stress of the air carriers and the concessionaires, to maintain competitive airline rates and charges levels and to ensure the health and safety of its employees and the individuals that travel through the Airports System. Such actions include, but are not limited to:

- Identifying and implementing expense reduction measures, including temporarily closing a portion of the terminal facilities. As of the date of this Official Statement all Airport System facilities are open for operation and key Airport System concessionaires have resumed operations, with the exception of duty-free, which remains closed due to low international traffic.

- Using COVID-19 related federal relief grants to manage financial positions. See "**FINANCIAL INFORMATION – Non-Aeronautical Revenues Other Than Concession Fees – *The Coronavirus Aid, Relief, and Economic Security Act Grants,*" *"– The Coronavirus Response and Relief Supplemental Appropriations Act Grants," and "– The American Rescue Plan Act Grants"*** below for a more detailed discussion of COVID-19 related federal relief grants received by the Department.

- Issuing the State of Hawaii Airports System Revenue Bonds, Series 2020A (AMT), Series 2020B (Taxable), Series 2020C (Non-AMT), Refunding Series 2020D (Non-AMT) and Refunding Series 2020E (Taxable) and restructuring the debt service in Fiscal Year 2021 and Fiscal Year 2022, which reduced Fiscal Year 2021 and Fiscal Year 2022 Annual Adjusted Debt Service Requirements to $38.3 million and $50.6 million respectively, compared to $78.3 million in Fiscal Year 2020.

- Prioritizing certain capital projects under the CIP through coordination with the Signatory Airlines. See "**CAPITAL IMPROVEMENTS PROGRAM**" below for a description of the current CIP.

[1] Source: The information set forth in this paragraph has been derived from the information contained in Appendix A – Report of the Airport Consultant attached hereto.

- Implementing a policy of temporary deferral of certain fees and charges and other rent relief actions for eligible aircraft operators, exclusive use tenants and eligible concessionaires from April 2020 through October 2020 to the first half of 2021. See "**FINANCIAL INFORMATION – Revenues – *Temporary Relief Programs Provided to Airlines and Concessionaires*"** below for a more detailed discussion of the temporary deferral of certain fees and charges and certain rent relief actions provided by the Department.

- Waiving the minimum annual guarantees ("MAG") for eligible concessionaires through the date of this Official Statement. See "**FINANCIAL INFORMATION – Revenues – *Temporary Relief Programs Provided to Airlines and Concessionaires*"** below for a more detailed discussion of the MAG waivers provided to eligible concessionaries by the Department.

- Supplementing the exiting health screening program and taking measures to promote social distancing in public areas for health and safety purposes.

The Department continues to evaluate and implement opportunities to reduce operating costs and adjust operations to keep the Airports System safe and efficient in response to the COVID-19 pandemic.

See "**PASSENGER TRAFFIC AND AIRLINES**" and "**FINANCIAL INFORMATION**" herein and Appendix A – Report of the Airport Consultant attached hereto for more information on the effects of COVID-19 on passenger traffic at the Airports System and on the Airports System Revenues, finances and operations and for a more detailed discussion of some of the actions that the Department has taken in response to the COVID-19 pandemic. See also, Appendix C – General Economic Information About the State of Hawaii for more information regarding the State and tourism in the State.

DEPARTMENT OF TRANSPORTATION

Department Organization

The Department is one of 18 principal executive departments of the State. Chapter 26, HRS, empowers the Department to establish, maintain and operate the transportation facilities of the State, including highways, airports, harbors and other transportation facilities. The Department's activities are carried out through three primary operating divisions: Airports, Harbors and Highways.

Through the Airports Division, the Department has general supervision of aeronautics within the State, exercising jurisdiction and control over all State airways and all State owned or managed airports and air navigation facilities. The Airports Division operates all State airports as a single integrated system for management and financial purposes. The Airports Division does not operate airports and air navigation facilities that are either privately owned and operated or under federal jurisdiction and control. The operation of the Airports Division is organized among nine offices and branches: the Staff Services Office, the Visitor Information Program Office, the Information Technology Office, the Airports Operations Office, the Engineering Branch and the Oahu, Maui, Hawaii and Kauai District Offices.

Department Management

The Department is led by the Director, who is appointed by the Governor and confirmed by the State Senate. The Governor also appoints a Deputy Director of Transportation. The Director and Deputy Director of Transportation serve four-year terms coterminous with the Governor's term. The Director appoints three other deputy directors that manage the primary operating divisions.

The Airports Division is managed by a Deputy Director and the Airports Administrator. Airports within a district area are managed by an airport manager. The Staff Services Office, managed by the Administrative Services Officer, is responsible for personnel, budget, procurement, financial management, method, standards and evaluation, and property management functions of the Airports Division. The Airports Operations Office, managed by the Airports Operations Officer, is responsible for general aviation, certification, security and safety, Disadvantaged Business Enterprises, which administers the Americans with Disabilities Act, and firefighting functions of the Airports Division. The Airports Management Information Systems Office, managed by the Data Processing Systems Analyst, is responsible for data processing services. The Airports Planning Office, managed by the Planning Engineer, is responsible for directing the planning, development and marketing functions of the Airports Division. The Visitor Information Branch, managed by a Visitor Information Administrator, is responsible for visitor information services at the primary airports and at harbors serving cruise ships. Currently the position of Visitor Information Administrator is vacant. The Engineering Branch, managed by the Engineering Program Manager, is responsible for design and construction, special maintenance and drafting functions of the Airports Division, including design and construction of the ConRACs. The Airports Administrator, Administrative Services Officer, Airports Operations Officer, Data Processing Systems Analyst, Planning Engineer, Visitor Information Administrator, Engineering Program Manager and all other senior management of the Airports Division are civil service employees.

Management Personnel

The following are the senior executives of the Department responsible for the management of the Airports System:

Jade Butay, Director*,* has served as Director of the Department of Transportation since 2017. Previously, Mr. Butay served as Deputy Director of Administration at the Department of Transportation from 2011 to 2013 and again from 2015 to 2017. Between his time serving as Deputy Director of Administration, Mr. Butay served as Deputy Director at the Department of Labor and Industrial Relations. Prior to commencing his service for State government, Mr. Butay served in various leadership positions in the private sector. He received his bachelor’s degree in Business Administration from the University of Hawaii and his Master of Business Administration degree from Business Administration from Babson College.

Ross M. Higashi, Deputy Director – Airports*,* was appointed in January 2015 to lead the Airports Division, where he has worked for almost 30 years. During that time, Mr. Higashi served in various capacities, including Fiscal Management Officer; Administrator of the Accounting Branch; and the Audit Branch Supervisor. Mr. Higashi served as Interim Director of Transportation briefly in 2014. He also spent five years in public accounting. Mr. Higashi graduated from the University of Hawaii at Manoa with a B.S. degree in Accounting.

Davis K. Yogi, ***Acting Administrator, Airports Division***, assumed his present position in May 2021. Prior to assuming this position, Mr. Yogi was the Administrator of the Harbors Division from 2007 to April 2021. Mr. Yogi was the Administrator of the Airports Division from 2002 to 2007. He also served previously as Chief Negotiator and Director of the Department of Human Resources Development, and has more than 11 years of private sector experience as Vice President of Environmental Operations and Government Affairs with profit and loss responsibilities for a C. Brewer and Company subsidiary. Mr. Yogi received a Bachelors in Business Administration degree from the University of Hawaii.

Kurt T. Yamasaki, Acting Fiscal Management Officer, has been employed at the Airports Division for 25 years. Mr. Yamasaki has served in the Fiscal Management Officer position since May 2014. Previously, he worked as Audit Branch Supervisor for 11 years. He spent four years in private sector accounting and four years in public accounting prior to joining the Airports Division. He graduated from the University of Hawaii at Manoa with a B.S. degree in Accounting.

Guy Ichinotsubo, Engineering Program Manager, has been employed at the Airports Division for 26 years. Prior to becoming the Engineering Program Manager in January 2019, Mr. Ichinotsubo was the Design Engineer for the Airports Division since 2001. He spent seven years in the private sector prior to joining the Airports Division. Mr. Ichinotsubo graduated from the University of Washington with a B.S. degree in Civil Engineering. He is a registered Professional Engineer and LEED Accredited Professional.

Labor Relations

State law grants public employees of the State, except those excluded from any appropriate bargaining unit, the right to organize for the purpose of collective bargaining. Each recognized bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer. Under State law, Airports System workers may not strike in the event that an impasse is declared in any labor negotiations.

The Airports Division's employees are represented by three unions in seven bargaining units, as follows:

- United Public Workers (the "*UPW*") (Unit 1, blue collar employees).

- Hawaii Government Employees Association (the "*HGEA*") (Unit 2, blue collar supervisors; Unit 3, white collar employees; Unit 4, white collar supervisors; and Unit 13, professional and scientific employees). Unit 14, State law enforcement officers, also work at the airports and are paid with airports funds, but the officers are employees of the Department of Public Safety.

- Hawaii Fire Fighters Association IAFF Local 1463 (the "*HFFA*") (Unit 11, rescue and firefighters).

The status of negotiations and awards for wages and health benefits for the period from July 1, 2021 to June 30, 2023 for bargaining units with the State's Airports Division employees are as follows:

Unit 1 (blue collar employees): The UPW and the employer reached a two year (July 1, 2021–June 30, 2023) agreement that was ratified in April 2021. The agreement provides for no increase in wages in the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are on-going. The agreement also provides for increases to employer contributions for the Hawaii Employer-Union Trust Health Benefits Fund (the "*Trust Fund*") plans for both fiscal years 2022 and 2023.

Unit 2 (blue collar supervisors): HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in April 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. On December 9, 2021, HGEA requested to proceed to arbitration regarding re-opener. The agreement also provides for increases to employer contributions for Trust Fund plans for both fiscal years 2022 and 2023.

Unit 3 (white collar employees): HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in April 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. On December 9, 2021, HGEA requested to proceed to arbitration regarding re-opener. The agreement also provides for increases to employer contributions for Trust Fund plans for both fiscal years 2022 and 2023.

Unit 4 (white collar supervisors): HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in May 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. On December 9, 2021, HGEA requested to proceed to arbitration regarding re-opener negotiations. The agreement also provides for increases to employer contributions for Trust Fund plans for both fiscal years 2022 and 2023.

Unit 11 (firefighters): The current contract, which expired on June 30, 2021, has been extended pending negotiation of a new contract. Impasse was declared by the Hawaii Labor Relations Board February 1, 2021. A neutral arbitrator has been selected and the arbitration hearing is scheduled to begin January 10, 2022.

Unit 13 (professional and scientific employees): HGEA and the employer reached a two year (July 1, 2021–June 30, 2023) agreement that was ratified in May 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. On December 9, 2021, HGEA requested to proceed to arbitration regarding re-opener negotiations. The agreement also provides for increases to employer contributions for Trust Fund plans for both fiscal years 2022 and 2023.

Unit 14 (State law enforcement officers and State and county ocean safety and water safety officers): HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in May 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. On December 9, 2021, HGEA requested to proceed to arbitration regarding re-opener negotiations. The agreement also provides for increases to employer contributions for Trust Fund plans for both fiscal years 2022 and 2023.

See "**FINANCIAL INFORMATION – Employee Benefits**" for a description of employee benefits payable to employees of the Department.

Proposed Legislation

In several recent legislative sessions legislation was introduced which proposed establishing an independent airports corporation to assume operations of the Airports System from the Airports Division. This legislation was not approved and has not been enacted. The Department cannot predict at this time whether any such legislation may be enacted in the future. Although the Constitution of the United States contains prohibitions against the impairment of contracts, the Department cannot predict what impact, if any, such legislation would have on the operations of the Airports System or the availability of Revenues or Aviation Fuel Taxes.

THE AIRPORTS SYSTEM

General

The Department operates and maintains 15 airports at various locations within the State. The Airports Division has jurisdiction over and control of the Airports System. Virtually all non-military passenger traffic throughout the State passes through the Airports System, which includes five primary airports and ten secondary airports. The primary airports are Daniel K. Inouye International (on the Island of Oahu), Kahului (on the Island of Maui), Hilo International and Kona (both on the Island of Hawaii), and

Lihue Airport (on the Island of Kauai). All of the primary airports provide facilities for interisland flights (in-State flights among the airports in the Airports System) and direct overseas flights to the continental United States. In addition, Daniel K. Inouye International and Kona provide international flights to the Pacific Rim, Oceania and Canada. Lihue Airport and Kahului also provide pre-cleared international service to and from Canada. The five primary airports accounted for approximately 98.6% of total enplaned passengers in the Airports System in Fiscal Year 2021.[2]

The other airports in the Airports System are Port Allen Airport on the Island of Kauai, Dillingham Air Field (currently leased from the United States military) and Kalaeloa Airport on the Island of Oahu, Kapalua and Hana Airports on the Island of Maui, Waimea-Kohala and Upolu Airports on the Island of Hawaii, Lanai Airport on the Island of Lanai, and Molokai and Kalaupapa Airports on the Island of Molokai. Upolu Airport, Port Allen Airport, and Dillingham Air Field serve only general aviation, while the others provide interisland airline service.

Primary Airports

Daniel K. Inouye International Airport. Daniel K. Inouye International, the primary airport in the Airports System, is located approximately six miles west of downtown Honolulu. Daniel K. Inouye International is the largest and busiest of the State's airports, accounting for 51.8% of all passengers enplaned in the Airports System in Fiscal Year 2021. In 2020, according to the Federal Aviation Administration (the "*FAA*"), Daniel K. Inouye International was the thirty-fourth busiest airport in the United States in enplaned passengers. In Fiscal Year 2021, approximately 3.1 million passengers were enplaned at Daniel K. Inouye International – 2.1 million overseas passengers and 1.0 million interisland passengers. The ranking reflects Daniel K. Inouye International's: (1) large origin-destination passenger base (related to the visitor industry), (2) geographic location in the central Pacific, and (3) role as a hub for Hawaiian Airlines, which provide connecting service from Daniel K. Inouye International to the other Airports System primary airports. Daniel K. Inouye International serves interisland flights, domestic overseas flights and international flights to destinations on the Pacific Rim, Oceania and Canada.

Daniel K. Inouye International has four runways, two of which (12,000-foot and 12,300-foot long) are amongst the nation's longest. In addition, it has the only reef runway in the nation (12,000-foot long by 200-foot wide). Daniel K. Inouye International has 24 aircraft parking positions in Terminal 1, including 11 positions (or 6 wide-body) in the Mauka Concourse completed in August 2021, 33 aircraft parking positions in Terminal 2 (including 4 ground loading positions), and additional commuter operations in Terminal 3, and public parking spaces for approximately 4,260 vehicles. In December 2021, a new ConRAC facility was opened. It is located on an 11-acre site across the street to Terminal 2, and has a total space of 1.8 million square feet on five stories. Daniel K. Inouye International also provides runways for Joint Base Pearl Harbor Hickam and the Hawaii Air National Guard.

Kahului Airport. Kahului is located approximately three miles east of the town of Kahului, which, together with Wailuku, is the principal business and commercial center of the Island of Maui. Kahului is the second busiest airport in the State. Kahului has one 7,000-foot runway and one 5,000-foot runway. The terminal complex includes ticket counters, six hold rooms, 16 aircraft gate positions with loading bridges, a baggage claim area and ancillary service facilities. Kahului has public parking facilities for approximately 1,594 vehicles. In May 2019, a new ConRAC facility was opened. It is a three-story structure located to

[2]The Fiscal Year for the State begins on July 1 of each year and ends on June 30 of the following calendar year. For purposes of this report, "fiscal year" refers to the calendar year in which such fiscal year ended. For example, "fiscal year 2021" means the fiscal year that began July 1, 2020 and ended June 30, 2021.

the southwest of the Passenger Terminal Building. In addition to interisland service, Kahului provides facilities for domestic overseas flights and pre-cleared international flights to and from Canada.

Lihue Airport. Lihue Airport is located approximately one and one-half miles east of Lihue, the governmental and business center of the Island of Kauai. Lihue Airport has two 6,500-foot runways. The terminal complex includes ticket counters, eight aircraft gate positions with loading bridges, two baggage claim areas and ancillary service facilities. Lihue Airport has public parking facilities for approximately 575 vehicles, a 30,400 square foot cargo building, a 5,600 square foot air commuter terminal, fourteen T-hangars, a training facility for aircraft rescue and firefighting, and helicopter facilities. In addition to interisland service, Lihue Airport provides facilities for domestic overseas flights and pre-cleared international flights to and from Canada.

Ellison Onizuka Kona International Airport at Keahole. Kona is located in North Kona on the western shore of the Island of Hawaii, approximately seven miles northwest of Kailua-Kona, the business center of the western part of the Island of Hawaii. Kona, which was opened in 1970, has an 11,000-foot runway. The terminal complex includes ticket counters, 10 boarding gates (serving 14 aircraft parking spots) and ancillary service facilities. Kona has public parking facilities for approximately 712 vehicles. In addition to interisland service, Kona provides facilities for domestic overseas flights and pre-cleared international flights to and from Pacific Rim, Oceania, and Canada. The Airports Division completed a terminal modernization program in January 2021 and a new international arrival building in October 2021. Kona and Daniel K. Inouye International are the only two ports of entry in the State for international visitors.

Hilo International Airport. Hilo International (formerly General Lyman Field) is located immediately east of Hilo, the business center of the eastern shore of the Island of Hawaii and the governmental center of the Island of Hawaii. Hilo International has a 9,800-foot runway and a 5,600-foot runway. The terminal complex includes ticket counters, 10 aircraft gates and ancillary service facilities. Hilo International has public parking facilities for approximately 481 vehicles and eight T-hangars. Hilo International provides facilities for interisland and domestic overseas flights.

CAPITAL IMPROVEMENTS PROGRAM

As of June 30, 2021, the Airports Division's current capital improvement program ("*CIP*") extends from Fiscal Year 2022 through Fiscal Year 2027 and includes projects approved by the Legislature and other projects subject to future approval. Due to the impact of the COVID-19 pandemic, the Airports Division prioritized the capital projects in 2020 and put a portion of the capital projects on hold, pending traffic recovery. Through June 30, 2021, the Airports Division completed projects with a total cost of \$236.3 million, deferred projects with a total cost estimate of \$396.7 million, and added new projects and adjusted cost estimates totaling \$140.7 million to the 2020 CIP. As of June 30, 2021 the current CIP had a total estimated cost of \$2.2 billion (excluding projects in the closeout stages, consolidated car rental facilities projects to be funded from CFC-related sources and deferred projects), of which approximately 31.7% (\$712 million) has been expended through June 30, 2021. See Appendix A – Report of the Airport Consultant attached hereto for more information relating to the CIP.

Capital Budget Process

The CIP is managed by the Airports Division's Engineering Branch. The Department has contracted with independent consultants, architects, engineers, and planners for planning, design, and construction of certain phases of each major component of the projects included in the CIP. Schedule and cost information provided in this section are estimates from different sources depending on the status of each project and will be revised as the Airports Division proceeds with its implementation of the CIP.

To undertake a capital project for the Airports System, the Department is required to obtain an appropriation from the Legislature, approval of allotment requests from the Office of the Governor, and concurrence from the Signatory Airlines when applicable. In each Fiscal Year, the Airports Division prepares a CIP budget for the ensuing six Fiscal Years, including projects that the Airports Division plans to undertake during that period. The CIP includes many projects that have received approvals from prior years, and is reviewed from time to time to add new projects and to remove completed and no longer required projects.

In each odd-number Fiscal Year (such as Fiscal Year 2021), the Airports Division identifies the projects in the first two years of the CIP (such as Fiscal Year 2022 and Fiscal Year 2023) that have not received legislative approval, and prepares a biennium budget request for inclusion in the Governor's Executive Budget. The Executive Budget is submitted to the Legislature for review and approval. The Legislature approves all or a portion of the submitted capital projects for both Fiscal Years. The Department may submit supplemental appropriation requests for the second year of the biennium budget (such as in Fiscal Year 2022 for Fiscal Year 2023 projects) as part of the Governor's Supplemental Budget, and receives additional appropriation for the second year from the Legislature. The legislative approval of a project (or component of a project) includes identification of the means of financing for the project. The Airports Division utilizes primarily five sources of financing: federal grants (from the FAA and Transportation Security Administration ("*TSA*")), Passenger Facility Charge ("*PFC*") revenues, internally generated funds (referred to by the State and the Airports Division as "*Special Funds*"), Bonds, and CFC revenues. The Legislature's appropriation of bond funds for a project serves as authorization for the State to issue those bonds when required in the future. The Department submits allotment requests to the Office of the Governor when needed to initiate projects. The approval of an allotment request serves as the Governor's approval for a capital expenditure.

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Summary of the Capital Improvement Program

The following table presents the estimated funding sources for the major components of the CIP. The table is followed by a description of the major capital improvement projects at each Airport.

AIRLINE PROJECTS BY AIRPORT

Through Fiscal Year 2027
State of Hawaii, Department of Transportation, Airports Division
(as of June 30, 2021; in thousands)

		Remaining Costs as of June 30, 2021									
Project Title	Status	Prior Bonds	Proposed 2022 Bonds	Future Bonds	Total Bonds	Grants	PFC Paygo	Cash	Subtotal	Spent as of 6/30/2021	Current Working Estimates
CIP BY PROJECT											
HNL, Mauka Concourse Extension	4-Design	$ 66,181	$ -	$ 0	$ 66,181	$ -	$ -	$ -	$ 66,181	$ 343,850	$ 410,032
HNL, Ticket Lobby Renovation	2-Construction	14,204	87,705	62,733	164,641	-	-	-	164,641	9,143	173,785
HNL, Runway 8L Widening	2-Construction	1,940	9,367	5,172	16,479	112,600	-	850	129,929	26,927	156,855
HNL, Runway and Taxiway Shoulder Rehabilitation	4-Design	1,394	18,716	83,765	103,874	30,000	-	-	133,874	2,072	135,946
HNL, Restroom Improvements	2-Construction	16,760	11,704	2,762	31,226	1	(0)	7,475	38,702	27,674	66,376
HNL, Improvements to Baggage Handling Systems	2-Construction	12,592	9,419	3,427	25,438	-	-	-	25,438	24,389	49,827
HNL, Roadway Terminal Signage Improvements	2-Construction	3,470	2,898	(0)	6,368	-	-	-	6,368	34,205	40,574
HNL, Replace Prkg Structure Pedestrian Bridge	2-Construction	10,448	-	-	10,448	-	(0)	-	10,448	29,902	40,350
HNL, Other Projects	Varies	24,499	37,546	87,987	150,032	118	-	1,077	151,227	40,948	192,175
Subtotal		$ 151,488	$ 177,355	$ 245,846	$ 574,689	$ 142,719	$ (0)	$ 9,401	$ 726,809	$ 539,111	$ 1,265,920
ITO Projects	Varies	5,694	3,879	16,701	26,274	-	-	-	26,274	15,333	41,606
KOA, Runway 17-35 Rehabilitation	4-Design	$ 1,123	$ 2,480	$ 66,388	$ 69,991	$ -	$ -	$ -	$ 69,991	$ 209	$ 70,200
KOA, Federal Inspection Services Building (a)	2-Construction	150	-	0	150	2,500	27,823	(6,485)	23,988	45,835	69,823
KOA, Other Projects	Varies	11,633	8,451	8,906	28,990	7,323	2,244	218	38,775	21,397	60,172
Subtotal		$ 12,906	$ 10,931	$ 75,293	$ 99,130	$ 9,823	$ 30,067	$ (6,267)	$ 132,754	$ 67,442	$ 200,195
LIH, Relocate Runway 3-21	4-Design	$ 249	$ 3,540	$ 38,633	$ 42,422	$ -	$ 1,802	$ (0)	$ 44,224	$ 1,943	$ 46,167
LIH, Other Projects	Various	8,773	1,335	19,876	29,984	2,506	-	2,328	34,817	21,201	56,019
LIH Projects	Various	$ 9,022	$ 4,875	$ 58,509	$ 72,405	$ 2,506	$ 1,802	$ 2,328	$ 79,041	$ 23,145	$ 102,186
OGG, Runway 2-20 Improvements	4-Design	$ 509	$ 509	$ 28,440	$ 29,457	$ 187,500	$ 62,500	$ -	$ 279,457	$ 543	$ 280,000
OGG Holdroom and Gate Improvements	2-Construction	4,509	18,453	23,087	46,049	-	-	-	46,049	3,253	49,302
OGG, South TSA Checkpoint	4-Design	1,014	725	33,042	34,781	-	-	-	34,781	-	34,781
OGG, Other Projects	Varies	13,920	1,464	4,749	20,133	91	-	257	20,481	23,376	43,857
Subtotal		$ 19,952	$ 21,150	$ 89,318	$ 130,420	$ 187,591	$ 62,500	$ 257	$ 380,768	$ 27,172	$ 407,940
Other Airports' Projects	Varies	2,480	9,794	11,732	24,006	46,869	-	390	71,265	3,091	74,355
Statewide Projects	Varies	31,502	19,556	45,685	96,743	7,716	614	14,829	119,902	37,040	156,942
TOTAL CIP		**$ 233,045**	**$ 247,539**	**$ 543,083**	**$ 1,023,667**	**$ 397,224**	**$ 94,983**	**$ 20,938**	**$ 1,536,812**	**$ 712,332**	**$ 2,249,144**

Note: *(a) The Airports Division expects to reimburse cash using PFC revenues after receiving an approval from the FAA and, therefore, shows a negative cash spending.*
Source: *Airports Division.*

Description of Major Capital Improvement Projects

The major capital improvement projects at each airport are described below.

Key projects at Daniel K. Inouye International include the following:

- ***Mauka Concourse Extension Project***: $410.0 million, with $343.9 million spent as of June 30, 2021. The Mauka Concourse Extension Project includes the design and construction of a 280,000-square-foot concourse located at the northwest corner of Terminal 1 and related airfield fieldwork, which was opened in August 2021. Phase 2 of the Taxiway G&L Widening Project has been deferred, and other projects in the Mauka Concourse Program have been completed and excluded from the active CIP.

- ***Ticket Lobby Renovation and Baggage Handling System Phase 2*****:** $173.8 million, with $9.1 million spent as of June 30, 2021. This project is a continuation of the ticket lobby renovations completed for Terminal 2 ticket lobbies 7 and 8, and will renovate ticket lobbies 4, 5, and 6, with work items to improve operations, maintenance, safety, and passenger experience, including improvements to the baggage handling systems in Terminals 1 and 2. This project is in the construction stage with a scheduled completion date in 2024.

- ***Runway 8L Widening, Phases 1 and 2*****:** $156.9 million, with $26.9 million spent as of June 30, 2021. The scope of this project is to widen runway 8L to a minimum of 200 feet to accommodate FAA design group VI aircraft, repave existing shoulder areas to runway standards, and update the associated striping, signage, and lighting where necessary. Phase 2 is in the bid/award stage with a scheduled completion date in 2023.

- ***Runway and Taxiway Shoulder Rehabilitation*****:** $135.9 million, with $2.1 million spent as of June 30, 2021. The project will rehabilitate the runways and taxiways shoulders at Daniel K. Inouye International, including herbicide, crack sealing, new pavements and painted markings to comply with 14 CFR Part 139. This project is in the design stage with a scheduled completion date in 2024.

- ***Restroom Improvements, Phases 1 and 2*****:** $66.4 million, with $27.7 million spent as of June 30, 2021. This project will include the renovation of restrooms in Terminals 1 and 2, including in the International Arrivals Building. Phases 1 and 2 are in the construction stage with a scheduled completion date of 2022 and 2023, respectively.

- ***Improvements to Baggage Handling System Phase 1*****:** $49.8 million, with $24.4 million spent as of June 30, 2021. This project will provide for the design and construction of baggage handling system and explosive detection system Improvements in Terminal 2 baggage make-up areas to address the deficiencies in the existing outbound baggage make-up units that have reached the end of their useful life and to increase the overall reliability of the sortation subsystems. This project is in the construction stage with a scheduled completion date in 2022.

- ***Roadway and Terminal Signage Improvements*****:** $40.6 million, with $34.2 million spent as of June 30, 2021. The scope of work is to replace signage throughout the terminals and concourses, parking structures, and ground -and second-level roadways to reflect the name change to the gates and baggage claims. This project is in the construction stage with a scheduled completion date in 2022.

- ***Replace Parking Structure Pedestrian Bridge*****:** $40.4 million, with $29.9 million spent as of June 30, 2021. The scope of work involves improvements to the three pedestrian bridge crossings between Terminal 2 and the Terminal 2 Parking Garage. This project has been substantially completed.

- **Other Projects:** $192.2 million, with $40.9 million spent as of June 30, 2021. This group of projects include the initial planning costs for a future Diamond Head Extension, Terminal 2 roof replacement, third- level airside roadway improvements, fire sprinkler system upgrade, and other miscellaneous projects. These projects are in various stages with scheduled completion dates throughout 2024.

Hilo International: Projects at Hilo International have a total cost estimate of $41.6 million, with $15.3 million spent as of June 30, 2021. This group of projects includes restroom improvements, fire sprinkler improvements, drainage and windcone improvements and other miscellaneous projects.

Key projects at Kona include the following:

- ***Runway 17-35 Rehabilitation***: $70.2 million, with $0.2 million spent as of June 30, 2021. This project will rehabilitate Runway 17-35 at Kona, based on the pavement management system. This project is in the design stage with a scheduled completion date in 2024.

- ***Federal Inspection Services Building***: $69.8 million, with $45.8 million spent as of June 30, 2021. The scope of work includes the design and construction of a new International Arrivals Building to meet the latest U.S. Customs and Border Protection Airport Technical Design Standards/Passenger Processing Facilities. This project was completed in October 2021.

- ***Other Projects*****:** $60.2 million, with $21.4 million spent as of June 30, 2021. This group of projects include south ramp taxiway and ramp improvements, restroom improvements, a USDA inspection building and other miscellaneous projects. This group of projects is in various stages with scheduled completion dates throughout 2023.

Key projects at Lihue Airport include the following:

- ***LIH Relocate Runway 3-21*****:** $46.2 million, with $1.9 million spent as of June 30, 2021. This project will displace Runway 3 take-off threshold to the west 855 feet to provide a standard 1,000-foot RSA on the east end and leave the landing threshold in its existing location. It will also displace the threshold of Runway 21 by 455 feet to provide a standard 600-foot RSA on the east end. This project is in the design stage with a scheduled completion date in 2024.

- **Other Projects:** $56.0 million, with $21.2 million spent as of June 30, 2021. This group of projects include runway and taxiway rehabilitation, ticket lobby and holdroom improvements and other miscellaneous projects. Except for the holdroom improvements, which are in the design stage, this group of projects is in the construction stage with scheduled completion dates in 2022.

Key projects at Kahului include the following:

- ***Holdroom and Gate Improvements*:** $49.3 million, with $3.3 million spent as of June 30, 2021. This project will be expanding the seating capacity of the holdrooms by enclosing the exterior walkway and connecting several existing holdroom areas, increasing the number of gates by repositioning and adding loading bridges, and strengthening the second-floor support. This project is in the construction stage with a scheduled completion date in 2025.

- ***South TSA Checkpoint*:** $34.8 million, with no spending as of June 30, 2021. This project will add a checkpoint, including a bridge over the service road to Holdrooms A and B. This project is in the design stage with a scheduled completion date in 2024.

- ***Other Projects***: $43.9 million, with $23.4 million spent as of June 30, 2021. This group of projects include restroom improvements, inbound baggage system improvements, and other miscellaneous projects. This group of projects is in various stages with scheduled completion dates through 2023.

Other Airports: Projects at other airports of the Airports System have a total cost estimate of $74.4 million, with $3.1 million spent as of June 30, 2021. The primary project in this group is the reconstruction and extension of Runway 3-21 at Lanai Airport, with a total cost estimate of $29.9 million. This group of projects is in various stages with scheduled completion dates throughout 2025.

Statewide Projects: This group of projects include statewide projects such as a wastewater and water treatment system, fire alarm system replacement and upgrade, supporting design, program management, construction management, and planning projects, with a total cost estimate of $156.9 million.

Other Potential Capital Projects

Special Maintenance Projects. The Airports Division's annual appropriation of operating costs includes a line item of special maintenance to fund major repair and maintenance projects. The annual amount is $30 million for Fiscal Year 2020 and Fiscal Year 2021 and $15 million for Fiscal Year 2022 and Fiscal Year 2023. The CIP does not include special maintenance projects.

Daniel K. Inouye International *Taxiway A Reconstruction*. Taxiway A is the main taxiway for departing aircraft. According to the pavement management system, the Airports Division may need to undertake a capital project to improve the condition of Taxiway A in the near future. One option is to replace the entire asphaltic concrete pavement with reinforced concrete, estimated to cost approximately $430 million, with an assumed funding plan of bond proceeds, federal grants, and PFC revenues. This project has been deferred and is not included in the CIP.

Daniel K. Inouye International *Diamond Head Extension Program.* In July 2017, the Airports Division submitted the eighth concurrence to the Signatory Airlines regarding planning, design, and construction of a new Diamond Head Extension at Daniel K. Inouye International, including all enabling projects, with an estimated rough-order-of-magnitude cost of $1.1 billion. In October 2017, the Signatory Airlines conditionally concurred with the project, requiring the Airports Division to work collaboratively with the Signatory Airlines. The program is in the early planning stage and does not have final scopes, schedules, or cost estimates for the various projects. Projects are not anticipated for completion during the forecast period. Therefore, the Airports Division has included only $35 million for the planning and pre-design work in the CIP.

Funding of the Capital Improvements Program

The Airports System utilizes a variety of fund sources to fund its capital improvements including bonds, federal AIP (defined below) entitlement and discretionary grants and PFCs. The Airports Division has received a total of $28.6 million. $88.9 million and $29.6 million under the regular CIP in the federal fiscal year 2019, 2020 and 2021, respectively, and collected a total PFC revenues and interests of $49.1 million, $34.4 million, and $19.9 million in the fiscal year 2019, 2020 and 2021, respectively.

The following table summarizes the sources of funds and expenditures to finance projects in the CIP through June 30, 2021. Totals may vary from the preceding table due to rounding. The approximately $1.0 billion of revenue bond funding includes approximately $233.0 million of Bond proceeds on hand as of June 30, 2021, approximately $228.8 million from the Series 2022 Bonds, and approximately $543.1 million from the proceeds of Additional Bonds (which will be on a parity basis with all outstanding Bonds, including the Series 2022 Bonds).

Means of Financing (millions)(unaudited)

	Expended as of June 30, 2021	To be Spent	Total
Revenue Bonds	$ 517	$ 1,024	$ 1,541
Federal Grants	42	397	439
Special Funds	73	21	94
PFC Pay-as-you-go	80	95	175
Total	$ 712	$ 1,537	$ 2,249

Source: Department of Transportation – Airports Division

The funding sources expected to be available to finance projects in the CIP are as follows:

Federal and State Grants and Transportation Security Administration Funding. The Federal Aviation Administration's Airport Improvement Program ("*AIP*") consists of entitlement and discretionary allocations for AIP-eligible projects funded through the federal Airport and Airway Trust Fund with revenues from federal aviation user fees and taxes. Entitlement funds are determined on a formula based on passenger numbers and are distributed through grants by a formula currently based on: (1) levels of funding authorized and appropriated by Congress for the AIP, (2) the number of passengers and the amount of cargo accommodated by the Airports System, and (3) airport hub status, with reductions based on the amount of PFC collected per eligible enplaned passenger. Discretionary grants are determined by the FAA based on the nature of the specific project in comparison with projects at other airports in the FAA region. These FAA grants are to be used for airport infrastructure projects to enhance safety, security, capacity, and access, and are made available to airport operators in the form of FAA entitlement and discretionary grants for AIP-eligible projects.

The Airports Division expects to fund $397.2 million of future CIP costs using the AIP grants, including $112.6 million awarded for Runway 8L Widening, Phase 1 and 2 projects at Daniel K. Inouye International, a placeholder of $187.5 million for the Kahului Runway 2-20 Improvements project, and $97.1 million for other projects. If the grant for the Kahului Runway 2-20 Improvements is not available, the Airports Division will seek other funding methods, which may include bonds with eligible debt service to be paid from PFC revenues.

The Airports Division has been allocated $49,277,050 from the Infrastructure Investment and Jobs Act for federal fiscal year 2022 and anticipates receiving additional Infrastructure Investment and Jobs Act grant allocations over the next 4 federal fiscal years. The Infrastructure Investment and Jobs Act grants have not been reflected in the plan of finance for the CIP. See "**FINANCIAL INFORMATION – Non-Aeronautical Revenues Other Than Concession Fees – *Infrastructure Investment and Jobs Act***" for more information regarding the Infrastructure Investment and Jobs Act grants.

For medium-hub airports, such as such as Daniel K. Inouye International and Kahului, the FAA grants cover 75% of eligible project costs except for limited exceptions. For all other airports, the grant generally covers 90% of eligible project costs. Occasionally the grants cover 100% of funding such as provided under the CARES Act. Daniel K. Inouye International and Kahului receive less in AIP entitlement funding than they would otherwise receive, because they are medium-hub airports where the $4.50 PFC is collected. The Airports Division may also receive other federal, State, or local grants for certain capital projects.

After the terrorist attacks of September 11, 2001, Congress passed the Aviation and Transportation Security Act ("*ATSA*"), creating the TSA under the Department of Homeland Security, and mandating implementation of explosive detection systems ("*EDS*") at United States airports. In addition to the FAA grants, the Airports Division also receives Other Transaction Agreements ("*OTAs*") from the TSA for explosive detection system and security closed-circuit televisions ("*CCTV*") related projects. The Airports Division has received OTAs from the TSA for eligible EDS baggage system and CCTV related projects.

No assurance can be given that the Department will actually receive federal grants-in-aid in the amount or at the time contemplated by the Department. See "**CERTAIN INVESTMENT CONSIDERATIONS - Considerations Regarding Certain Other Sources of Funds – Federal Funding and FAA AIP Program**" below.

Passenger Facility Charges. PFCs are fees imposed on enplaned passengers by airport sponsors to generate revenues for airport projects that preserve or enhance airport capacity, safety or security, relieve aircraft noise or enhance airline competition. In 1990, PFCs were established by Title 49 U.S.C. §40117, that authorized the Secretary of Transportation, acting through the FAA, to give airport operators the authority to impose a $1.00 to $3.00 PFC per eligible enplaned passenger. In 2000, Congress amended the PFC law increasing the maximum PFC to $4.50 per enplaned passenger. The amendment included specific language requested by the State to prohibit collection of a PFC from passengers on interisland flights, including flight segments between two or more points in the State. Upon passage of the exclusion, the State agreed to participate in the PFC program.

The Airports Division started PFC collections at five major airports of the Airports System at the $3.00 level in October 2004 and increased the collection level to $4.50 effective November 2008. In November 2013, the Airports Division received approval from the FAA for its PFC Application No. 5 for $414 million. As of June 30, 2021, the Airports Division had a total PFC collection authority of $873.9 million, of which $531.3 million had been collected. The Airports Division has spent $411.7 million on a pay-as-you-go basis and for eligible Bond debt service, with an ending cash balance of $119.6 million. The Airports Division plans to use a total of $95.0 million of PFC revenues on a pay-as-you-go basis, including a placeholder of $62.5 million for the Kahului Runway 2-20 Improvements project. The remaining collection authority is $342.6 million, higher than forecast PFC collection through 2027. The Airports Division plans to submit further PFC applications in the future for other PFC-eligible projects in the CIP.

Section 261-5.5, HRS was amended effective July 1, 2009, to provide the Airports Division the flexibility of using PFC revenues either to fund Airports System capital improvement projects on a "pay-as-you-go" basis or to pay debt service on Bonds and reduce the Debt Service Requirement. The Certificate provides that, solely for purposes of the Additional Bonds tests and the Rate Covenant (to yield Net Revenues and Taxes that are not less than 1.25 times the aggregate of the Debt Service Requirement), the

Debt Service Requirement shall be reduced by the amount of Available PFC Revenues irrevocably committed for deposit (or actually deposited, as applicable) by the Department's Director of Transportation into the applicable debt service-related accounts in the Airport Revenue Fund.

Customer Facility Charges and Related Indebtedness. CFCs are charges imposed on certain car rentals for the purpose of paying certain qualified costs including the costs of constructing the Rental Car Projects. CFC revenues do not constitute Revenues or Aviation Fuel Taxes for purposes of the Certificate and do not secure the Bonds. The State separately collects a $4.50 daily Rental Car Tax on all rental car transactions in the State, which is not part of the CFC revenues nor Revenues and Aviation Fuel Taxes. The payment of CFC bonds and loans is not secured by Revenues or Aviation Fuel Taxes.

Special Funds. Over the years, the Airports Division has accumulated cash balances from Airports System operations. As of June 30, 2021, the Airports Division had unaudited cash and investments of $430.3 million in unrestricted accounts. Several accounts are classified as restricted assets for accounting purposes, but could be available for operating expenses, including:

- $104.7 million in an operating reserve; and

- $26.9 million in the Funded Coverage Account, which the Airports Division has been using to demonstrate as unencumbered fund for Rate Covenant purposes.

The Airports Division expects to use a total of $20.9 million in internal cash, net of the planned reimbursement from the PFC fund for the Kona Federal Inspection Services Building project.

Revenue Bonds. The Airports Division plans to fund approximately $1.0 billion of the CIP costs from Bond proceeds, including approximately $233.0 million from existing Bond proceeds, approximately $228.8 million from the proceeds of the Series 2022 Bonds, and approximately $543.1 million from the proceeds of Additional Bonds (which will be on a parity basis with all outstanding Bonds, including the Series 2022 Bonds). The Airports Division has been using a cash flow financing approach for the capital program. Under this approach, the proceeds of the Series 2022 Bonds are expected to fund project costs through June 2023, with the Additional Bonds to fund the remaining costs.

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PASSENGER TRAFFIC AND AIRLINES

The following Table 1 and Table 2 summarize passenger counts and aircraft operations at Daniel K. Inouye International and the neighbor island airports in the Airports System and landed weights for Fiscal Years 2017 through 2021.

TABLE 1
Enplaned Passengers and Aircraft Operations
Fiscal Year Ended June 30

	2017	2018	2019	2020	2021	2021 vs 2019 %
Enplaned Passenger Activity						
By Airport						
Daniel K. Inouye International Airport	10,201,879	10,655,473	10,484,451	7,981,984	3,143,228	30.0%
Kahului Airport	3,520,512	3,653,790	3,808,047	2,952,905	1,493,511	39.2%
Ellison Onizuka Kona Int'l Airport at Keahole	1,729,855	1,930,727	1,894,897	1,550,092	728,664	38.5%
Lihue Airport	1,518,423	1,663,600	1,691,021	1,250,074	407,953	24.1%
Hilo International Airport	678,079	675,020	602,719	478,886	211,528	35.1%
All Others	210,471	227,664	245,755	177,593	84,113	34.2%
Total Enplaned Passengers	17,859,218	18,806,274	18,726,890	14,391,534	6,068,997	32.4%
Daniel K. Inouye International Airport as a Percentage of Total Enplaned Passengers	57.1%	56.7%	56.0%	55.5%	51.8%	
By Region and Market						
Domestic Overseas	7,240,443	8,020,657	8,415,420	6,444,997	3,689,798	43.8%
International	3,077,527	3,307,941	3,243,051	2,300,731	71,878	2.2%
Total Overseas	10,317,969	11,328,598	11,658,471	8,745,728	3,761,676	32.3%
Interisland	7,541,249	7,477,676	7,068,419	5,645,806	2,307,321	32.6%
Total Enplaned Passengers	17,859,218	18,806,274	18,726,890	14,391,534	6,068,997	32.4%
% of Total						
Domestic Overseas	40.6%	42.6%	45.0%	44.8%	60.8%	
International	17.2%	17.6%	17.3%	16.0%	1.2%	
Interisland	42.2%	39.8%	37.7%	39.2%	38.0%	
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%	
Aircraft Operations (Combined Landing and Take-Off Reported by Control Tower)						
Daniel K. Inouye International Airport	308,791	308,179	304,594	267,772	205,950	67.6%
Kahului Airport	142,511	146,074	155,554	122,532	95,427	61.3%
Ellison Onizuka Kona Int'l Airport at Keahole	111,142	127,920	116,489	113,879	90,228	77.5%
Lihue Airport	128,947	128,874	129,025	89,127	44,666	34.6%
Hilo International Airport	79,999	89,183	70,382	44,140	26,016	37.0%
All Others	228,638	221,143	257,419	232,096	242,157	94.1%
Total Aircraft Operations	1,000,028	1,021,373	1,033,463	869,546	704,444	68.2%
Daniel K. Inouye International Airport as a Percentage of Total Aircraft Operations	30.9%	30.2%	29.5%	30.8%	29.2%	

Source: Department of Transportation – Airports Division Planning Section.

TABLE 2
Summary of Landed Weights
Fiscal Year Ended June 30; 1,000 pound units

	2017	2018	2019	2020	2021
By Airport					
Daniel K. Inouye International Airport	17,210,458	17,674,658	17,884,152	14,996,678	10,236,374
All Other Airports	10,494,972	11,150,474	11,373,527	9,518,479	7,237,592
Total Landed Weights	27,705,430	28,825,132	29,257,679	24,515,157	17,473,966
% of Total					
Daniel K. Inouye International Airport	62.1%	61.3%	61.1%	61.2%	58.6%
All Other Airports	37.9%	38.7%	38.9%	38.8%	41.4%
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%
By Market					
Overseas	16,943,475	18,138,548	19,067,397	15,359,818	10,313,103
Interisland	10,761,955	10,686,584	10,190,282	9,155,339	7,160,862
Total Landed Weights	27,705,430	28,825,132	29,257,679	24,515,157	17,473,966
% of Total					
Overseas	61.2%	62.9%	65.2%	62.7%	59.0%
Interisland	38.8%	37.1%	34.8%	37.3%	41.0%
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Department of Transportation – Airports Division Planning Section.

Airline Service and Passenger Activity Operations

Air transportation in the State is characterized by three types of service: (1) domestic in-state interisland service among the islands in the State and airports in the Airports System, (2) domestic overseas service to the continental United States, and (3) international overseas service, primarily to destinations in the Pacific Rim, Oceania, and Canada. Interisland service accounted for 38.0% of enplaned passengers in Fiscal Year 2021. Overseas service, including flights to both the continental United States and international destinations, accounted for 60.8% and 1.2% of enplaned passengers in the Airports System for Fiscal Year 2021. The number of passengers enplaned in the Airports System in Fiscal Year 2021 decreased 57.8% over Fiscal Year 2020.

Daniel K. Inouye International was served by 23 Signatory Airlines (as parties to separate airport-airline lease agreements executed effective January 1, 2008, as extended) during Fiscal Year 2021. Of the Signatory Airlines 19 were passenger airlines, including 8 major domestic and national U.S. airlines (including airlines with multiple leases following mergers), 1 airline that only provides interisland service, and 10 foreign-flag airlines.

The following signatory airlines served the State with scheduled or charter overseas passenger flights during Fiscal Year 2021: Air Canada, AirAsia X Berhad, Alaska Airlines, Inc., All Nippon Airways Co., Ltd., American Airlines, Inc., Asiana Airlines, Inc., Continental Airlines, Inc., Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Co., Ltd., Jin Air Co. Ltd., Korean Airlines Company, Ltd., Philippine Airlines, Inc., Qantas Airways Limited, Southwest Airlines Co., Sun Country Inc., United Airlines, Inc., and WestJet. The signatory airlines providing interisland passenger flight services are: Hawaiian Airlines, Inc., Southwest Airlines Co. and Mokulele Flight Service, Inc. See "**CERTAIN INVESTMENT CONSIDERATIONS**" below.

In Fiscal Year 2021, interisland flights accounted for 33.3% of enplaned passengers at Daniel K. Inouye International and 38.0% of all enplaned passengers in the Airports System. Overseas (both domestic and international) flights accounted for 66.7% of enplaned passengers at Daniel K. Inouye International and 62.0% of enplaned passengers in the Airports System. Hawaiian Airlines had 43% market share of all enplaned passengers followed by United Airlines (15%), Southwest (12%), American Airlines (11%), Alaska Airlines (10%) and Delta Air Lines (7%). Other airlines together had 2% market share of enplaned passengers in the Airports System.

Since March 2008, Hawaiian Airlines has provided the majority of all interisland service within the State, with a market share of 77% in Fiscal Year 2021, decreasing from 84% in Fiscal Year 2020. The decrease was due to Southwest Airlines joining the market, which started overseas services in March 2019 and interisland services in April 2019. In Fiscal Year 2021, Southwest accounted for 16% of total interisland enplaned passengers.

Cargo service providers pay applicable landing fees and Airports System support charges ("*Airports System Support Charges*") based on landed weight, not cargo volume. Further, ground rentals for cargo facilities are based on rented square footage, not cargo volume.

The following tables present the landed weights and enplaned passengers for each of the Signatory Airlines and the Nonsignatory Airlines in Fiscal Years 2017 through 2021.

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TABLE 3
Landed Weights by Airlines
Fiscal Year Ended June 30; 1,000 pound units

	2017	2018	2019	2020	2021
Signatory Airlines (1)					
Hawaiian Airlines, Inc.	11,226,172	11,811,534	11,692,566	9,146,981	5,039,445
Southwest Airlines Co.	-	-	197,856	1,341,072	2,219,811
United Airlines, Inc. (2)	2,739,204	3,107,058	3,203,530	2,541,392	1,834,612
United Parcel Service Co.	886,799	1,053,532	1,107,118	1,150,627	1,142,945
American Airlines, Inc.	1,416,271	1,588,600	1,627,497	1,285,131	1,141,950
Federal Express Corporation	658,197	667,146	728,519	820,471	962,664
Delta Air Lines, Inc.	1,834,631	1,841,062	1,738,863	1,235,653	916,029
Aeko Kula, Inc.	1,206,634	1,139,338	1,039,878	973,916	890,528
Alaska Air, Inc.	1,154,901	1,331,651	1,565,670	1,207,640	806,628
Kalitta Air, LLC	252,278	253,657	338,447	336,253	357,164
Qantas Airways, Ltd.	230,871	239,054	302,349	238,545	178,946
Atlas Air, Inc.	-	-	-	-	172,574
Mokulele Flight Service, Inc.	278,613	309,707	330,931	250,826	172,321
Japan Airlines International Co., Ltd.	986,700	1,081,554	1,073,150	656,170	31,470
All Nippon Airways Co. Ltd.	299,128	419,995	343,840	520,275	26,435
Westjet	254,002	261,428	275,403	205,356	16,177
Northern Air Cargo, LLC	-	-	-	-	12,062
Philippine Airlines, Inc.	106,948	101,408	101,334	72,100	11,124
Continental Airlines, Inc.	-	-	-	-	10,088
Sun Country, Inc.	-	-	-	2,926	9,217
Air Canada	206,400	210,794	220,384	170,471	7,652
Korean Airlines Company, Ltd.	407,395	451,885	387,235	310,707	-
JetStar Airways	193,257	187,702	153,574	113,494	-
Asiana Airlines, Inc.	108,013	136,047	123,874	108,148	-
AirAsia X Berhad	-	21,208	131,328	104,002	-
Air New Zealand, Ltd.	81,600	111,509	122,108	74,938	-
China Airlines, Ltd.	200,581	102,695	57,373	53,045	-
Polar Air Inc.	34,632	35,964	36,005	19,939	-
Air Pacific, Ltd.	21,888	21,809	22,195	15,152	-
Jin Air Co. Ltd	89,700	80,500	49,680	11,500	-
Air China Limited	72,472	68,068	63,263	9,610	-
Air Japan Co., Ltd	104,960	41,650	129,200	-	-
Hawaii Island Air, Inc.	768,115	304,500	-	-	-
Virgin America	201,088	114,018	-	-	-
Allegiant Air LLC	37,422	6,930	-	-	-
Total Then-Current Signatory Airlines	26,058,872	27,102,003	27,163,170	22,976,340	15,959,839
Total Then-Current Nonsignatory Airlines	1,646,558	1,723,129	2,094,509	1,538,817	1,514,126
Total All Airlines	27,705,430	28,825,132	29,257,679	24,515,157	17,473,965

Source: Department of Transportation – Airports Division Planning Section.
(1) Indicating signatory status during Fiscal Year 2021. Statistics for prior years may be under non-signatory status.
(2) Including United Airlines and Continental Airlines.

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TABLE 4
Enplaned Passengers by Airlines
Fiscal Year Ended June 30

	2017	2018	2019	2020	2021
Signatory Airlines [1]					
Hawaiian Airlines, Inc.	9,162,470	9,650,371	9,425,795	6,841,506	2,594,041
United Airlines, Inc.	1,827,468	2,381,882	2,435,588	1,757,524	888,239
Southwest Airlines Co.	-	-	201,411	962,584	717,002
American Airlines, Inc.	1,123,274	1,264,719	1,265,240	967,927	638,785
Alaska Air, Inc.	1,170,754	1,291,927	1,511,451	1,120,965	581,651
Delta Air Lines, Inc.	1,406,136	1,430,153	1,367,824	939,639	452,314
Mokulele Flight Service, Inc.	221,440	244,856	229,709	148,932	144,494
Sun Country, Inc.	-	3,855	30,752	26,801	8,347
Japan Airlines International Co., Ltd.	505,183	521,555	536,393	354,877	4,596
Westjet	217,727	252,439	264,202	195,572	4,441
All Nippon Airways Co. Ltd.	232,287	232,759	249,553	269,813	4,070
Philippine Airlines, Inc.	43,344	46,528	49,614	32,951	2,858
Air Canada	155,501	166,992	172,412	104,500	901
Atlas Air, Inc.	-	-	-	-	150
Qantas Airways, Ltd.	59,740	68,736	82,412	52,148	120
Korean Airlines Company, Ltd.	211,832	222,667	191,185	151,494	-
JetStar Airways	124,078	143,282	114,147	82,055	-
AirAsia X Berhad	-	64,027	89,155	71,080	-
Asiana Airlines, Inc.	58,957	81,708	64,987	56,798	-
Air New Zealand, Ltd.	46,850	57,264	61,569	39,585	-
China Airlines, Ltd.	123,630	64,130	33,031	28,137	-
Air Pacific, Ltd.	15,065	14,893	13,234	8,345	-
Jin Air Co. Ltd	65,732	53,045	30,365	7,091	-
Air China Limited	28,954	28,715	26,272	4,165	-
Hawaii Island Air, Inc.	644,621	183,774	-	-	-
Virgin America	174,723	97,888	-	-	-
Allegiant Air LLC	37,300	6,987	-	-	-
Total Then-Current Signatory Airlines	17,657,066	18,575,152	18,446,301	14,224,489	6,042,009
Non-Signatory Airlines					
Western Aircraft, Inc.	-	-	-	-	20,611
Trans Air	1,405	1,394	4,296	2,488	2,089
Omni Air International	50,995	50,814	52,966	34,415	1,815
Air Transport International	2,649	1,659	2,626	2,045	1,524
Makani Kai Helicopters	85,640	86,292	110,406	88,142	684
Big Island Air	1,495	407	2,481	893	135
Zipair Tokyo, Inc.	-	-	-	-	130
China Eastern	57,520	60,881	63,799	38,494	-
Uzbekistan Airways	-	-	721	568	-
Scoot	-	29,675	43,294	-	-
Kaiser Air	2,448	-	-	-	-
Total Then-Current Nonsignatory Airlines	202,152	231,122	280,589	167,045	26,988
Total All Airlines	17,859,218	18,806,274	18,726,890	14,391,534	6,068,997

Source: Department of Transportation – Airports Division Planning Section.
[1] Indicating signatory status during Fiscal Year 2021. Statistics for prior years may be under non-signatory status.

FINANCIAL INFORMATION

General

State law and the Director's Certificate require the State to operate the Airports System on a self-sustaining basis. The Director's Certificate requires the Department to impose, prescribe and collect rates, rentals, fees and charges for the use and services of, and the facilities and commodities furnished by, the Airports System to generate Revenues which, together with the receipts of Aviation Fuel Taxes, will be sufficient to pay the principal of and interest on all Bonds issued for the Airports System (including principal of and interest on any subordinate indebtedness), to pay the costs of operation, maintenance and repair of the Airports System, to reimburse the general fund of the State for all bond requirements for all general obligation bonds issued for the Airports System and to satisfy the other provisions of the Director's Certificate. Revenues of the Airports System are derived from aeronautical revenues, concession fees, non-aeronautical revenues other than concession fees (including building space and land rentals), non-operating revenues, Aviation Fuel Taxes and other sources.

Net Revenues and Taxes and Debt Service Requirements

As shown in the Table 5, "Calculations of Net Revenues and Taxes and Debt Service Requirement," the relative importance of each source of Revenue has varied, and is expected to vary, over time. Variations are caused by many factors, including, without limitation, the number and origin of persons who visit the State, the number, origin and destination of flights scheduled by airlines, the types of aircraft used and fuel consumed, credits given against Aviation Fuel Taxes paid, the space available for concessions and rentals, levels of bids received for concession agreements, the number of persons using the Airports System, the amount of money available for investment and the policies of the Department and the Airports Division in imposing rates, rentals, fees and charges.

The following Table 5 represents a summary of Revenues, Net Revenues and Taxes and Debt Service Requirement on Airports System Revenue Bonds for the Fiscal Years 2017 through 2021. Airports Division's major sources of revenue follows.

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TABLE 5
Calculations of Net Revenues and Taxes and Debt Service Requirement
Fiscal Year Ended June 30; Dollars in thousands

	2017	2018	2019	2020	2021
Revenues and Taxes:					
Concession fees:					
Duty-free	$ 32,942	$ 40,000	$ 40,601	$ 35,625	$ 59,180
Other concessions	128,285	141,726	142,674	115,400	61,735
Airport landing fees	77,858	86,059	82,988	74,357	65,711
Aeronautical rentals	126,145	133,096	140,350	124,978	64,345
Non-aeronautical rentals	22,996	20,063	22,169	22,784	21,853
Aviation fuel tax	2,156	2,613	2,608	2,191	1,642
Airports system support charges	-	-	-	-	-
Interest income (1)	8,856	10,545	26,117	24,055	5,705
Federal operating grants(2)	2,925	2,875	1,616	51,506	152,191
Miscellaneous	7,226	7,537	9,411	7,623	8,155
Total Revenues and Taxes	$ 409,389	$ 444,514	$ 468,534	$ 458,519	$ 440,519
Operating and Maintenance Expenses:					
Salaries, wages and pension	$ 110,722	$ 110,196	$ 116,992	$ 126,441	$ 131,907
Other personal services	67,426	73,610	82,616	92,697	114,234
Utilities	33,901	34,558	37,995	36,533	32,223
Special Maintenance	9,911	10,145	5,763	8,464	9,485
Repairs & maintenance	32,445	34,318	34,700	38,531	48,484
Materials and supplies	6,180	6,497	6,527	6,255	5,745
DOT administrative expenses	5,919	8,444	8,370	7,727	6,102
State of Hawaii surcharge of gross receipts	13,576	14,492	14,731	14,384	8,042
Insurance	2,633	2,203	2,190	2,402	2,503
Others	5,930	5,336	7,021	5,609	5,713
Total operating & maintenance expenses [3]	$ 288,644	$ 299,799	$ 316,905	$ 339,043	$ 364,438
Operating expenses for Special Facility (4)	-	-	(2,056)	(6,590)	(6,812)
Non-cash pension and OPEB expenses (5)	-	-	-	(8,503)	(19,713)
Operating expenses paid from major maintenance, renewal and replacement account	-	-	-	(1,605)	-
Major maintenance, renewal and replacement account reserve reimbursement	-	-	-	2,334	-
Total Deductions	$ 288,644	$ 299,799	$ 314,849	$ 324,679	$ 337,914
Net Revenues and Taxes	$ 120,745	$ 144,715	$ 153,685	$ 133,840	$ 102,605
Funded coverage account [6]	22,338	21,802	26,780	27,598	26,865
Adjusted Net Revenues and Taxes (A)	**$ 143,083**	**$ 166,517**	**$ 180,465**	**$ 161,438**	**$ 129,470**
Debt Service Requirement:					
Airports system revenue bonds	$ 84,117	$ 87,209	$ 90,008	$ $96,441	$ 54,377
Less credit to the interest account [7]	(651)	(886)	(8,717)	(18,114)	(16,083)
Total Debt Service Requirement (B)	**$ 83,466**	**$ 86,323**	**$ 81,291**	**$ 78,327**	**$ 38,294**
Debt Service Coverage (A)/(B)	1.71	1.93	2.22	2.06	3.38
Debt service coverage requirement	1.25	1.25	1.25	1.25	1.25

Source: Department of Transportation – Airports Division Fiscal Section.

(1) Includes interest on investment of Bond proceeds and Airport Revenue Fund receipts.

(2) Includes $50 million of CARES Act grants in Fiscal Year 2020 and $83.3 million of CARES Act grants, $42.3 million of CRRSA Act grants and a one-time operating grant of $22.4 million from the State's share of the federal COVID-19 grants in Fiscal Year 2021.

(3) Does not include depreciation.

(4) Operating expenses related to Special Facility, such as the consolidated rental car facility, are excluded from the debt service requirement calculation.

(5) According to the amendment to the Certificate effective Fiscal Year 2020, the costs of operation, maintenance and repair excludes "… any amount of pension and other post-retirement benefits expenses that exceed the amount that the Department deposits to the State funds for the proportional share related to the Undertaking…," among other adjustments.

(6) Includes rolling coverage.

(7) Passenger Facility Charge Revenues were used for debt service in the amount of $650,817 in Fiscal Year 2017, $885,953 in Fiscal Year 2018, $8,717,280 in Fiscal Year 2019, $18,114,160 in Fiscal Year 2020 and $16,082,631 in Fiscal Year 2021.

Revenues

The following describes the major sources of Revenues of the Airports System in greater detail. It is only a summary of certain important sources of revenues. For more information on all operating and non-operating revenues, refer to the State of Hawaii, Department of Transportation – Airports Division's audited financial statements for Fiscal Years 2017 through 2021 at http://hidot.hawaii.gov/airports/library/financial-audit-reports/.

Airports System Revenues consist of Operating Revenues determined based on generally accepted accounting principles and certain Non-operating Revenues. Operating Revenues include the following revenue sources: concession fees (duty-free, retail, food and beverage, parking, rental car, ground transportation, and other), landing fees, aeronautical rentals (nonexclusive joint-use premise charges and exclusive-use premise charges pursuant to Airport-Airline lease agreements), nonaeronautical rentals, Aviation Fuel Taxes, Airports System Support Charges, and miscellaneous fees. Nonoperating revenues include interest income (on investments, passenger facility charges, rental car customer facility charges, and other loans and investments), federal operating grants, passenger facility charges, rental car customer facility charges, debt service support charges, and other revenues.

The Airports System's main sources of Revenues consist of: aeronautical revenues including landing fees, non-aeronautical revenues include duty-free terminal rentals, other miscellaneous fees and charges, Aviation Fuel Tax and (in certain years) certain federal grants used to reimburse the cost of certain special maintenance projects. The Governor is authorized by legislative action to adjust or waive landing fees and Airports System charges.

Temporary Relief Programs Provided to Airlines and Concessionaires. Since the beginning of the COVID-19 pandemic, the Airports Division received numerous requests from the airlines and the concessionaires operating at the Airports System for rate relief and the Airports Division provided the airlines and the concessionaires operating at the Airports System certain relief as described below.

The Airports Division provided the following relief to the airlines beginning in April 2020: a deferral of fees and charges for April 2020 through October 2020 to be paid in six equal monthly payments commencing with the first payment in January 2021; and deferral of Daniel K. Inouye International terminal rate changes until July 2021.

The Airports Division provided the following relief to the concessionaires beginning in April 2020: a deferral of fees and charges for April 2020 through October 2020 to be paid in six equal monthly payments commencing with the first payment in January 2021 and waiver of MAGs through the date of this Official Statement.

Concession Fees. Concession fees are the rents and fees paid to the Department by private parties operating concessions in the Airports System. Concession fees have been a large source of revenue for the Airports System in recent years. Under the various concession agreements, the Airports Division is paid the greater of the MAG specified in each contract and a specified percentage of gross sales. MAGs for concession agreements are typically subject to relief under economic emergencies, as specified in the respective concession agreements. The following table sets forth the concession fees and their percentage of total Concession Revenues for Fiscal Years 2017 through 2021.

Concessions
Fiscal Year Ended June 30; Dollars in thousands

	2017	2018	2019	2020	2021
Concession Fees					
Duty-free	$ 32,942	$ 40,000	$ 40,601	$ 35,625	$ -
Rental Car	64,445	73,238	72,354	58,876	38,250
Parking	26,996	27,142	27,152	22,394	11,826
Retail (Non Duty-free)	16,038	17,231	17,176	12,850	1,532
Food & Beverage	10,141	11,132	11,430	8,654	2,355
Ground Transportation	3,006	3,886	3,187	2,685	1,354
Other	7,659	9,097	11,375	9,941	3,863
Total Concession Fees	$ 161,227	$ 181,726	$ 183,275	$ 151,025	$ 58,180
% of Total					
Duty-free	20.4%	22.0%	22.2%	23.6%	-
Rental Car	40.0%	40.3%	39.5%	39.0%	65.7%
Parking	16.7%	14.9%	14.8%	14.8%	20.3%
Retail (Non Duty-free)	9.9%	9.5%	9.4%	8.5%	2.6%
Food & Beverage	6.3%	6.1%	6.2%	5.7%	4.0%
Ground Transportation	1.9%	2.2%	1.7%	1.8%	2.3%
Other	4.8%	5.0%	6.2%	6.6%	6.6%
Total Percentage of Concession Fees	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Department of Transportation – Airports Division: Audited Financial Statements and work paper support for Fiscal Years 2017-2021.

Duty-free Concession. The exclusive concession contract for the sale of in-bond (duty-free) merchandise has been a major source of concession fees for the Airports System. DFS Group, L.P. ("*DFS*") operates the in-bond concessions at Daniel K. Inouye International, Kona and two off-airport locations pursuant to a 10-year lease agreement that began in 2007, which was extended through May 31, 2027. DFS received a MAG waiver similar to other eligible concessionaires, which MAG waiver remains in effect as of the date of this Official Statement.

In addition, DFS has paid $27.9 million for improvements to the Central Waiting Lobby Building at Daniel K. Inouye International and $39.2 million for concession improvements.

Duty free stores have been closed since April 2020 due to the low air traffic level and as of January 1, 2022 remain closed. It remains uncertain whether one of the off-site locations in downtown Waikiki will be permanently closed.

Rental Car Concessions. In fiscal years 2019, 2020 and 2021, car rental concession revenues were $72.4 million, $58.9 million and $38.3 million, respectively, accounting for approximately 39.5%, 39.0%, and 65.7% of concession fees in each Fiscal Year. Rental car gross revenues were $114.6 million in July 2021, $112.2 million in August 2021, and $.8 million in September 2021 and $70.5 million in October 2021, compared to $80.0 million in July 2019, $71.7 million in August 2019, $46.1 million in September 2019, and $51.1 million in October 2019. The higher gross revenues are driven primarily by higher daily rental rates as a result of rental car shortages Companies operating on-airport rental car operations at the primary airports pay 10% of gross receipts, subject to specified MAGs for each airport.

The Department and certain RACs operating in the Airports System (the Signatory RACs), executed the Statewide Airports Car Rental Facilities Concession Agreement and Facility Leases on May 1, 2015, covering operations of Statewide Airports Car Rental Facilities System, which, include the ConRACs at Daniel K. Inouye International and Kahului.

The Kahului ConRAC opened in May 2019. Rental car companies moved into the facility and started paying annual ground rent in addition to MAGs. The Daniel K. Inouye International ConRAC opened in December 2021. Existing car rental concession agreements continued in effect through May 31, 2019 and were extended month-to-month at Hilo International, Kona, and Lihue Airport, with nine rental car brands (Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless and Thrifty) at each of these airports. Lihue Airport also has a tenth operator, Advantage. Existing car rental concession agreement in effect at Molokai Airport with Alamo as the sole on-airport car rental operator continued through May 31, 2019 and was extended month-to-month. Hertz Global Holdings, Inc. ("Hertz") and Advantage Holdco, Inc. ("Advantage") both filed for bankruptcy protection in May 2020. In June 2021, the bankruptcy court confirmed Hertz's plan of reorganization and continues to operate within the Airports System. In July 2020, Advantage assigned several of its agreement at the Airports System to Sixt Rent a Car and Sixt Rent a Car continues to operate within the Airports System pursuant to those assigned contracts. The Airports Division is monitoring both cases and intends to recover all pre- and post-petition damages to the extent possible.

Off-airport rental car operations pay fees in accordance with Chapter 19-20.1 of the Hawai'i Administrative Rules. The rules provide that an off-airport operator must pay an annual fee of $20 for each rent-a-car vehicle in its fleet as of October 1 of each year, an annual administrative fee of $100, and an annual registration fee of $250 for each courtesy vehicle used to transport customers to and from the airport. The off-airport rent-a-car operators are not a significant revenue source to the Airports Division.

The Airports Division also collects CFCs on all rental car transactions at airport locations. CFCs are not considered, and are not included in determining, Revenues of the Airports System.

Parking Operations. Parking facilities at Daniel K. Inouye International, Lihue, Hilo International and Kahului are managed by ABM Parking Services (formerly Ampco System Parking), while SP Plus Corporation manages parking facilities at Kona. The Airports Division receives 80% of gross receipts from parking operations at Daniel K. Inouye International and Kahului, 65% from Kona and Lihue Airport, and 55% from Hilo International. The Airports Division collected $11.8 million of parking revenues in Fiscal Year 2021, or 20.3% of total concession fees.

Food and Beverage. The Airports Division has had an agreement with Host International, Inc. ("Host") since 1993 to provide exclusive food and beverage services at Daniel K. Inouye International. The current agreement is in effect through April 30, 2029, with a MAG of approximately $4.8 million. Host also has food and beverage concession agreements at Kahului (expires September 30, 2022) and Lihue Airport (amended to September 30, 2023). Volume Services dba Centerplate continues to operate food and beverage concessions at Hilo International and Kona. Food and beverage revenues were $2.4 million in Fiscal Year 2021, or 4.0% of total concession fees at the Airports System.

Retail Concession (non-duty-free). Non-duty-free retail concessions include revenues from retail shops and gift shops in the Airports System. DFS operates the (non-duty-free) retail concession for Daniel K. Inouye International, through March 31, 2026. DFS pays to the Airports Division the greater of the MAG (set at $8.5 million for the period of April 1, 2020 through March 31, 2021) or 20% of gross receipts (percentage). In subsequent years, the MAG will be set at 85% of what was paid and payable in the prior concession year with the actual concession fee being the higher of the MAG or the percentage. DFS also operates retail concessions at Kahului through August 31, 2026. Travel Traders, Inc. will continue to hold the retail concession at Lihue Airport through June 30, 2021. Tiare Enterprises, Inc. concession agreement contract was extended for Hilo International and Kona (expires on August 31, 2025). Retail concession revenues in fiscal year 2021 were $1.5 million, or 2.6% of total concession fees.

Ground Transportation Operations. Ground transportation fees includes revenues from contracts and permits in connection with shuttle services, taxicab operations and other courtesy vehicle operations. Transportation Network Companies are not a significant revenue source to the Airports Division. Ground transportation fees were $1.4 million in Fiscal Year 2021, or 2.3% of total concession fees.

Other Concession Fees. Other concession fees include revenues from agreements to provide news, floral services, ATMs, currency exchanges, advertising in the Airports System, Wi-Fi service, and in-flight catering revenues. Other concession fees were $3.9 million in Fiscal Year 2021, or 6.6% of total concession fees.

Aeronautical Revenues

Landing Fees. Under the terms of the Amended Lease Extension Agreements described below, the Signatory Airlines pay landing fees per 1,000 pounds of certificated gross aircraft landed weight to allow the Airports Division to recover certain operating, maintenance, and capital costs of runways, taxiways, and other airfield facilities, after crediting nonsignatory landing fee payments, and any federal grant reimbursements. Non-signatory commercial airlines pay airport rates and charges equaling 125% of Signatory Airlines rates and charges, and small nonsignatory air operators pay lower rates and charges than the Signatory Airlines.

Aeronautical Revenues. Aeronautical rentals include nonexclusive joint-use premise charges, exclusive-use premises charges, non-terminal aeronautical rentals, and Airports System Support Charges generated pursuant to the Amended Lease Extension Agreements (as defined below) and the Hawaii Administrative Rules, Title 19, Subtitle 2 (the "*Administrative Rules*"). Exclusive-use premise charges are computed as the product of the terminal rental rate and the square footage rented. Joint-use premise charges are set pursuant to the Amended Lease Extension Agreement. Airports System Support Charges for Signatory Airlines were established to recover all remaining residual costs of the Airports System, when needed. Airports System Support Charges for non-signatory air operators were established by Administrative Rules. Those rates are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The following table sets forth the landing fees, and aeronautical rentals and their percentage of total Revenues of the Airports System for Fiscal Years 2017 through 2021.

Aeronautical Revenues (Net of Aviation Fuel Tax Credit)
Fiscal Year Ended June 30; Dollars in thousands

	2017	2018	2019	2020	2021
Aeronautical Revenues (Net of Aviation Fuel Tax Credit)					
Airport landing fees and Airports System Support Charges	$ 77,858	$ 86,059	$ 82,988	$ 74,357	$ 61,735
Aeronautical rentals	126,145	133,096	140,350	124,978	130,056
Total Aeronautical Revenues	$ 204,003	$ 219,155	$ 223,338	$ 199,335	$ 191,791
% of Total Revenues and Taxes					
Airport landing fees and Airports System Support Charges	19.0%	19.4%	17.7%	16.2%	13.5%
Aeronautical rentals	30.8%	29.9%	30.0%	27.3%	29.0%
Total Percentage	49.8%	49.3%	47.7%	43.5%	42.5%

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2017-2021.

Airline Lease Agreements. The Department operates pursuant to separate airport-airline lease agreements with certain airlines serving the Airports System (as signatories to the lease agreements, the "*Signatory Airlines*"). During Fiscal Year 2021, there were 23 Signatory Airlines, including 19 passenger airlines. Under each airport-airline lease agreement, each Signatory Airline has the nonexclusive right to use the facilities, equipment, improvements, and services of the Airports System and to occupy certain premises and facilities in the Airports System.

In October 2007, the Department and each of the Signatory Airlines executed a First Amended Lease Extension Agreement effective January 1, 2008 (the "*2007 Agreement*" and together with the Lease Agreement as extended by the Lease Extension Agreement and as amended and further extended by the 2007 Agreement, the "*Amended Lease Extension Agreement*"). The Amended Lease Extension Agreement differentiates charges for interisland operations and charges for overseas operations (both domestic and international). The Amended Lease Extension Agreement is extended automatically and the Department and each Signatory Airline may terminate the Amended Lease Extension Agreements upon 60 days prior written notice. The interisland charge is equal to the product of the overseas charge and a discount factor called the interisland rate. The interisland rate discount factor is 49% in Fiscal Year 2021, and is scheduled to increase 1 percentage point annually until it reaches 100%.

The Amended Lease Extension Agreement also established a methodology to determine the rates and charges required to be paid by each of the Signatory Airlines, a cost center residual rate-setting methodology that apportions costs of specific Airports System facilities among the signatory airlines that directly use them. The rates and charges include: (1) landing fee charges recovered on a revenue landed weight basis, (2) exclusive use airline terminal rentals recovered on a per square foot basis, (3) joint-use premises charges based on a per enplaning or deplaning passenger, or a per bag basis, (4) international arrivals building charges recovered on a per deplaning international passenger basis, (5) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, and Airports System Support Charges recovered on a revenue landed weight basis when needed.

The Amended Lease Extension Agreement includes a formal process that the Airports Division and the Signatory Airlines will use to review any additional capital improvement projects and associated financing plans but does not require the Signatory Airlines' affirmative approval of a proposed capital improvements project. Additional capital improvement projects are deemed accepted by the Signatory Airlines unless rejected in writing twice by a majority-in-interest of the Signatory Airlines. A majority-in-interest constitutes at least 50% of the Signatory Airlines representing at least 50% of the total landing fee and Airports System support charge payments actually paid in the previous Fiscal Year. If the Signatory Airlines reject a proposed project, such project is deferred, but the Airports Division can undertake the improvements in the following Fiscal Year. The Airports Division refers to the Signatory Airlines' affirmative support for or non-rejection of capital projects submitted for their review as a "concurrence."

Nonsignatory airlines are subject to the Airports Division Procedures and Administrative Rules, which require the payment of specified amounts for landing fees, Airports System Support Charges, and certain other rates, fees, and charges. Under the 2007 Agreement, the Department agreed to amend the methodology for calculating fees and charges so that nonsignatory airline fees and charges would be 125% of Signatory Airline fees and charges. The Airports Division has revised the rate methodologies for nonsignatory commercial air carriers pursuant to Chapter 261-7(e), HRS, effective January 1, 2012.

Aeronautical Revenues (Net of Aviation Fuel Tax Credit)
Fiscal Year Ended June 30; Dollars in thousands

	2017	2018	2019	2020	2021
Aeronautical Revenues (Net of Aviation Fuel Tax Credit)					
Signatory	$ 183,946	$ 196,144	$ 198,199	$ 179,046	$ 167,876
Non-Signatory	20,057	23,011	25,139	20,289	23,915
Total Aeronautical Revenues	$ 204,003	$ 219,155	$ 223,338	$ 199,335	$ 191,791
% of Total					
Signatory	90.2%	89.5%	88.7%	89.8%	87.5%
Non-Signatory	9.8%	10.5%	11.3%	10.2%	12.5%
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2017-2021.

Prepaid Airlines Interest. The Amended Lease Extension Agreement requires that the Airports Division conduct a year-end settlement to determine over-or-under-collection of airline rates and charges. Pursuant to separate PAUCF Agreements, any over-collection shall be deposited in the PAUCF, which is the property of the Signatory Airlines.

In Fiscal Year 2014, 2015, and 2016, the Signatory Airlines, through the Airlines Committee of Hawaii, agreed to apply $19 million, $18.5 million, and $4.0 million, respectively, of the PAUCF to reduce airline rates and charges. This amount is shown as prepaid airline interest, a reduction to the Annual Adjusted Debt Service Requirements, as defined in the Certificate. There has been no prepaid interest from the PAUCF since 2016. The PAUCF fund balance was $0.3 million as of June 30, 2021.

Aviation Fuel Taxes. Aviation Fuel Taxes are imposed by the State under Section 243-4(a)(2), HRS, on all types of aviation fuel sold in the State. Effective January 1, 2016, the tax was reduced from two cents to one cent per gallon. The Aviation Fuel Tax does not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The following table sets forth the Aviation Fuel Taxes and its percentage of total Revenues and Taxes of the Airports System for Fiscal Years 2017 through 2021.

Aviation Fuel Taxes
Fiscal Year Ended June 30; Dollars in thousands

	2017	2018	2019	2020	2021
Total Aviation Fuel Taxes	$ 2,156	$ 2,613	$ 2,608	$ 2,191	$ 1,642
% of Total Revenues and Taxes	0.5%	0.6%	0.6%	0.5%	0.4%

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2017-2021.

Both Signatory Airlines and nonsignatory airlines receive rebates and credits in connection with their payment of Aviation Fuel Taxes. State law provides that so long as the Airports System generates sufficient Revenues to meet the Rate Covenant, the Director may, in the Director's discretion, grant to airlines operating in the Airports System a rebate, not to exceed one-half cent per gallon, for Aviation Fuel Taxes paid by the entity that has also paid airport use charges or landing fees during the Fiscal Year. Signatory Airlines receive credits pursuant to the Amended Lease Extension Agreement, which provides that the payments of Aviation Fuel Taxes by a Signatory Airline shall be credited against such Signatory Airline's landing fees upon submission of a claim in writing within six (6) months of payment of such tax accompanied by a certificate with respect to payment of such taxes from the supplier. The Department provides such credits to nonsignatory airlines as well. Consequently, the amount of landing fees actually received by the State (in contrast with the amount of airline charges actually owing) has been reduced in the past, and may be reduced in the future, by the amounts of such credits.

Non-Aeronautical Revenues Other Than Concession Fees

Non-aeronautical rental revenues. Such revenues include revenues from rental car leases, certain utility reimbursements, and other leased facilities, such as hangars and cargo buildings occupied by nonairline tenants. Certain revenues are forecast according to the terms of the various agreements currently in effect and the additional revenues expected from agreements for new and expanded facilities. The terms of these leases range from 4 years to 15 years for concessionaires and up to 65 years for other airport tenants. Under the terms of the agreements, rental increases are adjusted in proportion with the consumer price index (i.e., inflation).

The following table sets forth the non-aeronautical rental revenues and its percentage of total Revenues and Taxes for Fiscal Years 2017 through 2021.

Non-Aeronautical Rental Revenues Other Than Concession Fees
Fiscal Year Ended June 30; Dollars in thousands

	2017	2018	2019	2020	2021
Non-Aeronautical Rental Revenues Other Than Concession Fees	$ 22,996	$ 20,063	$ 22,169	$ 22,784	$ 21,853
% of Total Revenues and Taxes	5.6%	4.5%	4.7%	5.0%	5.0%

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2017-2021.

Miscellaneous Operating Revenues. The Airports Division has agreements with various other companies to provide the sale of utilities and other services, in addition to other miscellaneous income recognized through daily operations of the Airports System. Those revenues were $8.2 million in Fiscal Year 2021.

Other Non-Operating Revenues. Certain interest income and federal operating grants are included as Revenues under the Director's Certificate. In Fiscal Year 2021 interest income was $5.7 million, federal operating grants were $152.2 million, including $83.3 million from CARES Act grants, $42.3 million from the CRRSA (defined below) Act, a one-time operating grant of $22.4 million from the State's share of the federal COVID-19 grants, and $4.2 million of other federal operating grants.

Federal Capital Grants. FAA grants under the AIP are funded through the Federal Airport and Airway Trust Fund with revenues from federal aviation user fees and taxes. These FAA grants are to be used for airport infrastructure projects to enhance safety, security, capacity, and access, and are made available to airport operators in the form of FAA entitlement and discretionary allocations for AIP-eligible projects. In addition, the Airports Division receives grants from other federal and state agencies from time to time for eligible projects, including certain grants from the TSA for eligible baggage system related project costs.

Infrastructure Investment and Jobs Act. On November 5, 2021 the U.S. House of Representatives passed the Infrastructure Investment and Jobs Act (H.R. 3684) and on November 15, 2021 President Biden signed the bill into law. The Airports Division has been allocated $49,277,050 from the Infrastructure Investment and Jobs Act for federal fiscal year 2022. Although the Airports Division anticipates receiving additional Infrastructure Investment and Jobs Act grant allocations over the next 4 federal fiscal years, the Airports Division cannot state with any certainty when or if any future grant allocations will be received, how much any future grant allocation will be for, or for what purposes the Infrastructure Investment and Jobs Act grants will be used.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act Grants. The CARES Act approved by the United States Congress and signed by former President Trump on March 27, 2020, provided $10 billion of assistance to United States commercial airports, which was apportioned among such airports based on various formulas. The Airports System was allocated $133.3 million of CARES Act grants for expense reimbursement. The Airports Division can use their awarded CARES Act grants to pay for any purpose for which airport revenues can lawfully be used in accordance with FAA rules and regulations. The Airports Division used $50 million to reimburse operating expenses and debt service occurred in Fiscal Year 2020, and used the remaining $83.3 million to reimburse operating expenses and debt service in Fiscal Year 2021.

The CARES Act also included approximately $50 billion for passenger airlines in the United States. Certain of the Signatory Airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934 and in accordance therewith file reports and other information (collectively, the "*SEC Reports*") with the SEC. Prospective purchasers of the Series 2022 Bonds should review the SEC Reports of the Signatory Airlines. This reference to the Signatory Airlines' SEC Reports is for informational purposes only, and such reports shall not be deemed incorporated herein by reference. Neither the Airports Division nor the State are obligated to provide such information.

The Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act Grants. On December 27, 2020 form President Trump signed the Consolidated Appropriations Act, 2021. Division M of the Consolidated Appropriations Act, 2021 is the CRRSA Act. Title IV of the CRRSA Act provides approximately $2 billion in economic relief to airports to mitigate, prepare for, and respond to the COVID-19 pandemic, including relief from rent and MAGs for eligible airport concessions at primary airports. The Airports Division received $46.4 million in CRRSA Act grants, which amount includes $3.9 million to be used for concession relief. The Airports Division used $42.3 million in Fiscal Year 2021 to reimburse operating expenses and debt service.

The American Rescue Plan ("ARP") Act Grants. The ARP Act was signed into law by President Biden on March 11, 2021 and includes $8 billion in funds to be awarded as economic assistance to eligible United States airports to prevent, prepare for, and respond to the COVID-19 pandemic. The Airports Division received $144.3 million in ARP Act grants, which amount includes $15.5 million to be used for concession relief. The Airports Division plans to use the majority of the ARP Act grant in Fiscal Year 2022 and to reserve $40.0 million for Fiscal Year 2023.

Future COVID-19 related grants. The Airports Division may receive in the future additional aid at the federal and State level. However, the Airports Division cannot predict whether in the future any additional relief measures will be enacted or additional federal or State financial support made available to airports (including the Airports System), under what conditions, or whether the Airports Division would accept any such available support under those conditions.

Passenger Facility Charges. As described above, a PFC is a charge imposed on enplaned passengers by the Airports Division to generate revenues for eligible airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. The FAA has approved the Airports Division's Application No. 5 to collect and use PFC's for Airports System Capital Projects. The FAA has approved a total of 8 PFC applications from the Airports Division as of December 31, 2021. In Fiscal Year 2020 and Fiscal Year 2021, respectively, $18.1 million and $16.1 million of PFC revenues were used for the payment of eligible debt service.

Airports System Expenses

Airports System expenses consist of Operating expenses and Nonoperating expenses. Operating expenses include salaries and wages, other personnel services, utilities, repairs and maintenance, State surcharges on gross receipts, special maintenance, Departmental general administration expenses, materials and supplies, insurance and other expenses. Nonoperating expenses include interest expenses for Airports System Revenue and Special Facility Bonds, interest on Lease revenue certificates of participation, loss on disposal of capital assets, and Bond issue costs.

Operating Expenses. The Airports Division provides most of the maintenance, operating functions, and utilities of the Airports System using a combination of Airports Division staff and contract personnel. Operating expenses include salaries and wages, other personal services, utilities, special and major maintenance expenses, materials and supplies, state surcharge, and Airports Division and allocated State administrative charges. The State surcharge is implemented by the State at 5% of all receipts of the Airports Division, after deducting any amounts pledged, charged, or encumbered for the payment of Bonds in each Fiscal Year. The State Surcharge increased from $13.4 million in Fiscal Year 2017 to $14.4 million in Fiscal Year 2020, but declined to $8.0 million in Fiscal Year 2021 due to lower revenues.

Airports System operating expenses are composed primarily of salaries and wages, other personal services, utilities, repairs and maintenance and other expenses. In Fiscal Years 2020 and 2021, cost of operation, maintenance and repair were $322.3 and $337.9 million, respectively, including a one-time $22.4 million in Fiscal Year 2021 funded by the State's share of the federal COVID-19 grants for passenger screening. Salaries and wages have increased from $110.7 million in Fiscal Year 2017 to $131.9 million in Fiscal Year 2021 for an annual average growth rate of 4.5%.

Debt Service Coverage

As reflected in Table 5, debt service coverage exceeded the Certificate requirement of 1.25 times Net Revenues and Taxes for the Fiscal Years 2017 through 2021. Annual Adjusted Debt Service Requirements exclude capitalized interest and certain amounts deposited into the Interest Account, as permitted under the Certificate.

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Cash and Cash Equivalents

The following table presents a summary of cash and cash equivalents and investments for Fiscal Years 2017 to 2021.

TABLE 6
Summary of Cash and Cash Equivalents and Investments
Fiscal Year Ended June 30; Dollars in thousands

	2017	2018	2019	2020	2021
Cash, Cash Equivalents and Investments					
Petty Cash	$ 5	$ 5	$ 5	$ 5	$ 5
Cash in State Treasury	1,190,777	1,085,275	1,424,196	1,258,418	1,147,824
Amount Held by Trustee	-	-	-	-	-
Certificates of Deposit	78,691	96,893	77,273	75,154	25,154
U.S. Government Securities	34,995	16,835	25,197	27,316	82,155
Money Market Funds	46,881	185,466	20,637	19,771	19,282
Total Cash, Cash Equivalents and Investments	$ 1,351,349	$ 1,384,474	$1,547,308	$ 1,380,664	$ 1,274,570
Reflected in the Balance Sheet as Follows:					
Cash and Cash Equivalents:					
Unrestricted	$ 576,465	$ 584,797	$ 503,263	$ 494,687	$ 432,727
Restricted	614,842	500,483	752,584	547,358	606,384
Total Cash and Cash Equivalents	$ 1,191,307	$ 1,085,280	$ 1,255,847	$ 1,042,045	$ 1,039,111
Investments – Restricted	96,893	252,817	270,824	318,848	216,177
COP Funds – Trustee	63,149	46,377	20,637	19,771	19,282
Total Cash, Cash Equivalents and Investments	$ 1,351,349	$ 1,384,474	$ 1,547,308	$ 1,380,664	$ 1,274,570

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2017-2021.

Outstanding Airports System Revenue Bonds

As shown below, as of December 1, 2021, $1,532,945,000 of Airports System Revenue Bonds were outstanding. All Bonds were issued as fixed rate debt. After the issuance of the Series 2022 Bonds, $1,738,645,000 will be outstanding (taking into account the redemption of the Refunded Bonds). The Department anticipates issuing Additional Bonds to finance a portion of future CIPs. See "**CAPITAL IMPROVEMENTS PROGRAM**."

Airports System Revenue Bonds (as of December 1, 2021)

Series	Final Maturity	Outstanding Par
2011[(1)]	July 1, 2024	$ 56,615,000
2015A	July 1, 2045	235,135,000
2015B	July 1, 2045	9,125,000
2018A	July 1, 2048	388,560,000
2018B	July 1, 2027	26,125,000
2018C	July 1, 2028	92,745,000
2018D	July 1, 2034	142,150,000
2020A	July 1, 2045	113,140,000
2020B	July 1, 2050	165,885,000
2020C	July 1, 2050	20,295,000
2020D	July 1, 2039	184,855,000
2020E	July 1, 2030	98,315,000
TOTAL		**$ 1,532,945,000**

(1) The outstanding Series 2011 Bonds are expected to be refunded with a portion of the proceeds of the Series 2022B Bonds.

The following table sets forth the principal and interest requirements for the Bonds following the issuance of the Series 2022 Bonds.

TABLE 7
TOTAL BONDS DEBT SERVICE[(1)]

FYE June 30,	Existing Bonds Debt Service[(2)]	Series 2022A Bonds Principal	Series 2022A Bonds Interest	Series 2022B Bonds Principal	Series 2022B Bonds Interest	Total Debt Service
2022	$66,533,541	--	$4,128,604	--	$1,090,164	$71,752,308
2023	65,164,803	--	10,042,550	$33,185,000	2,651,750	111,044,103
2024	82,498,156	--	10,042,550	19,850,000	992,500	113,383,206
2025	107,455,379	--	10,042,550	--	--	117,497,929
2026	107,456,674	--	10,042,550	--	--	117,499,224
2027	107,459,195	--	10,042,550	--	--	117,501,745
2028	107,459,907	--	10,042,550	--	--	117,502,457
2029	107,459,876	--	10,042,550	--	--	117,502,426
2030	107,456,082	--	10,042,550	--	--	117,498,632
2031	107,457,540	--	10,042,550	--	--	117,500,090
2032	107,457,790	--	10,042,550	--	--	117,500,340
2033	107,459,540	--	10,042,550	--	--	117,502,090
2034	107,456,040	--	10,042,550	--	--	117,498,590
2035	107,455,540	--	10,042,550	--	--	117,498,090
2036	87,157,490	$8,620,000	10,042,550	--	--	105,820,040
2037	87,156,490	9,050,000	9,611,550	--	--	105,818,040
2038	87,158,390	9,500,000	9,159,050	--	--	105,817,440
2039	87,159,090	9,975,000	8,684,050	--	--	105,818,140
2040	87,159,690	10,375,000	8,285,050	--	--	105,819,740
2041	87,156,740	10,795,000	7,870,050	--	--	105,821,790
2042	87,156,640	11,225,000	7,438,250	--	--	105,819,890
2043	87,157,540	11,785,000	6,877,000	--	--	105,819,540
2044	87,157,190	12,355,000	6,309,200	--	--	105,821,390
2045	87,158,190	12,945,000	5,713,850	--	--	105,817,040
2046	67,158,701	11,570,000	5,090,050	--	--	83,818,751
2047	67,154,384	12,135,000	4,532,450	--	--	83,821,834
2048	67,157,824	12,715,000	3,947,500	--	--	83,820,324
2049	67,158,397	13,350,000	3,311,750	--	--	83,820,147
2050	67,163,510	14,010,000	2,644,250	--	--	83,817,760
2051	--	38,875,000	1,943,750	--	--	40,818,750
TOTAL	**$2,603,600,326**	**$209,280,000**	**$236,142,104**	**$53,035,000**	**$4,734,414**	**$3,106,791,844**

(1) Numbers for each Fiscal Year reflect payments of interest on the Bonds on January 1 of each Fiscal Year and payments of principal of and interest on the Bonds made on July 1 of the following Fiscal Year.
(2) Excludes debt service on the Refunded Bonds.
Source: Department of Transportation - Airports Division.

No Obligations Subject to Mandatory Purchase or Acceleration. The Department currently has no outstanding variable rate obligations subject to purchase by the Department 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 Revenues and Aviation Fuel Taxes.

Other Obligations of the Department

Lease Revenue Certificates of Participation. Section 36-41 HRS, authorizes the Department to enter into multi-year energy performance contracts, including financing agreements, in order to implement energy conservation or alternate energy measures in State facilities. To date the Department has issued its $167.7 million Series 2013 Lease Revenue Certificates of Participation, its $8.1 million Series 2016 Lease Revenue Certificates of Participation and its $51.5 million Series 2017 Lease Revenue Certificates of Participation. The COPs were issued to finance energy efficient and energy savings projects which themselves are backed by contracts from Johnson Controls, Inc. guaranteeing minimum annual energy cost savings in an amount sufficient to pay all annual debt service on COPs. As of December 1, 2021, $172,679,000 of COPs were outstanding.

Special Facility Leases and Special Obligation Bonds. The State Legislature has authorized $200,000,000 of special obligation bonds ("*Special Obligation Bonds*") pursuant to Section 261-52 of the Hawaii Revised Statutes. As of December 1, 2021, there were $21,725,000 of Special Obligation Bonds outstanding. These Special Obligation Bonds are payable solely from and collateralized solely by monies derived from the applicable special facilities lease agreements and are not payable from, or secured by, Revenues and Aviation Fuel Taxes. Although the Airports Division may issue additional Special Obligation Bonds, it does not currently expect to issue any additional Special Obligation Bonds to fund any of the cost of future CIPs comprising the Airline Projects.

Customer Facility Charge Revenue Bonds. The Department has issued approximately $445 million of CFC Bonds to finance the construction of the ConRACs. The CFC Bonds are secured by CFC collections and are not secured by the Revenues or Aviation Fuel Taxes.

General Obligation Bonds. From time to time, the State may issue and appropriate reimbursable general obligation bonds for the Airports System. Reimbursable general obligation bonds are general obligation bonds of the State, the proceeds of which are used to finance improvements to the Airports System. As a result, the Department is required to reimburse the State general fund from Revenues for the debt service on such bonds. The last reimbursable general obligation bonds issued for the Airports System were repaid in Fiscal Year 2009 and, currently, there are no such bonds issued or outstanding for the Airports System.

Insurance

The Airports Division has a commercial general liability insurance policy with a $750,000,000 limit for each occurrence. The policy includes extended coverage for $150,000,000 for war, hijacking and other perils. The annual premium for Fiscal Year 2021 was $0.9 million. The liability policy has a zero deductible limit, which means that the insurer handles and pays for all claims against the State. The selection of insurance companies is arranged by the Airports Division's designated Insurance Broker, MOC Insurance Services of San Francisco. The State has a separate insurance policy for its structures for which the Airports Division paid the State Department of Accounting & General Services ("*DAGS*") $1.5 million for Fiscal Year 2021. The Airports Division has no control over DAGS's insurance premium.

Security

The costs of Airports System security contracts have increased significantly since the events of September 11, 2001. The Airports System's security services are supported by two security companies, certain personal service contracts and the State's Department of Public Safety. Security costs have nearly doubled from the pre-9/11 era. Security expenditures at Daniel K. Inouye International alone were $27.5 million and $30.1 million, and for the Airports System as a whole $50.2 million and $53.2 million in Fiscal Years 2020 and 2021, respectively. The Airports System is subject to additional expense increases based upon future mandated security directives from the TSA.

Employee Benefits

Employees' Retirement System. This section contains certain information relating to the Employees' Retirement System of the State (the "*Retirement System*" or "*ERS*"). The information contained in this section is primarily derived from information produced by the Retirement System, its independent accountant and its actuary. None of the State, the Department or the Airports Division has independently verified the information provided by the Retirement System, its independent accountant or its actuary, and such entities make no representations nor expresses any opinion as to the accuracy of such information. The comprehensive annual financial report of the Retirement System and most recent valuation report of the Retirement System may be obtained by contacting the Retirement System. The comprehensive annual financial reports of the Retirement System are also available on the State's website at http://portal.ehawaii.gov/, and other information about the Retirement System are available on the Retirement System's website at http://ers.ehawaii.gov/. Such documents and other information are not incorporated herein by reference.

The Retirement System uses a variety of assumptions to calculate the actuarial accrued liability, actuarial value of assets and other actuarial calculations and valuations of the Retirement System. No assurance can be given that any of the assumptions underlying such calculations and valuations (including, but not limited to, the current actuarial assumptions adopted by the Retirement System's Board of Trustees, the Retirement System's benefit structure or the actuarial method used by the Retirement System) will reflect the actual results experienced by the Retirement System. Variances between the assumptions and actual results may cause an increase or decrease in, among other things, the Retirement System's actuarial value of assets, actuarial accrued liability, unfunded actuarial accrued liability or funded ratio. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions (including, but not limited to, the current actuarial assumptions, benefit structure or actuarial method used by the Retirement System), one or more or which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Employee benefits for employees of the Airports Division are an operating expense of the Airports Division. All full-time employees of the Department are required to participate in the Retirement System and are also entitled to health care and life insurance benefits afforded to all State employees. Department employees hired after June 30, 1984 participate in a non-contributory retirement plan. Employees hired before that date were given the option of remaining in a contributory retirement plan or joining the new non-contributory plan.

Effective July 1, 2006, the State implemented a new hybrid retirement plan. Members of the contributory and noncontributory plans were eligible to elect to transfer to the hybrid plan and all new employees hired on or after July 1, 2006, become members of the hybrid plan. Under the hybrid retirement plan, employees will receive a benefit multiplier of 2 percent for each year of credited service in the hybrid plan, but must contribute 6 percent of gross pay to this plan, while under the non-contributory retirement plan, employees receive a benefit multiplier of 1.25 percent and do not contribute any funds to the plan.

Legislation enacted in 2011 (Act 163, SLH 2011) changed the pension benefit structure for new employees that reduces the long-term cost to the ERS and provides an acceptable retirement package. All new employees will be affected by new requirements. This across the board revision effective for new hires after June 30, 2012 changes the employee contribution rate, retirement age, vesting period, average final compensation pick up, pension multiplier and post retirement increases. Provisions for interest rate credited to a member's contributions are effective for new hires after June 30, 2011.

Act 163, SLH 2011, also reduced the investment yield rate assumption for Fiscal Year 2011 from 8 percent to 7.75 percent and gave authority to the Board of Trustees to adopt all assumptions to be used for actuarial valuations of the Retirement System, including the assumed investment yield rate for subsequent Fiscal Years. To better reflect the recent actual experience of the Retirement System, the Board of Trustees adopted the assumption recommendations set forth in the Actuarial Experience Study for the five year period ended June 30, 2015, including setting the investment yield rate assumption at 7 percent. The Legislature also enacted Act 152 and 153, SLH 2012, effective June 30, 2012, and July 1, 2012, respectively, to define compensation for retirement purposes as normal periodic payments excluding overtime, supplemental payments, bonuses and other differentials, and to assess employers annually for all retiree pension costs attributable to non-base pay during the last years of retirement.

The required pension contributions by the Airports Division to the ERS for the years ended June 30, 2021, 2020 and 2019 were $20,244,297, $17,834,519 and $14,425,204, respectively. Act 17, SLH 2017, which became effective July 1, 2017, increased employer contribution requirements as follows:

Employer Contribution effective starting	**Police Officers and Firefighters (% of total payroll)**	**Other Employees (% of total payroll)**
July 1, 2017	28.0	18.0
July 1, 2018	31.0	19.0
July 1, 2019	36.0	22.0
July 1, 2020	41.0	24.0

The total assets of the Retirement System on a market value basis available for benefits amounted to approximately $14.070 billion as of June 30, 2016, $15.698 billion as of June 30, 2017, $16.598 billion as of June 30, 2018, $17.227 billion as of June 30, 2019, $17.385 billion as of June 30, 2020, $21.438 billion as of June 30, 2021, and $21.8 billion as of September 30, 2021. Actuarial certification of assets as of June 30, 2015 was $14.5 billion, as of June 30, 2016 was $15.0 billion, as of June 30, 2017 was $15.7 billion, as of June 30, 2018 was $16.5 billion, as of June 30, 2019 was $17.2 billion, and as of June 30, 2020 was $17.4 billion. As of June 30, 2020, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the Retirement System amounted to approximately $14.607 billion. Measurement of assets and actuarial valuations are made for the Retirement System as a whole and are not separately computed for individual participating employers such as the Airports Division.

The State anticipates that as the percentage of employees hired on and after July 1, 2012 increases, and increases in the employer contribution rates required by Act 17, SLH 2017, impact the Retirement System, the State will be able to fully amortize the UAAL over a 26-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 2023. The combination of the higher contribution policies and new benefit structure for future employees should enable the

Retirement System to absorb the prior adverse experience and the revised actuarial assumptions over the 26-year term.

Other Post-Employment Benefits. In addition to pension benefits, state and local governments are required to account for and report other post-employment benefits ("*OPEBs*") under Governmental Accounting Standards Board Statement No. 75 ("*GASB 75*") which was effective for fiscal years beginning July 1, 2016 and 2017. Act 88, SLH 2001, Relating to Public Employee Health Benefits (partially codified as HRS Chapter 87A), established the Trust Fund. The Trust Fund provides OPEBs in the form of certain health and life insurance benefits to retired State and county employees, including retired Airports Division employees. Employer contributions to the Trust Fund for these benefits are determined by the Trust Fund based on employees' hiring dates and years of service.

The State has received the Trust Fund's July 1, 2020 Actuarial Valuation Report (the "*Trust Fund Report*") and the GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions report (the "*GASB 75 Report*") prepared for fiscal year ending June 30, 2020 of the Trust Fund's OPEB liabilities. The Trust Fund and the GASB 75 Reports were prepared by the State's professional actuarial advisors, Gabriel Roeder Smith & Company. The Trust Fund Report quantifies the Actuarial Accrued Liabilities ("*AAL*") of the respective employers under GASB 75 and develops the Annual Required Contributions ("*ARC*"). The GASB 75 Report complements the Trust Fund Report and the calculation of the OPEB Trust liability for this report is not applicable for funding purposes of the OPEB Trust.

The Trust Fund Report provides, based on stated actuarial assumptions, the ARC using a discount rate of 7%. The Trust Fund Report states that the State's unfunded AAL as of July 1, 2020 is $8.9 billion. The corresponding ARC for the fiscal years ending June 30, 2022 and 2023 are $877.2 million and $839.4 million, respectively, of which it is estimated that 79% is an expense of the General Fund and 21% is to be paid from non-general funds of the State (based on fiscal year 2020 reimbursements which is the last year assessments were made from OPEB prefunding because statutory requirements for public employer OPEB pre-funding contributions were suspended for fiscal year 2021 by emergency proclamation). The Trust Fund Report estimates the "pay as you go" funding amounts for fiscal years ending June 30, 2022 and 2023 are $464.1 million and $504.4 million, respectively.

In the past, the State funded its OPEB costs on a "pay-as-you-go" basis; however, the State began the process of pre-funding its OPEB costs (i.e. normal cost) and paying down the unfunded actuarial accrued liability (UAAL) over closed 30-year periods with contributions in the amount of $100 million for fiscal year ending June 30, 2014. The State has met or in some years exceeded its OPEB contribution requirements under Act 268, SLH 2013 as described in the table below. The actuarial value of assets and funded ratio based on the July 1, 2020 actuarial valuation was $2.3 billion and 21.0%, respectively. Investment returns net of fees on OPEB assets during fiscal year 2021 was 27.5% versus the assumed 7%.

On July 17, 2020, the Governor issued a Tenth Proclamation Related to the COVID–19 Emergency, which suspended the provisions of Act 268 (HRS Chapter 87A-42(b)-(f)) that require employer contribution of the ARC for the fiscal year ending June 30, 2021. The 2021 Legislature subsequently enacted Act 229, SLH 2021, which extends such suspension for the fiscal years ending June 30, 2022 and 2023. As a result, for the fiscal year ending June 30, 2021, the State and counties were only required to contribute, and for the fiscal years ending June 30, 2022 and 2023, the State and counties will only be required to contribute, their share of the monthly the "pay-as-you-go" health benefit premiums and claims expenses ("pay-as-you-go" premiums). The State, however, made its full ARC payment for the fiscal year ending June 30, 2021, and also made a payment of $390 million on July 15, 2021. Such $390 million payment is a contribution for the fiscal year ending June 30, 2021, but has a similar effect to funding $390 million of the ARC for the fiscal year ending June 30, 2022 in advance. The State expects to contribute the equivalent of the full ARC for the fiscal year ending June 30, 2022, and also expects to contribute the full ARC for the fiscal year ending June 30, 2023.

Measurement of the actuarial valuation and the ARC for OPEB costs are made for the State as a whole and are not separately computed for the individual State departments. The State allocates the ARC to the various departments and agencies. The Airports Division's contribution for the fiscal years ended June 30, 2021 and June 30, 2020 was $7,817,618 and $16,799,881, respectively, which represented 49% and 119%, respectively, of the Airports Division's share of the Department's ARC for OPEB costs of $15,970,925 and $14,139,288, respectively.

Act 93, SLH 2017, requires the Trust Fund board of trustees to conduct an annual actuarial valuation of the Trust Fund. Previous practice was to have an actuarial valuation every two years. Act 93 also requires the board to update all assumptions specific to the Trust Fund used in the valuation at least once every three years.

State Trust Fund Contributions
Fiscal Years 2014 — 2023

Fiscal Year	ARC	Benefit Payment**	Act 268 Prefunding Requirement %*	Act 268 Prefunding Requirement $	Total Prefunding Contribution**	Total Contributions**
2014	$ 692,622,000	$ 279,881,150	N/A	N/A	$ 100,000,000	$ 379,881,150
2015	717,689,000	275,614,692	20%	$ 82,990,000	117,400,000	393,014,692
2016	742,808,000	300,654,770	40%	163,615,000	249,827,434	550,482,204
2017	744,248,000	331,174,888	60%	230,185,000	333,049,894	664,224,782
2018	770,297,000	345,083,003	80%	297,063,000	337,129,000	682,212,003
2019	787,110,000	356,827,495	100%	430,282,505	430,282,505	787,110,000
2020	814,659,000	381,426,549	100%	433,232,451	433,232,451	814,659,000
2021	842,456,000	405,743,120	100%	436,712,880	826,712,880***	1,232,456,000
2022	877,193,000	464,088,000	100%	413,105,000	23,105,000***	487,193,000
2023	839,445,000	504,377,000	100%	335,068,000	335,068,000***	839,445,000

*Percentage/amount of the ARC less estimated benefit payments required under Act 268 for fiscal years ending June 30, 2015, 2016, 2017 and 2018.

**Fiscal years 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 are actual, and 2022 and 2023 are projected based on the 2020 Trust Fund Report and included in the State's General Fund Financial Plan. Effective fiscal year 2019, Act 268 requires 100% ARC payment.

***Employer annual contributions in excess of the "pay-as-you-go" premiums for fiscal year 2021, and 2022 and 2023 were suspended due to COVID–19 by emergency declaration of the Governor on July 17, 2020 and Act 229, SLH 2021, respectively. See the narrative preceding this table for a further description of contributions made and expected to be made by the State in these fiscal years.

Act 268 provides that if the State public employer contributions into the fund are less than the ARC commencing in fiscal year 2019, general excise tax revenues will be used to supplement State public employer contribution amounts. If the county public employer contributions into the fund are less than the ARC commencing in fiscal year 2019, transient accommodations tax revenues apportioned to the counties will be used to supplement county public employer contribution amounts. As described above, Act 229 SLH 2021 suspends these requirements for fiscal years 2022 and 2023 (but the State has made and intends to make the contributions described above for such fiscal years).

Ceded Lands

Portions of lands underlying Daniel K. Inouye International, Hilo International and Kona are lands ceded by the Republic of Hawaii to the United States in 1898 and subsequently conveyed to the State by the United States at or following the State's admission to the Union in 1959 (the "*Ceded Lands*"). State policy requires revenue generating State departments to pay an allocable share of the gross proprietary revenues derived from the use of such lands to the Office of Hawaiian Affairs, which administers such funds for the benefit of native Hawaiians. However, under federal law, the Department is exempt from such payments from the Airports Retirement System Revenues.

Sustainability, Environmental, Social and Corporate Governance

The State and the Department are committed to long term sustainability and environmental, social, and corporate governance. Over the past decade, the Department, as a stakeholder of the multi-agency led "Sustainable Hawaii Initiative" set forth by the Governor's office, has undertaken the mission of promoting sustainability across the State's Airports System by empowering projects, fostering collaboration, and communicating progress through education and outreach. Given the location of the State in the Pacific Ocean and the close proximity of the Airports System infrastructure, the Airports System is vulnerable to the effects of sea level rise, extreme climate conditions and extreme weather events. In response to its vulnerabilities, the State and the Department have engaged in various initiatives and have made capital investments in their facilities to address and promote climate change mitigation. For a detailed discussion of the State's and the Department's sustainability, environmental, social and corporate governance related engagements and initiatives, see Appendix A – Report of the Airport Consultant – Section 2.2.5 Sustainability and Environmental, Social, and Corporate Governance (ESG)-Related Engagements attached hereto.

REPORT OF THE AIRPORT CONSULTANT

The Airports Division retained ICF SH&E, Inc. to serve as an airport consultant in connection with the issuance of the Series 2022 Bonds. The Report of the Airport Consultant is attached as Appendix A hereto. The Report of the Airport Consultant has been included in reliance upon the knowledge and experience of the Airport Consultant. As stated in the Report of the Airport Consultant, any projection is subject to uncertainties. Therefore, there are likely to be differences between the projections and actual results, and those differences may be material. The Report of the Airport Consultant should be read in its entirety for an understanding of the projections and underlying assumptions. Any description or summary of the Report of the Airport Consultant in this Official Statement is qualified in its entirety by reference to such report.

CERTAIN INVESTMENT CONSIDERATIONS

*The Series 2022 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2022 Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary, above under the headings "**COVID-19 DEVELOPMENTS,**" "**PASSENGER TRAFFIC AND AIRLINES**" and "**FINANCIAL INFORMATION**" and in Appendix A – Report of the Airport Consultant attached hereto. However, the following summary does not purport to be a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to investing in the Series 2022 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other considerations not discussed herein will not become material in the future.*

COVID-19 Pandemic and Related Matters

The COVID-19 pandemic and resulting restrictions on human activities have severely disrupted, and continue to disrupt the economies of the United States and other countries. The COVID-19 pandemic has and may continue to have a material adverse effect on the demand for passenger air travel, although some recovery in air travel volume has occurred over the last several months. The length of the COVID-19 pandemic itself will likely depend on the speed and effectiveness of the various COVID-19 vaccine roll-outs in the United States and abroad and their ability to protect against new variants of the virus, a number of which have emerged. An additional consideration is the general public's perception of the efficacy of the COVID-19 vaccines and the public's willingness to receive a COVID-19 vaccine, including prior to full FDA approval. The longer the COVID-19 pandemic persists, the greater the ultimate effect is likely to be on the airline industry and on the Airports System's operations and financial condition.

In addition, the continuing impacts of the COVID-19 pandemic have resulted in operational difficulties for certain airlines as they increase capacity to meet demand. In some cases, this has resulted in higher flight cancellation rates and reductions in previously planned additions of scheduled capacity. These difficulties have resulted from a variety of factors, including, but not limited to, delays in re-hiring or hiring sufficient personnel as a result of generally prevailing labor shortages, increased customer service demands due to ongoing changes in ticketing rules and information technology disruptions.

The Airports Division cannot predict the outcome of many factors that can materially adversely affect the Airports System's finances or operations, including but not limited to: (a) the duration or extent of the COVID-19 pandemic or another outbreak or pandemic or force majeure event; (b) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the extent to which airlines will continue reduced services at the Airports System, or whether airlines will cease operations at the Airports System or shut down in response to such restrictions or warnings; (c) what effect any COVID-19 pandemic-related or another outbreak- or pandemic-related restrictions or warning may have on air travel, including to and from the Airports System, the retail and services provided by Airports System concessionaires, Airports System costs or Airports System revenues; (d) whether and to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airports System-related construction, the cost, source of funds, schedule or implementation of the Airports System's CIP, or other Airports System operations; (e) the extent to which the COVID-19 pandemic or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economies, may result in changes in demand for air travel, including long-term changes in consumer behavior and the operations of other businesses, or may have an impact on the airlines or concessionaires serving the Airports System or the airline and travel industry generally; (f) whether or to what extent the Airports Division may provide additional deferrals, forbearances, adjustments or other changes to the Airports Division's arrangements with airline tenants and Airports System concessionaires; or (g) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airports System. Prospective purchasers should assume that certain restrictions and limitations related to the COVID-19 pandemic may be continued and that full recovery of air travel may be prolonged, causing an adverse impact on Airports System revenues. Future outbreaks, pandemics or events outside the Airports Division's control may further reduce demand for air travel, which in turn could cause a decrease in passenger activity at the Airports System and declines in Airports System revenues.

See "**COVID-19 DEVELOPMENTS**," "**PASSENGER TRAFFIC AND AIRLINES**" and "**FINANCIAL INFORMATION**" herein and Appendix A – Report of the Airport Consultant for a more detailed discussion on the impact of COVID-19 on the Airports System's revenues, financial condition and operations and a description of some of the actions that the Airports Division has taken in response to the COVID-19 pandemic.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the Department to pay debt service on the Bonds depends on the ability of the Department to generate Revenues and Aviation Fuel Taxes in the levels required by the Certificate.

Although the Department expects that sufficient Revenues will be generated through the imposition and collection of the fees, rents, charges and other Revenues to pay all expenses of the Airports System, there is no assurance that such imposition will result in the generation of Revenues and Aviation Fuel Taxes in the amounts required. As a result, the Rate Covenant does not constitute a guarantee that sufficient Revenues and Aviation Fuel Taxes will be available to make debt service payments on the Bonds.

The operations of the Airports System and the Department's ability to generate Revenues are affected by a variety of legislative, legal, contractual and practical restrictions, including restrictions in the Federal Act, provisions of Amended Lease Extension Agreement, and extensive federal regulations applicable to all airports. The Department cannot provide any assurance that operation of the Rate Covenant will not be limited by the federal law requirement that all aeronautical rates and charges be reasonable. The Department may not be able to increase airline rates and/or other charges to suffice the rate covenant if such rates and charges would not be reasonable. Under such circumstances, there could be delays or reductions in payments on the Bonds.

In addition, all financial forecasts and projections of the Department are based on a number of assumptions. Changes in circumstances could have a material adverse impact on the ability of the Department to pay the principal of and interest on the Bonds.

Certain Considerations Concerning the Airline Industry

General. The financial results of the air transportation industry have been subject to substantial volatility since deregulation. The financial strength and stability of airlines serving the State are a key determinant of future airline traffic. Key factors that affect airline traffic at the Airports System, other markets impacting the Airports System and the financial condition of the airlines, and, therefore, the amount of Revenues available for payment of the Bonds, include: growth or decline in tourism and the State population; local, regional, national and international economic and political conditions; environmental factors, including environmental risks, noise abatement and air pollution abatement; international hostilities; world health concerns, such as the COVID-19 pandemic; aviation security concerns; airline service and routes; aviation accidents; airline airfares and competition; changes in bankruptcy, industry and other applicable laws; airline industry economics, including labor relations and costs; cost and availability of financing, including federal funding; capacity of the national air traffic control system; cost and availability of employees; evolving federal restrictions on travel to the United States from certain countries; evolving deferral availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airports System and competition from other airports for connecting traffic; changes in demand for air travel and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Other factors, such as fuel and regulatory costs, can also have a significant effect on the industry. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The ability of the Airports Division to derive revenues from its operations depends largely upon the financial health of the airlines serving the Airports System and the airline industry as a whole. The financial results of the airline industry are subject to substantial volatility and, at times, many carriers have had overlapping, extended periods of unprofitability. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the ongoing COVID-19 pandemic, the terrorist attacks of September 11, 2001, and the economic recession of 2008 and 2009.

The Airports Division derives a substantial portion of its operating revenues from landing, facility rental and concession fees. The financial strength and stability of the airlines using the Airports System, together with numerous other factors, influence the level of aviation activity at the Airports System. In addition, individual airline decisions regarding level of service or elimination of service to unprofitable markets, particularly aircraft size such as use of regional jets, can affect total enplanements. No assurances can be given that any of the airlines will continue operations or maintain their current level of operations at the Airports System. If one or more of the airlines discontinues operations at the Airports System, its current level of activity may not be replaced by other carriers.

Information about the financial condition of airlines serving the Airports System is available as described under "**Airline Information**" below.

Economic Considerations. Historically, the financial performance of the air transportation industry has correlated closely with the state of the national and international economy and levels of real disposable income. It is not possible to predict the overall long-term impact of COVID-19 on the national or international economy or the related impact on the air transportation industry at this time.

Effects of Bankruptcy. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the strength of the United States economy, other regional and world economies, corporate profitability, airline safety, security and world health concerns, air traffic control limits and other factors. Permanent structural changes to the industry are the result of a number of factors including the impact of low cost carriers, airline consolidation, internet travel web sites, changes in technology and carriers reorganizing under the United States Bankruptcy Code.

Airlines operating at the Airports System and other Airports System tenants have filed for bankruptcy or have ceased operating generally or within the State in the past and may do so in the future. For example, Hertz and Advantage filed for bankruptcy protection in May 2020. See "**FINANCIAL INFORMATION – Revenues – Rental Car Concessions**" for more information regarding Hertz and Advantage. Potential investors are urged to review the airlines' financial information and SEC Reports on file with the SEC and DOT.

In the event a bankruptcy case is filed with respect to any of the Signatory Airlines or a tenant of the Airports System, a bankruptcy court could determine that the Amended Lease Extension Agreement of such Signatory Airline or any lease to which a tenant is party is an executory contract or unexpired lease pursuant to Section 365 of the Federal Bankruptcy Code. In that event, a trustee in bankruptcy or a debtor-in-possession might reject the Amended Lease Extension Agreement or the tenant lease and delays or reductions in payments from the affected airline or tenant to the Department could cause delays or reductions in payments on the Series 2022 Bonds. If an Amended Lease Extension Agreement or tenant lease is rejected, the amounts unpaid as a result of the rejection can be passed on to the remaining Signatory Airlines. If the bankruptcy of one or more Signatory Airlines were to occur, however, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their obligations under the applicable Amended Lease Extension Agreements.

Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airports System of any future bankruptcies, liquidations or major restructurings of other airlines, especially of one or more large network airlines.

Restructuring of Air Carriers. Certain other airlines serving the Airports System have consolidated in recent years. As described under "**PASSENGER TRAFFIC AND AIRLINES – Airline Service and Passenger Activity Operations**" above, Hawaiian Airlines served 43% of all enplaned passengers at the Airports System in Fiscal Year 2021. If Hawaiian Airlines were to reduce or cease connecting service within the State, such flights would not necessarily be replaced by other airlines. While historically when airlines have reduced or ceased operations at the Airports System other airlines have absorbed the traffic with no significant adverse impact on Revenues, it is possible that were Hawaiian Airlines or another airline to cease or significantly cut back operations at the Airports System, Revenues, PFC collections and costs for other airlines serving the Airport System could be adversely affected.

Alaska Air Group, Inc., the parent company of Alaska Airlines, and Virgin America, Inc. merged effective December 2016. The merged airline received a single operating certificate from the FAA in January 2018. The merged airline moved to a single reservations system on April 25, 2018, and has adopted Alaska's name and logo. Further airline consolidation remains possible. While prior mergers have had little impact on the respective combined airlines' market shares in the Airports System, future mergers or alliances among airlines servicing the Airports System may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Revenues, reduced PFC collections and increased costs for the other airlines serving the Airports System.

Faced with the growth of lower-cost airlines, and evolving business technology, legacy airlines have been forced to change their business practices. Many businesses have switched to lower-cost carriers, reduced business and premium class flying and/or implemented significant reductions in business travel. As a result, carriers that once structured their services around the business traveler during the economic expansion in the 1990s have been forced to reduce or eliminate service on unprofitable routes, reduce work force, implement pay cuts, and reduce fares in order to compete with lower-cost carriers.

Federal Law Affecting Airport Rates and Charges. Section 113 of the Federal Aviation Administration Authorization Act of 1994, as amended (the "*1994 Act*"), entitled "Resolution of airport-air carrier disputes concerning airport fees," and codified at 49 U.S.C. §47129, continues the basic federal requirement that airport fees be "reasonable" and provides a mechanism by which the Secretary of Transportation can review rates and charges complaints brought by air carriers. Pursuant to Section 113, in February 1995, the DOT issued its "Final Rule" outlining the procedures to be followed in determining the reasonableness of airport rates and charges; the DOT also issued its "Final Policy" in June 1996 relating to the "fees charged by federally-assisted airports to air carriers and other aeronautical users."

Section 113 of the 1994 Act specifically states that it does not apply to: (1) a fee imposed pursuant to a written agreement with air carriers using airport facilities, (2) a fee imposed pursuant to a financing agreement or covenant entered into prior to the date of the enactment of the section, or (3) any other existing fee not in dispute as of such date of enactment (August 23, 1994). The section further provides that nothing in the section shall adversely affect (1) the rights of any party under any existing written agreement between an air carrier and the owner of an airport, or (2) the ability of an airport to meet its obligations under a financing agreement or covenant that is in force as of the date of the enactment of the section. Both the aforesaid Final Rule and the Final Policy acknowledge that Section 113 excludes from its rates and charges review process those rates and charges established pursuant to written agreements, pursuant to a pre-enactment bond covenant or in existence and undisputed as of August 23, 1994. The Final Policy states specifically that a dispute over such rates and charges will not be processed under the procedures mandated by Section 113. The Department and the Signatory Airlines currently operate under the terms of the Amended Lease Extension Agreement which provides for an automatic extension on a quarterly basis unless either party provides sixty (60) days' written notice to the other party of termination.

The USDOT policy is the subject of an action commenced in the United States Court of Appeals for the D.C. Circuit brought by the Air Transport Association. On October 15, 1997, the Court ordered the Secretary of USDOT to reconsider certain enumerated sections of the Final Policy relating to valuation of the airfield, permissible components of the airfield rate base, use of any "reasonable methodology" for valuation of non-airfield assets, and recovery of imputed interest on the airfield rate base. USDOT has not yet proposed revised provisions for these sections of the Final Policy. The Circuit Court decision did not, however, modify the exclusions contained in Section 113 of the 1994 Act.

At this time, the terms of future airline agreements among airlines and the Department cannot be determined. The State believes the Amended Lease Extension Agreements, as well as their rate and fee programs, fall within the provisions mentioned above that preclude signatory air carriers from contesting such rates under Section 113. So long as the Signatory Airlines operate under the Amended Lease Extension Agreements, as they may be extended or amended, or other written agreements, the State believes the Signatory Airlines will not be able to invoke the rates and fees dispute provisions of Section 113. See "**FINANCIAL INFORMATION - Aeronautical Revenues**." It is conceivable, however, that the Secretary of Transportation would entertain a complaint by a nonsignatory airline (including a Signatory Airline that has terminated its Amended Lease Extension Agreement pursuant to the terms therein), and that such a review might result in a reduction of fees paid by non-signatory carriers.

Cost of Aviation Fuel. Airline profitability is significantly affected by the price of aviation fuel. According to Airlines for America, fuel is the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an air carrier's operating economics. Any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. Most recently, a cyber attack on the operator of the largest fuel pipeline in the United States caused an increase in oil prices. The cost of aviation fuel has fluctuated in the past in response to changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged increases in the cost of aviation fuel historically have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may decrease demand for air travel.

Airline Information

Revenues may be affected by the ability of the airlines serving the Airports System, individually or collectively, to meet their obligations to pay rates, rentals, fees and charges imposed on them. Many of the principal domestic airlines serving the State, or their respective parent corporations, and foreign airlines serving the State with American Depository Receipts ("*ADRs*") registered on a national exchange are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file SEC Reports and other information with the SEC. Certain information, including financial information, concerning such domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in SEC Reports and statements filed with the SEC. Such SEC Reports and statements can be inspected and copied at the public reference facilities maintained by the SEC, which can be located by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at http://www.sec.gov containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial and operating statistics with DOT. Such reports can be inspected at DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from DOT at prescribed rates.

Foreign airlines serving the State, or foreign corporations operating airlines serving the State (unless such foreign airlines have ADRs registered on a national exchange), are not required to file information with the SEC. Such foreign airlines, or foreign corporations operating airlines, serving the State file limited information only with DOT.

Neither the State nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of: (i) any reports and statements filed with the SEC or DOT, or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updated information on the SEC website or links to other Internet sites accessed through the SEC's website.

Assumptions in the Report of the Airport Consultant; Actual Results May Differ from Projections and Assumptions

The Report of the Airport Consultant included as Appendix A incorporates numerous assumptions and states that any forecast in the Report of the Airport Consultant is subject to uncertainties. The forecasts presented in the Report of the Airport Consultant are based, in part, on the Airport Consultant's interpretation of the information provided by the Airports Division, the State, publicly available sources and other third-parties, expectations of future management actions, and assumptions regarding economy, air traffic, legislation, airport operation and financial operations, among other aspects, all of which have been discussed with and agreed to by the Airports Division.

The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts made therein. No assurances can be given that the forecasts discussed in the Report of the Airport Consultant will be achieved or that the assumptions upon which forecasts are based will be realized. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances will occur. Therefore, actual results achieved during the forecast periods may vary from those set forth in Appendix A and the variation may be material and adverse. See Appendix A – Report of the Airport Consultant.

Factors Affecting Capital Improvements Program

The Department's capital projects may increase the Department's overall long-term debt.

As described above, the Department is undertaking a significant capital improvement program to meet the demands of a growing population served by the Airports System. See "**CAPITAL IMPROVEMENTS PROGRAM**" above and Appendix A – Report of the Airport Consultant attached hereto. The capital improvements are designed to modernize and make more efficient the various facilities of the Airports System. The Department expects that it will experience an aggregate increase in debt service costs when it issues Additional Bonds, which will increase landing fees and terminal rents at the Airports System, thereby increasing the costs of the airlines serving the Airports System. The timing and amounts of Additional Bonds may change depending on passenger and cargo demands, the availability of other funding sources, the timing of capital expenditures and market conditions. The Department also may undertake additional capital projects during the period covered by the CIP that are not presently included in the CIP and expects that it will undertake other major capital projects following the completion of the current CIP.

If the Department is unable to finance and complete major capital projects, the Department may be unable to provide critical improvements to aging infrastructure or meet regulatory requirements.

If, for any reason, the Department is unable to undertake critical capital projects, then the condition of the Airports System facilities may decline, which can impact customer experience, airline satisfaction, and operational efficiency and effectiveness. In addition, the Airports System may be required to undertake certain capital projects to comply with regulatory requirements or to preserve the overall viability of the Airports System.

The Department's capital projects may be delayed or over budget.

Although the Department uses a variety of strategies to mitigate risk associated with the implementation of its capital projects, project development could be delayed, and the cost of completing projects included in the CIP could be higher than expected due to various factors that are outside of the control of the Department, including (but not limited to): (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the projects, including changes to federal security regulations, (4) delays in contract awards, bidding and contracting requirements, (5) material and/or labor shortages, (6) unforeseen site conditions or unexpected integration into existing facilities, (7) adverse weather conditions and other force majeure events, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation, (11) world health concerns, (12) new or ongoing military hostilities, (13) the inability to obtain, or delays in obtaining, regulatory approvals or the inability to comply with the conditions or regulatory approvals, (14) changes in laws or regulations, (15) inability to obtain, or delays in obtaining, federal approvals or federal funding, (16) delays caused by the airline review process, (17) unanticipated engineering, environmental or geological problems, (18) litigation, (19) tariffs, (20) cost overruns, (21) casualty, (22) strikes, and (23) financial difficulties of contractors. In addition, it is possible that funding sources such as federal grants may not be available as expected. If costs are higher than projected or funds are not available to finance the projects or portions thereof, the Department may have to delay or cancel projects and/or incur additional indebtedness. Some of the capital projects of the Department are essential to the Department's ability to generate Airports System revenues. Furthermore, there can be no assurances that significant increases in costs over the amounts projected by the Department will not materially adversely affect the financial condition or operations of the Airports System, leading to different results than projected in the Report of the Airport Consultant attached hereto as Appendix A – Report of the Airport Consultant.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred in the Middle East) and terrorist attacks, may have an immediate and significant impact on the demand for aviation services, including, but not limited to, services at the Airports System and depress airline industry revenues and the Revenues. Security concerns can influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001, after which enplanements at the Airports Systems and the receipt of Revenues were negatively affected by security restrictions on the airports and the ensuing financial condition of the air transportation industry. Created by the ATSA in 2001, TSA is responsible for transportation security nationally. TSA is required to screen all commercial airline passengers and all baggage loaded onto commercial airplanes, and has promulgated regulations regarding both aviation and maritime security applicable to the Airports System. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Other intensified security precautions include the strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed sky marshals, federalization of airport security functions under the TSA and revised procedures and techniques for the screening of passengers and baggage for weapons and explosives. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

The ATSA requires all United States airports to use EDS to screen all checked baggage unless an alternative system and/or timetable has been approved by the TSA. Currently, all checked baggage at Daniel K. Inouye International are screened by EDS. The Aviation Security Act also requires that eventually all passenger bags, mail and cargo be screened to prevent the carriage of weapons (including chemical and biological weapons), explosives or incendiary devices; however, to date no regulations regarding these enhanced security measures have been proposed. Because of the congressional mandate to screen all bags, as well as the impact on airport operations of procedures mandated under "Code Orange" (high) and "Code Red" (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory System, there is the potential for significantly increased inconvenience and delays at many airports, although to date only relatively minor delays have been experienced as a result of these enhanced security procedures. The Department, like many airport operators, experienced increased operating costs due to compliance with federally mandated and other security and operating changes.

The Department cannot predict the effects and/or likelihood of future terrorist attacks (either domestically or abroad), the effect of any future government-required security measures on passenger activity at the Airports System, future air transportation disruptions, or the impact on the Airports System or the airlines from such incidents or disruptions. Nor can the Department predict how the government will staff the security screening functions or the effect on passenger activity of government decisions regarding its staffing levels. Additionally, the Airports System cannot forecast what new health screening or security requirements may be imposed in the future, or their impact on the Airports System's customers and operations.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares.

World Health Concerns

The current COVID-19 pandemic has had and likely will continue to have material adverse effects on passenger traffic and Airports System operations and financial performance.

Furthermore, other worldwide health concerns and related travel restrictions and public health measures have led to significant declines in passenger traffic at the Airports System. For example, in spring 2003, there was an outbreak of a serious strain of bird influenza or "flu" in Asia and Canada called "Severe Acute Respiratory Syndrome" or "SARS." That, together with the outbreak of the war in Iraq and other factors at about the same time, resulted in a temporary but significant decline in passenger activity at the Airports System in the second quarter of Fiscal Year 2003. Additionally, other worldwide health concerns such "swine flu" caused by the H1N1 virus in 2009, Ebola virus in West Africa in 2014 and the Zika virus in 2016, have affected travel demand from time to time. Future outbreaks or pandemics may lead to a decrease in air traffic at the Airports System, which in turn could cause a decrease in passenger activity at the Airports System and a corresponding decline in Airports System Revenues.

Impact of Uncertainties of the Airline Industry on the Airports System

The Airports Division's ability to derive Revenues from its operation of the Airports System depends on many factors, many of which are not subject to the Airport Division's control. Some of the factors affecting aviation activity at the Airports System include: the growth of population and of the economy in the State, airline service and route networks, the financial health and viability of the airline industry, national and international economic and political conditions, world health concerns, the availability and price of aviation fuel, levels of air fares, the capacity of the national air traffic control system and airport capacity at the Airports System and elsewhere. Additionally, Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Amended Lease Extension Agreement. The Department and the Airport Consultant have used certain assumptions to prepare the forecasts made in this Official Statement. No assurances can be given that these assumptions will materialize. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary, and the variations may be material.

Considerations Regarding Certain Other Sources of Funds

Passenger Facility Charges. No assurance can be given that PFCs will actually be received in the amount or at the time contemplated by the Department. The amount of actual PFC revenues will vary depending on actual levels of qualified passenger enplanements in the Airports System. If the number of enplaned passengers at the Airports System falls below certain estimates, the actual PFC revenues will fall short of certain projections (unless the dollar amount of PFCs increases). There can be no assurance as to what passenger traffic and revenues of the Airports System will be in the future.

In addition, the FAA may limit or terminate the Department's ability to impose PFCs, subject to informal and formal procedural safeguards, if the Department's PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the regulations promulgated thereunder or the Department otherwise violates the PFC Act or regulations. The Department's ability to impose a PFC may also be terminated if the Department violates certain provisions of the Airport Noise and Capacity Act of 1990 and its implementing regulations. Furthermore, no assurance can be given that the Airports Division's authority to impose a PFC may not be terminated by Congress or the FAA, or that the PFC program may not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Department.

Furthermore, notwithstanding FAA regulations requiring airlines that collect PFCs to account for PFC collections separately and indicating that those PFC collections are to be regarded as funds held in trust by the collecting airline for the beneficial interest of the public agency imposing the PFC, in the event of a bankruptcy proceeding involving a collecting airline, though it has not been the case at the Airports System in connection with prior airline bankruptcies, there is the possibility that a bankruptcy court could hold that the PFCs in the airline's custody are not to be treated as trust funds and that the Airports System is not entitled to any priority over other creditors of the collecting airline as to such funds. Airports Division management believes that any uncollected PFCs held by current bankrupt airlines operating at the Airports System are not material to the continued operation of the Airports System.

Federal Funding and FAA AIP Program. The Department receives certain Federal funds, including from the AIP. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set asides and the national priority ranking system). Additionally, certain operations at the Airports System are supported by Federal agencies including, flight traffic controllers, FFA, FBI and CBP, among others. Federal agencies also have regulatory and review authority over, among other things, certain Airports System operations, construction at the Airports System and the airlines operation at the Airports System.

H.R. 302 (P.L. 115-254), the FAA Reauthorization Act of 2018, was signed into law on October 5, 2018. It extended FAA's funding and authorities through fiscal year 2023. The bill includes important legislative changes related to increasing the safety and pace of unmanned aircraft system integration, expediting the financing and development of airport capital projects, directing the FAA to advance leadership in the field of international supersonic aircraft polices, addressing aircraft noise, and ensuring safe lithium battery transport. Furthermore, the bill directs FAA to promote United States aerospace-related standards globally and allows the FAA to work with foreign partners to streamline certification processes for United States aircraft. The legislation also streamlines the FAA certification process to ensure that United States aviation manufacturers can compete globally and get their products to market on time, and fosters collaboration with industry stakeholders to streamline certification and regulatory processes and establish clear FAA performance objectives and metrics.

This five-year authorization of the FAA represents the first significant multi-year reauthorization since the FAA Modernization and Reform Act of 2012 (P.L. 112-95), and the first five-year reauthorization since 1982. The signing of the long-term bill frees up the FAA from the uncertainty of more short-term extensions and instead authorizes the reliable, predictable funding the FAA needs to invest in these critical priorities.

Failure of Congress to reauthorize the FAA's operating authority beyond the current legislation, or adverse changes in the conditions placed on such authority, may have an adverse impact on the Airports System operations over the long-run because grants awarded under the FAA's AIP have been a significant source of financing for the Airports Division.

Federal funding received by the Airports Division and aviation operations could be adversely affected by the implementation of sequestration - a unique budgetary feature first introduced in the Budget Control Act of 2011, which, among other things, reduced spending for most federal programs. Sequestration could also adversely affect FAA and TSA budgets, operations and the availability of certain federal grant funds anticipated to be received by the Airports Division which may cause the FAA or TSA to implement furloughs of its employees and hiring freezes, including air traffic controllers, and result in flight delays and flight cancellations.

Additionally, before federal approval of any AIP grant applications can be given, eligible airports must provide written assurances that they will comply with a variety of statutorily specified conditions. One such assurance is the so-called "airport generated revenues" assurance, which provides that all airport generated revenues will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the applicant that are directly and substantially related to air transportation of passengers or property. The Department is not aware of any dispute involving the Department concerning the use of Airport Revenues. The Department believes that the Department's use of Revenues is consistent with the applicable laws and regulations. However, no assurance can be given that future disputes, if any, concerning the Department's use of Revenues will not have an adverse effect on the Department's ability to satisfy AIP grant conditions.

Limitation on Bondholders' Remedies

Under the doctrine of sovereign immunity, a state of the Union (including the State) cannot be sued by its own citizens. Under the United States Constitution, a state (including the State) cannot be sued by citizens of another state of the Union or by citizens or subjects of any foreign state. A state (including the State) may waive its immunity and consent to a suit against itself. However, such waiver and consent may subsequently be withdrawn by the State. Such immunity from and constitutional prohibition of suits against a state extend to officers of a state acting in their official capacity. Therefore, there can be no assurance that in the event the State fails to make timely payment of principal of or interest on the Bonds, a right of action would lie against the State or officials of the State to enforce such payment. Neither the State nor the Department has ever defaulted in the payment of either principal of or interest on any indebtedness. Any remedies available to the owners of the Bonds upon the occurrence of an Event of Default are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain.

Future Legislation and Regulation

The Airports System is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The Airports System is highly regulated by federal agencies including the FAA, the TSA, Customs and Border Protection ("*CBP*") and the United States Department of Health and Human Services. In the past, actions, rules and policies by these agencies (in particular the FAA, TSA and CBP) have required the Department to undertake additional capital and equipment expenditures, have affected passenger traffic, or both. The COVID-19 pandemic may lead to additional rules and regulations. The Department is unable to predict the adoption or amendment of additional laws, rules or regulations, or their effect on the operations or financial condition of the Airports System.

Cybersecurity

The Airports System, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, criminal hackers, hacktivists, state-sponsored actors, employee malfeasance, viruses, malware and human or technological error on its computing and other digital networks and systems (collectively, the "*Airports System Technology*"). These threats continue to increase as the frequency, intensity and sophistication of attempted attacks and intrusions increase around the world. As a recipient and provider of personal, private, or sensitive information, the Airports System may be the target of cybersecurity incidents that could result in adverse consequences to the Airports System Technology, requiring a response action to mitigate the consequences.

Furthermore, in response to these threats there has been heightened legislative and regulatory focus on data privacy and cybersecurity. This regulatory environment is increasingly challenging and may present material obligations and risks to the Airports System's business, including significantly expanded compliance burdens, costs and enforcement risks. In addition, many of the Airports System's commercial partners, including credit card companies, have imposed data security standards that the Airport System must meet. While the Airports System continues its efforts to meet these standards, new and revised standards may be imposed that may be difficult for the Airports System's to meet and could increase the Airports System's costs.

A significant cybersecurity incident could result in a range of potentially material negative consequences for the Airports System, including unauthorized access to, disclosure, modification, misuse, loss or destruction of systems or data; theft of sensitive, regulated or confidential data, such as personal identifying information; the loss of functionality of critical systems through ransomware, denial of service or other attacks; and business delays, service or system disruptions, damage to equipment and injury to persons or property. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. The constantly changing nature of the threats means that the Airports System may not be able to prevent all data security breaches or misuse of data. Similarly, the Airports System depends on the ability of its key commercial partners, including airlines and technology vendors, to conduct their businesses in a manner that complies with applicable security standards and assures their ability to perform on a timely basis.

In addition, the costs of operation consequences of defending against, preparing for, responding to and remediating an incident of cybersecurity breach may be substantial. As cybersecurity threats become more frequent, intense and sophisticated, costs of proactive defense measures may increase. Further, the Airports System could be exposed to litigation, regulatory enforcement and other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, as well as injunctive relief requiring costly compliance measures. A cybersecurity incident could also impact the Airports System's brand, harm its reputation and adversely impact the relationship with the Airports System's customers, airlines, government partners, and employees. Failure to appropriately address these issues could also give rise to potentially material legal risks and liabilities. The airlines serving the Airports System and other Airports System tenants, as well as the FAA and TSA, also face cybersecurity threats that could affect their operations and finances.

To mitigate the risk and/or damage from cybersecurity incidents or cyber-attacks, the Department invests in multiple forms of cybersecurity and operational safeguards. The Office of Enterprise Technology Services ("*ETS*") within the Hawaii State Department of Accounting and General Services provides governance for executive branch information technology projects and supports the management and operation of computer and telecommunication services to State agencies, including programs in fulfillment of statutorily mandated cybersecurity duties outlined under Hawaii Revised Statutes. ETS is led by the Chief Information Officer of the State, with the advice of an eleven-member steering committee appointed by the Governor, Chief Justice, Senate President and Speaker of the House of Representatives. The Chief Information Security Officer reports to the Chief Information Officer and is responsible for establishing cybersecurity standards for the State executive branch and ensuring that system operations stay current with best practices.

While the Airports System Technology cybersecurity and operational safeguards are periodically tested, no assurances can be given by that such measures will effectively prevent cybersecurity threats and attacks. In additions to the concerns stated above, cybersecurity breaches could damage the Airports System Technology and cause material disruption or damage to the Airports System, its operations or otherwise adversely affect the Airports System, the generation of Revenues, the collection PFC collections and/or the costs for airlines serving the Airports System.

Climate Change Issues

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem sea levels will rise, extreme temperatures will become more common and extreme weather events will become more frequent and more intense, as a result of increasing global temperatures attributable to atmospheric pollution. The Airports System operations and infrastructure are vulnerable to effects of sea level rise, extreme climate conditions, extreme weather events, as Daniel K. Inouye International, Kahului and Hilo International are located in low-lying coastal areas. Significant capital investments have been made and other investments will need to be made to address these vulnerabilities. Furthermore, the long-term effects of sea level rise and climate change, combined with increasing passenger awareness of the climate change impacts on aviation, could reduce demand for travel globally or locally (to or from the Airports System), or impact infrastructure, including the Airports System and access to the Airports System, with potential material adverse effects on the Airports System's operations and financial condition.

Beyond the direct adverse material effect of global climate change itself, present, pending and possible regulations aimed at curbing the effects of climate change may directly or indirectly materially adversely affect the operations and infrastructure or financial condition of the Airports System and the airlines operating at the Airports System. These include federal and state (including State) regulations and international accords pertaining to greenhouse gas ("*GHG*") emissions that could require significant upgrades to planes, increase the cost of jet fuel, or both, thus increasing the cost of, and potentially reducing passenger demand for, air travel.

The State has adopted goals and policies intended to mitigate the State's contribution to global GHGs. This process began in 2007 with passage of Act 234, which called for reducing GHG emissions to 1990 levels by 2020. In 2018 the State enacted legislation setting a goal to be carbon net negative, meaning that more GHGs are sequestered than emitted, as soon as practicable and no later than 2045 (HRS §225P-5).

The State has also adopted a series of sector-focused policies that affect GHG emissions. In the electricity sector, the main policy instrument is the Renewable Portfolio Standard ("*RPS*") that requires the State to reach 100% of net electricity sales from renewable sources by 2045 (HRS §269-92). There are interim targets of 30% by 2020, 40% by 2030, and 70% by 2040. The State had achieved nearly 30% of net electricity sales from renewable energy in 2019. Future attainment depends on the development of renewable energy resources which are subject to cost and siting considerations, community acceptance as well as the ability of the grid to accommodate increasing levels of variable utility-scale and distributed electricity generation.

The Department is unable to predict what additional laws and regulations with respect to GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted or what effects such laws and regulations with have on the Airports System, airlines operating at the Airports System, other Airports System tenants, or the local economy. The effects, however, could be material.

On June 7, 2017, the Governor signed Act 32 Session Laws of Hawai'i, 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 "*Climate Commission*"), clarified and expanded the duties of the Climate Commission and made the State the first state to enact legislation implementing parts of the Paris climate accord. The Climate Change Act anticipates that the Climate Commission will provide direction, facilitation, coordination and planning among state and county agencies, federal agencies, and other partners about climate change mitigation (reduction of greenhouse gases) and climate change resiliency strategies, including, but not limited to, sea level rise adaptation, water and agricultural security, and natural resource conservation. The Fifth Assessment Report by the Intergovernmental Panel on Climate Change (the "*IPCC Report*"), predicted that if GHG continue at the then-current (2014) rate of increase, there would be 3.2 feet of global sea level rise by the year 2100. Based upon the IPCC Report, other federal research, and additional scientific literature the Climate Commission prepared the State of Hawaii's 2017 Hawaii Sea Level Rise Vulnerability and Adaptation Report (the "*2017 Climate Report*") which is available at https://climateadaptation.hawaii.gov/wp-content/uploads/2017/12/SLR-Report_Dec2017.pdf. The 2017 Climate Report includes descriptions of the anticipated impact of 3.2 feet of sea level rise on the Airports System including, for certain airports within the Airports System, topographical renderings showing where the future coast line would be in comparison to such airports. The 2017 Climate Report is not incorporated herein and is not a part of this Official Statement. The Department cannot predict what, if any, sea level rise will occur in the future or what impact it will have on Airports System's operations, expenses or operating revenues.

In 2019, the Hawai`i Climate Change Mitigation and Adaptation Commission created the Climate Ready Hawaii Initiative to support state and county government agencies and communities in maintaining best available information and practices for sea level rise adaptation actions. The Initiative includes a community resilience building planning process to help State communities, counties and institutions of any scale to identify their top priorities based on climate change hazards cross-referenced with strengths and vulnerabilities relative to infrastructure, social and environmental characteristics. The Initiative would operationalize these climate change induced risk into standard operating procedures for departments and agencies statewide.

In April 2021, University of Hawai'i's Economic Research Organization (UHERO) prepared for the Hawai`i State Energy Office a report entitled the Carbon Pricing Assessment for Hawai'i Economic and Greenhouse Gas Impacts as a requirement of Act 122 (SLH 2019). The study includes an illustrative range of tax amounts to explore options for achieving the State's policy goals. The State-specific modeling scenarios will be used for deliberations at the Legislature and to further public understanding of how carbon pricing could address the climate crisis.

The EPA has taken steps towards regulation of GHG emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On July 5, 2011, the United States District Court for the District of Columbia issued an order concluding that EPA has a mandatory obligation under the Clean Air Act to consider whether the GHG and black carbon emissions of aircraft engines endanger public health and welfare. On August 15, 2016, EPA found that GHG emissions from certain aircraft cause and contribute to pollution that endangers public health and welfare. In that endangerment finding, EPA stated that it intends to propose GHG emission standards for covered aircraft that will be at least as stringent as emission standards under development by the International Civil Aviation Organization ("*ICAO*"), a specialized agency within the United Nations. The ICAO's standards were approved on October 6, 2016 and adopted on March 6, 2017. The ICAO standards apply to new aircraft type designs from 2020 forward and new deliveries of current in-production aircraft models from 2023 with a cutoff date of 2028 for production of non-compliant aircraft. In January 2018 the EPA publicly indicated its intent to adopt the ICAO emission standards for the United States, but the agency has not initiated rulemaking or set a timeline for such actions. Consequently, the Department cannot predict when EPA's emission standards will be proposed, when the FAA will adopt regulations to implement those standards, or what effect the standards may have on the Department or on air traffic at the Airports System.

In October 2016 the ICAO also adopted a market-based mechanism to curb emissions, the Carbon Offsetting and Reduction Scheme for International Aviation ("*CORSIA*"). CORSIA is comprised of 192 member countries and is designed to achieve carbon-neutral growth for international (but not domestic) civil aviation from 2020 onwards, via pilot, volunteer and mandatory phases. As of July 2, 2018, 73 nations representing 87.7% of international aviation activity, including the United States, indicated they will participate in the pilot and volunteer phases of CORSIA. However, on July 4, 2018, China withdrew from participation. As of November 2018, the remaining countries were negotiating the design of a global carbon market for airlines, with controversy regarding the extent of European Union control and the inclusion of credits created by the "Clean Development Mechanism" created under the Kyoto Protocol. It remains unclear whether CORSIA will have any impact, economically or on climate.

In 2019, the Climate Commission created the Climate Ready Hawaii Initiative to support state and county government agencies and communities in maintaining best available information and practices for sea level rise adaptation actions. The Initiative includes a community resilience building planning process to help State communities, counties and institutions of any scale to identify their top priorities based on climate change hazards cross-referenced with strengths and vulnerabilities relative to infrastructure, social and environmental characteristics. The Initiative would operationalize these climate change induced risk into standard operating procedures for departments and agencies statewide.

Projections of the effects of global climate change on the State, the Airports System and Airports System tenants, and on Airports System operations and infrastructure are complex and depend on may factors that are outside the Department's control. Climate change may affect the Airports System operations and infrastructure directly, as described above, or indirectly, such as by disrupting access to or demand for the Airports System or operations at other airports that have ripple effects in the air transportation industry. The various scientific studies that forecast climate change and its adverse effects, including seal level rise, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the Department is unable to forecast when sea level rise, other adverse effects, or the confluence of these events or effects of climate change (e.g., the occurrence and frequency of extreme precipitation or king tides) will occur. In particular, the Department cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the Airports System and the local economy during the term of the Series 2022 Bonds, While the effects of climate change may be mitigated by the Department's past, current and future investments in mitigation and adaptation strategies and attempts to identify third party contribution and/or grant funding to finance mitigation and adaptation measures, the Airports System can give no assurance about the net effects of those strategies, the feasibility of government or third party funding sources, and whether the Department will be required to take additional adaptive mitigation or adaptation measures. If necessary, such additional measures could require significant capital reserves.

Natural Disasters

Scientists have observed, documented and predicted that a warming planet will increase the frequency and severity of natural disasters, including hurricanes and volcanic activity (attributed to changing pressure on the Earth's crust from melting ice and increasing sea levels). In August of 2018, a weakened Hurricane Lane caused severe mudslides and flash flooding on the Island of Hawaii, where a maximum of 52 inches (1,321 mm) of rain was recorded. Additionally, the 2018 lower Puna eruption of Kīlauea volcano located on the Island of Hawaii resulted in the destruction of over 700 homes, the evacuation of approximately 2,000 residents, temporary highway blockages and other adverse disruptions. Record 24-hour rainfall on Kauai in that same year caused a community to be cut off for months. 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 Airports System its operations, expenses or operating revenues.

Force Majeure Events

Events of force majeure, such as extreme weather events and other natural occurrences such as fires and explosions, spills of hazardous substances, strikes and lockouts, government imposed shutdowns or mandatory suspension of services, sabotage, wars, blockades, riots or terrorist or other attacks could adversely affect the Airports System's ability to generate Revenues. There is no assurance that such events will not occur while the Series 2022 Bonds are outstanding and no predictions can be provided as to the impact or severity of such occurrences on the Airports System. Although the Department has attempted to mitigate the risk of loss from many of these occurrences through the purchase of insurance, no assurance can be given that such insurance will be available in sufficient amounts at a reasonable cost or available at all or that insurers will pay claims in a timely manner, or at all. In addition, nether commercial, property and casualty insurers nor business interruption insurers have been willing to insure against COVID-19 based loss claims arising as a result of the pandemic.

Technological Innovations

New technologies and innovative business strategies in established markets are likely to be developed in the future. For example, transportation network companies ("*TNCs*"), such as Uber Technologies Inc. and Lyft, Inc. have become increasingly popular in recent years, resulting in shifts in the relative share of non-airline revenues from various ground transportation activities and operational issues such as increased curbside congestion. In addition to TNCs, new technologies (such as autonomous vehicles, connected vehicles or urban aerial ridesharing with VTOL (vertical takeoff and landing) aircraft) may result in further changes in the Airports System's passengers' choice of ground transportation mode. The Airports Division cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The Airports Division also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies. In addition, improved teleconferencing technologies and increased acceptance of these methods of communicating could reduce the demand for business travel, though the impact of such technologies on the demand for business travel is not known. While the Airports Division makes every effort to anticipate changes resulting from new technologies and innovative business strategies and to minimize negative impacts on revenues, if any, there may be times when the Airports Division's expectations differ from actual outcomes. In such event, revenues could be lower than expected and additional capital or operating expenses might be incurred.

Capacity of the National Air Traffic Control System

Demands on the nation's air traffic control system continues to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airports systems could cause increased delays and restrictions in the future.

Unmanned Aerial Vehicles

With the proliferation of inexpensive, commercially available, unmanned aerial vehicles ("*UAVs*"), or drones, the threat that unauthorized and unsafe UAV operations near airports could adversely affect the safety or security of United States airports and arriving or departing aircraft has increased significantly in recent years. Recent incursions of airport airspace by UAVs have disrupted airport operations by causing flights to be halted or diverted. London's Gatwick Airport was closed for 27 hours, impacting some 140,000 passengers and causing roughly 1,000 flights to be delayed or canceled between December 19 and 21, 2018 due to drone incursions. An unauthorized UAV incursion at the Airports System could result in the temporary delay or cancellation of flights to or from the Airports System as well as harm the Airports System's brand, reputation and its relationships with the Airports System's customers, airlines and government partners. Although UAVs are regulated by the FAA and federal law prohibits the Airports System from disrupting UAV operations or undertaking counter UAV measures, the Airports System is working closely with the FAA to develop measures to prevent unauthorized UAV activity from adversely affecting the Airports System. There can be no assurance, however, that in the future, unauthorized UAV activity will not adversely affect Airports System's operations.

Potential Limitation of Tax Exemption of Interest on the Series 2022 Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2022 Bonds to be subject, directly or indirectly, as a whole or in part, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, or court decisions may also cause interest on the Series 2022 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or may cause interest on the Series 2022 Bonds to be subject to state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Code or court decisions may also affect the market price for, or marketability of the Series 2022 Bonds. Prospective purchasers of the Series 2022 Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "**TAX MATTERS**" below.

Risk of Tax Audit

The Internal Revenue Service ("*IRS*") includes a subdivision that is specifically devoted to tax-exempt bond compliance. If the IRS undertook an examination of the Series 2022 Bonds, or other Bonds issued by the Airports Division as tax-exempt bonds, it may have a material adverse effect on the marketability or the market value of the Series 2022 Bonds.

LITIGATION

The State is subject to litigation in connection with the day-to-day operation of the Airports System by the Department. There are no claims or judicial proceedings other than the proceedings described in this Official Statement and proceedings incidental to the operation of the Airports System affecting the Airports System or the Revenues, except for claims which are substantially covered by insurance or reserves. Except as otherwise described in this Official Statement, there is no litigation now pending or threatened restraining or enjoining the issuance and delivery of the Series 2022 Bonds or the power and authority of the Department to impose, prescribe or collect rates, rentals, fees or charges for the use and services of, and the facilities or commodities furnished by, the Airports System, or in any manner questioning the power and authority of the Department to impose, prescribe or collect such rates, rentals, fees or charges or to issue and deliver the Series 2022 Bonds or affecting the validity of the Series 2022 Bonds.

TAX MATTERS

Summary of Bond Counsel Opinion. Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Series 2022 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "*Code*"), Bond Counsel is of the opinion that interest on the Series 2022 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the Series 2022 Bonds is an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2022 Bonds is not excludable from the gross income of owners who are "substantial users" of the facilities financed or refinanced with the proceeds of such bonds or "related persons" to such substantial users (each as defined in Section 147(a) of the Code). In the further opinion of Bond Counsel, under the existing statutes, interest on the Series 2022 Bonds is exempt from all taxation by the State and any county or any political subdivision thereof, except inheritance, transfer and estate taxes and except to the extent the franchise tax imposed by the laws of the State on banks and other financial institutions may be measured with respect to the Series 2022 Bonds or income therefrom.

Exclusion from Gross Income: Requirements. The Code contains certain requirements that must be satisfied from and after the date of issuance of the Series 2022 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2022 Bonds. These requirements relate to the use and investment of the proceeds of the Series 2022 Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2022 Bonds and the use of the property financed with the proceeds of the Series 2022 Bonds. Among these specific requirements are the following:

(a) *Investment Restrictions*. Except during certain "temporary periods," proceeds of the Series 2022 Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is materially higher than the yield on the Series 2022 Bonds.

(b) *Rebate of Permissible Arbitrage Earnings*. Earnings from the investment of the "gross proceeds" of the Series 2022 Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Series 2022 Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Series 2022 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2022 Bonds.

(c) *Restrictions on Ownership and Use*. The Code includes restrictions on the ownership and use of the facilities financed or refinanced with the proceeds of the Series 2022 Bonds. Such provisions may restrict future changes in the use of any property financed or refinanced with the proceeds of the Series 2022 Bonds.

Covenants to Comply. The State covenants in the Certificate to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Series 2022 Bonds.

Risk of Non Compliance. In the event that the State fails to comply with the requirements of the Code, interest on the Series 2022 Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Certificate does not require acceleration of payment of principal of or interest on the Series 2022 Bonds or payment of any additional interest or penalties to the owners of the Series 2022 Bonds.

Federal Income Tax Consequences. Pursuant to Section 103 of the Code, interest on the Series 2022 Bonds is not includible in the gross income of the owners thereof for federal income tax purposes (except for interest on any Series 2022 Bond during the period such bond is held by a substantial user, or a person related to a substantial user, of the facilities financed or refinanced by the Series 2022 Bonds). However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2022 Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE SERIES 2022 BONDS.

(a) *Cost of Carry*. Owners of the Series 2022 Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the Series 2022 Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the Series 2022 Bonds.

(b) *Corporate Owners*. Interest on the Series 2022 Bonds is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Series 2022 Bonds is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

(c) *Individual Owners*. Receipt of interest on the Series 2022 Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

(d) *Certain Blue Cross or Blue Shield Organizations*. Receipt of interest on the Series 2022 Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

(e) *Property or Casualty Insurance Companies*. Receipt of interest on the Series 2022 Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

(f) *Foreign Personal Holding Company Income*. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Series 2022 Bonds held by such a company is properly allocable to the shareholder.

(g) *Information Reporting and Back-up Withholding.* Payments of interest on the Series 2022 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2022 Bonds owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Series 2022 Bonds Purchased at a Premium or at a Discount. The difference (if any) between the initial price at which a substantial amount of each maturity of each Series of the Series 2022 Bonds is sold to the public (the "*Offering Price*") and the principal amount payable at maturity of such Series 2022 Bonds is given special treatment for federal income tax purposes. If the Offering Price is higher than the principal amount payable at maturity of a Series 2022 Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the such principal amount of a Series 2022 Bond, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of a Series 2022 Bond on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight-line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as an offset against interest paid on the Series 2022 Bond and is subtracted from the owner's tax basis in the Series 2022 Bond. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Series 2022 Bond for federal income tax purposes, to the same extent and with the same limitations as current interest, and is added to the owner's tax basis in the Series 2022 Bond. A Series 2022 Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Series 2022 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2022 Bond).

Owners who purchase Series 2022 Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Series 2022 Bonds. In addition, such owners of Series 2022 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2022 Bonds. Under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Change of Law. The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Series 2022 Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2022 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of owners.

State and Local Income Tax Consequences. In the opinion of Bond Counsel, interest on the Series 2022 Bonds is exempt from all taxation by the State and any county or any political subdivision thereof, except inheritance, transfer and estate taxes and except to the extent the franchise tax imposed by the laws of the State on banks and other financial institutions may be measured with respect to the Series 2022 Bonds or income therefrom. Other than the foregoing, Bond Counsel expresses no opinion as to the State and local tax consequences of the ownership of, accrual or receipt of interest on, and the disposition of, the Series 2022 Bonds.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS ON THE PURCHASE, OWNERSHIP AND DISPOSITION OF SERIES 2022 BONDS.

UNDERWRITING

Morgan Stanley & Co. LLC and BofA Securities, Inc. (collectively, the "*Underwriters*") have agreed to purchase the Series 2022 Bonds for $312,646,695.50 (representing the principal amount of the Series 2022 Bonds, less underwriters' discount of $801,318.00 and plus premium of $51,133,013.50). The Underwriters will be obligated to purchase all the Series 2022 Bonds if any are purchased. The initial public offering prices are set forth on the inside cover page of this Official Statement. The initial public offering price of the Series 2022 Bonds may be changed from time to time by the Underwriters prior to the Delivery Date. The Underwriters may offer and sell the Series 2022 Bonds to certain dealers (including dealers depositing Series 2022 Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriters) at a price lower than the public offering price stated on the cover of this Official Statement.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the State, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State. The Underwriters and their 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.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2022 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022 Bonds.

BofA Securities, Inc., one of the Underwriters of the Series 2022 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 2022 Bonds.

LEGALITY FOR INVESTMENT

The Series 2022 Bonds are legal investments for the funds of all public officers and bodies and all political subdivisions of the State, and for the funds of all insurance companies and associations, banks, savings banks, savings institutions, including building or savings and loan associations, trust companies, personal representatives, guardians, trustees and all other persons and fiduciaries in the State who are regulated by law as to the character of their investment.

The Series 2022 Bonds may be deposited by banks with the Director of Finance as security for State moneys deposited in such banks.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance and sale of the Series 2022 Bonds are subject to the approval of Katten Muchin Rosenman LLP, New York, New York. Copies of the approving opinion of Bond Counsel will be available at the time of delivery of the Series 2022 Bonds and will be delivered with the Series 2022 Bonds. A proposed form of the opinion of Bond Counsel is annexed as Appendix F – Form of Bond Counsel Opinion. Certain legal matters will be passed upon for the State by the Attorney General of the State and Katten Muchin Rosenman LLP, as disclosure counsel, and for the Underwriters by counsel to the Underwriters, Dentons US LLP, Honolulu, Hawaii.

The Thirty-Fourth Supplemental Certificate of the Director dated as of February 1, 2022, providing for the issuance of the Series 2022 Bonds has been approved as to form and legality by the Attorney General of the State.

RATINGS

Moody's Investors Service, S&P Global Ratings and Fitch Inc. have assigned ratings of "A1," with a stable outlook, "A+," with a positive outlook and "A+," with a stable outlook, respectively, to the Series 2022 Bonds.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the State makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one, or all three rating companies, if in the judgment of one, or all three companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or one of them, may have an adverse effect on the market price of the Series 2022 Bonds.

FINANCIAL ADVISOR

The Department has retained PFM Financial Advisors LLC, as financial advisor with respect to the issuance of the Series 2022 Bonds. PFM Financial Advisors LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. PFM Financial Advisors LLC is an independent financial advisory firm.

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," "budget" or 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, performances or achievements described to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements if and when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur, unless such updates or revisions are made in the course of fulfilling its continuing disclosure obligation, as described under "**CONTINUING DISCLOSURE**" below.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the SEC ("*Rule 15c2-12*"), the State, acting through its Director of Transportation, will undertake in a Continuing Disclosure Certificate, the form of which is set forth in Appendix G – 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 State 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 2022 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 2022 Bonds.

A failure by the Department to comply with the Continuing Disclosure Certificate will not constitute an event of default of the Series 2022 Bonds, although any Beneficial Owner of the Series 2022 Bonds may bring action to compel the Department 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 2022 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2022 Bonds and their market price.

MISCELLANEOUS

The references herein to Acts of the State Legislature, the Certificate (including the supplements thereto) and any leases for the use or rental of Airports System properties, do not purport to be complete and are subject to the detailed provisions thereof to which reference is hereby made. The Department has provided the information in this Official Statement relating to the Airports Division, and other matters, as indicated.

The financial statements of the Airports Division as of and for the year ended June 30, 2021 set forth in Appendix B – Audited Financial Statements have been audited by KPMG LLP, independent auditors, as stated in their report.

DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII

By: *<u>/s/Jade Butay</u>*
Jade Butay
Director of Transportation

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APPENDIX A

Report of the Airport Consultant

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Report of the Consultant

On the Proposed Issue of
State of Hawaii Department of Transportation

For and on behalf of its Airports Division

Airports System Revenue Bonds

Series 2022

Prepared for:

State of Hawaii Department of Transportation

Prepared by:

ICF

January 10, 2022

About ICF

ICF (NASDAQ:ICFI) is a global consulting and digital services company with over 7,000 full- and part-time employees, but we are not your typical consultants. At ICF, business analysts and policy specialists work together with digital strategists, data scientists and creatives. We combine unmatched industry expertise with cutting-edge engagement capabilities to help organizations solve their most complex challenges. Since 1969, public and private sector clients have worked with ICF to navigate change and shape the future. Learn more at icf.com.

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Exhibits

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January 10, 2022

Mr. Jade T. Butay
Director of Transportation
State of Hawaii
869 Punchbowl Street
Honolulu, Hawaii 96813

Re: Report of the Consultant
Proposed Issuance of Airports System Revenue Bonds, Series 2022
Hawaii Airports System

Dear Mr. Butay:

ICF SH&E, Inc. (ICF) is pleased to submit this Report of the Consultant (the Report) to support the proposed issuance of the State of Hawaii, Airports System Revenue Bonds, Series 2022 (the 2022 Bonds) in the aggregate principal amount of approximately $253.9 million (preliminary and subject to change). As requested by the State of Hawaii Department of Transportation (the Department) on behalf of its Airports Division (the Airports Division), ICF has developed this Report to evaluate the financial impacts of the proposed issuance of the 2022 Bonds and certain future Bonds through the fiscal year (FY) ending June 30, 2027[1].

The 2022 Bonds are to be issued as the Additional Bonds under the Certificate. The proceeds of the 2022 Bonds will be used to (a) fund a portion of the project costs of the Hawaii Airports System's capital improvement program, (b) fund the Debt Service Reserve Account related to the 2022 Bonds, (c) fund the capitalized interest on the 2022 Bonds, and (d) pay the issuance costs of the 2022 Bonds. The Report does not reflect the impact of any potential refunding transactions that the Department may include in this bond issue.

The 2022 Bonds are limited liabilities of the Department and are payable only from Revenues and Aviation Fuel Taxes. The general fund of the State of Hawaii (the State) is not pledged to the payment of the Bonds.

SCOPE OF OUR WORK

The Department retained ICF to prepare this Report evaluating the financial impacts of the proposed issuance of the 2022 Bonds and the planned future Bonds. ICF has developed the traffic forecasts included in the Report, documented the capital projects that the Department intends to fund and related funding sources, reviewed the Certificate and the Airline Agreement, among other documents, and prepared the related financial forecasts

[1] Capitalized terms not otherwise defined in this Report shall have the meanings as included in:

- The Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds, dated as of May 1, 1969, as amended and supplemented (collectively, the Certificate) or
- The Airport-Airline Lease Agreement of 1962 between the Department and certain airlines (the Signatory Airlines) operating at the Hawaii Airports System, as extended and amended (the Airline Agreement).

including debt service coverage ratios and costs per enplanement (CPE) through FY 2027. ICF has relied on Morgan Stanley & Co. LLC for the preliminary debt service related to the 2022 Bonds and the future Bonds, and relied on the Airports Division for other data included in this Report, unless noted otherwise.

This Report is organized as follows:

Section 1: Introduction and COVID-19 Emergency

Section 2: Aviation Environment

Section 3: Financial Framework

Section 4: Capital Plan and Sources of Funding

Section 5: Financial Forecast

BACKGROUND

This section provides an overview of the Hawaii Airports System, historical air traffic, the Certificate, and the Airline Agreement.

The Hawaii Airports System and Historical Air Traffic

The Hawaii Airports System is a group of 15 airports operated by the Airports Division of the Department as an enterprise fund of the State. The Department has four divisions: airports, harbors, highway, and administration. Traffic and financial information presented in this Report are related specifically to the Airports Division, although the Department is the entity executing contracts on behalf of the Airports Division.

The Hawaii Airports System handles all non-military passenger traffic activity in Hawaii. The enplaned passenger count has fluctuated over the last two decades, due to economic cycles and changes in airline services, among other influencing factors. The enplaned passenger count reached 17.5 million in FY 2008, then declined to 14.8 million in FY 2009 due to the Global Financial Crisis and Aloha Air ceasing operations. Enplaned passenger traffic gradually recovered over the subsequent decade and reached 18.7 million in FY 2019, exceeding the prior peak of 18.3 million in FY 2000.

Southwest Airlines started service to Hawaii in March 2019 and continued expanding services in FY 2020, although its systemwide capacity was negatively affected when Boeing 737 MAX was temporarily out of service. In the first 8 months of FY 2020, the enplaned passenger count was 7.6 percent higher than the same period in FY 2019, primarily due to Southwest expansion. Due to the COVID-19 pandemic and related traffic restrictions, enplaned passenger count declined to 14.4 million in FY 2020 and further to 6.1 million in FY 2021. The passenger traffic began to recover gradually in 2021. The total enplaned passenger count for July-October 2021 is 73.4 percent of the July-October 2019 level. Southwest Airlines accounted for 15.5 percent of enplaned passengers in this period, ranked after Hawaiian Airlines (41.4 percent) and United Airlines (15.9 percent).

Daniel K. Inouye International Airport (HNL) on the Island of Oahu was a large-hub airport as defined by the Federal Aviation Administration (the FAA) based on calendar year 2019 enplaned passengers, and is reclassified to a medium hub based on calendar year 2020 enplaned passengers. HNL is ranked as the 34th largest airport in the U.S. based on passenger boarding data for calendar year 2020. Kahului Airport (OGG) on the island of Maui is the State's second largest airport, a medium-hub ranked as the 57th largest airport in the U.S. in 2020. Small-hub State airports include Hilo International Airport (ITO), Ellison Onizuka Kona International Airport at Keahole (KOA), both on the Big Island, and Lihue Airport (LIH), on Kauai, which, together with HNL and OGG, are referred to in this report as the Primary Airports. The Primary Airports other than HNL are referred to as the primary neighbor island airports (the PNI Airports). The other 10 non-hub and general aviation airports in the Hawaii Airports System are collectively referred to as the Non-primary Airports.

Enplaned passengers can be grouped into three segments:

- Enplaned passengers heading to other islands within the State ("interisland"), which totaled 7.1 million in FY 2019, or 37.7 percent of total enplaned passengers, and declined to 2.3 million in FY 2021.
- Enplaned passengers heading to other states ("mainland") in the U.S., which totaled 8.4 million in FY 2019 or 45.0 percent, and declined to 3.7 million in FY 2021.
- Enplaned passengers heading to other countries ("international"), which totaled 3.2 million in FY 2019 or 17.3 percent, with Japan being the primary destination, totaling 1.8 million in FY 2019, or 9.4 percent. The international enplaned passenger count declined to 71,900 in FY 2021 due to travel restrictions.

The latter two segments (mainland and international) are collectively referred to as "overseas" enplaned passengers.

Certificate

The Certificate sets out the annual revenue requirement (the Rate Covenant), the terms and conditions for the Department to issue additional bonds (the Additional Bond Test), the application of Revenues and Aviation Fuel Taxes (also known as the flow of funds), and other covenants of the Department.

The Rate Covenant is specified in Section 7.02 of the Certificate and requires the Department to:

- Impose, prescribe, and collect rates, rentals, fees or charges so that Revenues and Aviation Fuel Taxes will be at least sufficient;
- Make the required payments of the principal of and interest on all Bonds, including reserves therefor, and the payment of all other indebtedness payable from Revenues and Aviation Fuel Taxes;
- Pay the costs of operation, maintenance and repair of the Undertaking (the Costs of Operation, Maintenance and Repair), including reserves therefor;
- Reimburse the State's general fund of the State for general obligation bonds that are or shall have been issued for the Undertaking (currently none outstanding), if applicable; and
- Carry out the provisions and covenants of the Certificate.
- Yield Net Revenues and Taxes, together with that amount of unencumbered funds on deposit in the Airport Revenue Fund on the last day of a Fiscal Year which the Department shall certify as Revenues to the Director of Finance, to be at least equal to one and twenty-five hundredths (1.25) times the Annual Adjusted Debt Service Requirement.

Airline Agreement

The Airline Agreement was initially executed in 1962 with multiple subsequent amendments. The Airline Agreement is extended automatically on a quarterly basis unless either the Department or the Signatory Airlines provides sixty days' written notice of termination to the other party. Signatory Airlines accounted for 92.7 percent of landing fees in FY 2021.

The review process of the proposed capital improvement projects is provided in the Lease Extension Agreement of 1994 (the 1994 Extension). Even if concurrence is withheld, the Department can proceed in the following fiscal year and include the related Signatory Airline costs in the airline rate base, if the Department considers the project to be necessary.

The airline rates and charges methodology is provided primarily in the First Amended Lease Extension Agreement (the 2007 Extension), which includes system-wide residual protection through an Airports System

Support Charge (ASSC), among other provisions, and is discussed in detail in Section 3. The Airports Division retains the operating surplus, if any, after meeting all financial obligations.

Capital Improvement Program

The Airports Division maintains a rolling capital improvement program to maintain, renovate, and develop facilities at the Hawaii Airports System. To undertake a capital project at the Hawaii Airports System, the Airports Division must receive an appropriation from the Legislature, allotment of the appropriation from the Office of the Governor, and concurrence from the Signatory Airlines. As part of the biennium budget, the Airports Division submits a six-year capital plan, from which the projects in the first two years are reviewed and submitted by the Governor to the Legislature and are subsequently reviewed and approved by the Legislature. The Airports Division adds those projects to the capital improvement program, which includes projects appropriated and concurred in previous years. Completed projects are removed from the capital improvement program.

Due to the impact of the COVID-19 pandemic, the Airports Division prioritized the capital projects in 2020 and put a portion of the capital projects on hold, pending traffic recovery. The Airports Division has been discussing the capital projects with the Signatory Airlines and redefined the capital improvement program through October 2021; this Report refers to it as the CIP. The CIP has a total estimated cost of $2.2 billion, with $712 million or 31.7 percent spent as of June 30, 2021. The CIP provides a snapshot of the Airports Division's intention for future capital projects as of October 2021 and is discussed in Section 4.

COVID-19 AND AIRPORTS DIVISION ACTIONS

COVID-19, a highly contagious, upper respiratory tract illness caused by a novel strain of coronavirus, is having significant adverse health and financial impacts throughout the world. This section describes certain impacts related to the Hawaii Airports System.

State Actions

The State has taken numerous actions to reduce the spread of COVID-19, including restrictions on air travel. In accordance with Governor's Proclamation related to COVID-19 through November 2021:

- Overseas travel: effective March 21, 2020, overseas arriving passengers are subject to a mandatory health screening process when entering the State of Hawaii and a mandatory 14-day self-quarantine, except those performing emergency response or critical infrastructure functions. Effective October 15, 2020, the self-quarantine requirement for overseas visitors is waived if such visitors can provide a valid negative COVID-19 test result within 72 hours of boarding their flights to the State. Effective June 15, 2021, the exemption is expanded to include anyone who is fully vaccinated.
- Interisland travel: effective May 11, 2021, interisland passengers were exempted from the self-quarantine requirement if they could provide proof of full vaccination. The travel restrictions for interisland passengers were removed effective June 15, 2021.
- The Governor urged travelers on August 23, 2021 to defer non-essential travel plans and subsequently announced on October 19, 2021 that it is safe for fully vaccinated residents and visitors to resume non-essential travel to and within the State.
- The U.S. announced that it would lift COVID-19 travel restrictions for fully vaccinated foreign nationals seeking to enter the country, effective November 8, 2021, although a negative testing result is still required for air travelers. As the State aligns with federal international entrance requirements, the State's Safe Travel program applies only for domestic travel from the U.S. and its Territories.

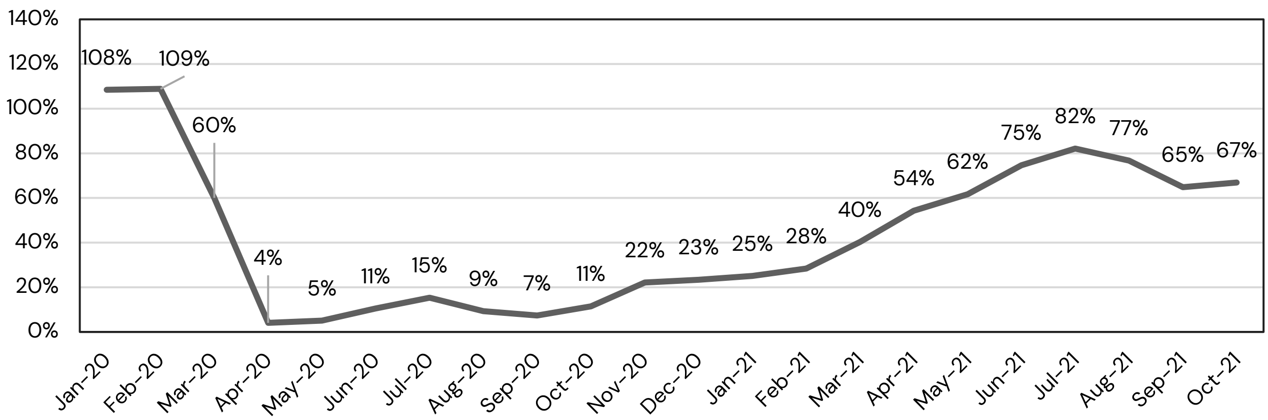
It cannot be predicted with any level of certainty when and whether these restrictions will be eased, reinstated, or enhanced for all travel segments. In addition, foreign countries may require returning residents to quarantine upon return, which may continue to limit international traffic to/from Hawaii.

Passenger Traffic and Airport Operations

Due to the negative impact of COVID-19, the enplaned passenger count at the Hawaii Airports System declined by up to 96 percent in 2020, but gradually recovered in 2021. After the self-quarantine exemption was expanded to cover fully vaccinated overseas passengers effective June 15, 2021, the total enplaned passenger level recovered to 82.1 percent of the July 2019 level in July 2021, and 76.7 percent of the August 2019 level in August 2021. The enplaned passenger level in September 2021 declined to 64.8 percent of the September 2019 level, following the Governor's announcement on August 23, 2021, urging travelers to defer their plans to the Island, due to the delta variant during the summer. Total enplanements in October 2021 improved compared to the previous month, recovering to 66.9 percent (or 1.03 million) of October 2019 levels, an increase from 945,000 enplanements in September 2021.

Exhibit 1: 2020 and 2021 Monthly Total Enplaned Passengers

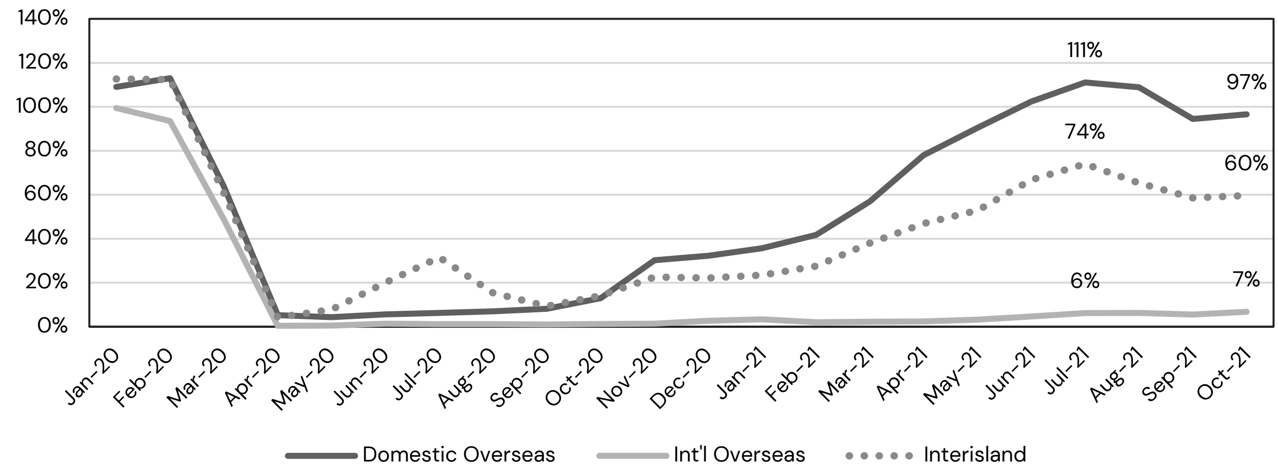
(as a Percentage of the Same Month during 2019)



Source: Airports Division; July through October 2021 data are preliminary.

As of July 2021, the domestic overseas and interisland enplaned passenger count recovered to 111 percent and 74 percent of the July 2019 level, respectively. The international enplaned passenger level remained depressed. As of October 2021, the domestic overseas and interisland enplaned traffic recovery declined to 97 percent and 60 percent respectively, a slight improvement to recovery levels from September 2021, while the international enplanement recovery remained below 7 percent due in large part to mandatory quarantine requirements imposed by Asian nations on all arriving travelers, including returning residents.

Exhibit 2: Monthly Total Enplaned Passengers, by Segment
(as a Percentage of the Same Month during 2019)



Source: Airports Division; July through October 2021 data are preliminary.

Department's Actions

Department management has taken various financial actions to ensure the financial safety of the Hawaii Airports System, to ease the financial stress of the air carriers and the concessionaires, and to maintain competitive airline rates and charges levels, including actions such as:

- Implementing expense reduction measures including temporarily closing a portion of the terminal facilities
- Using COVID-19 related federal relief grants to manage financial positions
- Issuing the 2020 Bonds to continue funding the CIP and to restructure debt service in FY 2021 and FY 2022
- Prioritizing capital projects through coordination with the Signatory Airlines
- Deferring rent payments from April through October 2020 to the first half of 2021
- Waiving the Minimum Annual Guarantees (MAGs) for eligible concessionaires through the date of this Report

October 2021 Snapshot

The Airports Division's financial situation in October 2021 is summarized below.

- All airport facilities are open for operation. Key concessionaires have resumed operations statewide, except the duty-free operation, which remains closed due to low international traffic
- The Department issued the 2020 Bonds and restructured the debt service in FY 2021 and FY 2022, which reduced FY 2021 and FY 2022 Annual Adjusted Debt Service Requirements to $38.3 million and $50.6 million respectively, compared to $78.3 million in FY 2020
- The majority of the deferred rent payments have been collected, with the accounts receivable dropping to the February 2020 level

- The unrestricted cash position, including the balance in the operating reserve and the Funded Coverage Account, declined from $657 million in March 2020 to a low of $547 million in October 2020 and has remained between $540 million and $572 million through October 2021. Thecash position of $561.8 million as of June 30, 2021 equals to approximately 636 days cash on hand, calculating using the actual Costs of Operation, Maintenance and Repair of $322.3 million in FY 2020
- The Department continued the MAG waiver through the date of this Report, although percent rent payments of many concessionaires in October 2021 exceeded the MAG level
- Rental car gross revenues were $114.6 million in July 2021, $112.2 million in August 2021, $66.8 million in September 2021 and $70.5 million in October 2021, compared to $80.0 million in July 2019, $71.7 million in August 2019, $46.1 million in September 2019, and $51.1 million in October 2019. The higher gross revenues are driven primarily by higher daily rental rates as a result of rental car shortages.

ASSUMPTIONS, FORECASTS AND CONCLUSIONS

This section discusses the nature of the assumptions detailed in the attachment of this Report, forecast results and conclusions.

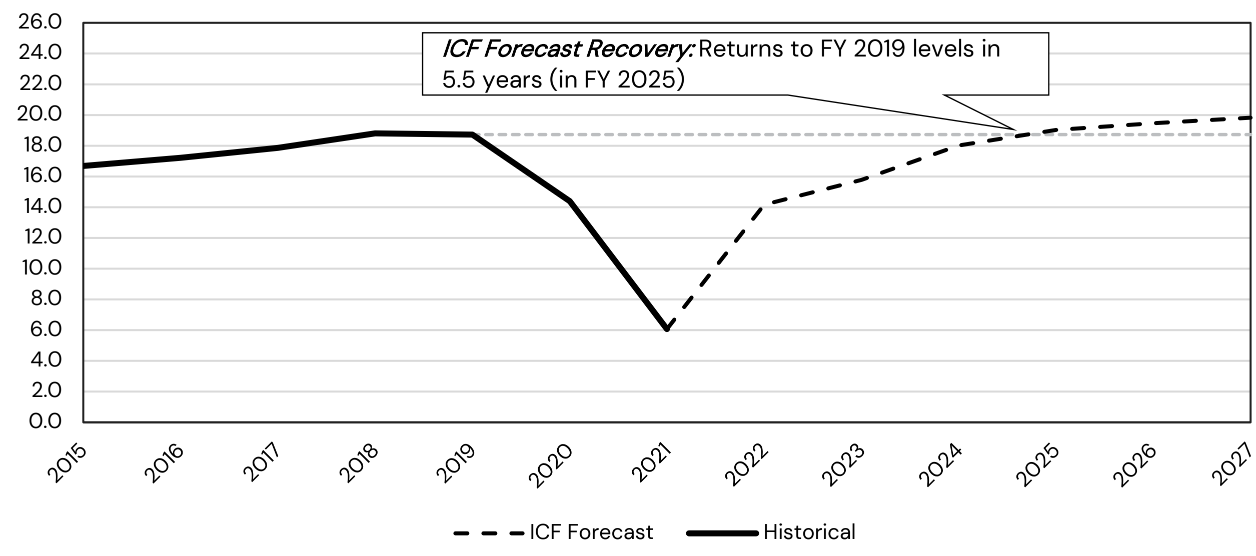
Passenger Traffic

To evaluate the financial impacts of the proposed issuance of the 2022 Bonds, ICF has developed the following traffic forecast, which has been reviewed and agreed to by Airports Division management.

The domestic enplanements are expected to recover prior to the foreign overseas segment. In the long-term, demand drivers are anticipated to continue growth, consistent with historic pre-pandemic levels. The total enplaned passenger count is forecast to rebound to 75.6 percent of FY 2019 level in FY 2022, 84.3 percent in FY 2023, and 105.9 percent in FY 2027.

Exhibit 3: Hawaii Airports System Enplaned Passenger Historical & Forecast

Fiscal Years Ended June 30, 2015-2027



Source: Airports Division; ICF forecast.
Note: Enplaned passengers in millions.

A range of factors may cause the traffic results to be materially higher or lower, especially in FY 2022. Those factors may include further COVID-19 virus spread and mutations, impact on hospital capacity, delays in vaccine development and adoption globally, slow-down of economies and travel patterns, governmental actions, foreign policies and travel restrictions, airline bankruptcy, and airline competition and network decision-making, among others.

Costs of Operation, Maintenance and Repair

Costs of Operation, Maintenance and Repair increased from $259.2 million in FY 2016 to $322.3 million in FY 2020 at an average annual growth rate of 5.6 percent. Gross operating expenses are expected to increase to $470.3 million in FY 2027, at an average annual growth rate of 5.0 percent, due partly to the operation and maintenance needs of the additional facilities.

Debt Service and Other Fund Requirements

Annual gross debt service on existing bonds will increase from $62.3 million in FY 2022 to $107.5 million for FY 2025 through FY 2035, then decline to below $87.2 million thereafter. The Airports Division expects to issue the 2022 Bonds and two future bond issues (the Future Bonds) during the forecast period to fund a portion of the CIP costs. As a result, total annual gross debt service is expected to increase to $149.6 million in FY 2027. The Airports Division plans to apply a portion of Passenger Facility Charge (PFC) revenue to reduce the Annual Adjusted Debt Service Requirement.

Other than the debt service on Bonds, the Airports Division is obligated to pay annual debt service on subordinate obligations. Such debt service is expected to increase from $21.7 million in FY 2022 to $29.8 million in FY 2029, and to decline to below $6.0 million thereafter before being retired in FY 2034. The Airports Division has no plans to issue subordinate obligations during the forecast period to fund new projects.

Concession Revenues and Non-Terminal Rentals and Fees

Concession revenues increased from $145.5 million in FY 2016 to $183.3 million in FY 2019 and declined to $151.0 million in FY 2020. The Airports Division expects future non-airline revenues to be driven by traffic growth, unit pricing, additional facilities and contractual arrangements. Non-airline revenues are expected to increase to $185.9 million in FY 2027, with the forecast lower duty-free revenues being offset by higher rental car revenues.

Non-terminal rentals and fees increased from $47.8 million in FY 2016 to $63.6 million in FY 2019, then declined to $58.4 million in FY 2020. The increase was driven by higher land and building rentals from new buildings, such as maintenance hangars and consolidated rental car facilities (ConRACs), and higher rental rates due to appraisals. Those revenues are expected to increase to $68.7 million in FY 2027, driven primarily by inflation adjustments.

Conclusions

Based on the information, expectations and assumptions presented in the Report, we forecast debt service coverage to be above 1.60x in all fiscal years. The following table summarizes the forecast debt service coverage ratios and CPEs.

Exhibit 4: Summary of Forecast Results, FY 2022-2027

	Historical		Forecast					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
ENPLANED PASSENGERS								
Enplaned Passengers	14.4	6.1	14.2	15.8	18.0	19.0	19.5	19.8
% Change vs. Prior Year	-23.2%	-57.8%	133.4%	11.4%	14.2%	5.6%	2.3%	1.8%
% Change vs. FY 2019	-23.2%	-67.6%	-24.4%	-15.7%	-3.8%	1.6%	4.0%	5.9%
DEBT SERVICE COVERAGE CALCULATION								
Net Revenues and Taxes	$ 134	$ 103	$ 143	$ 159	$ 142	$ 154	$ 164	$ 163
Funded Coverage Account Balance	28	27	27	27	30	34	37	37
Adjusted Net Revenues and Taxes	$ 161	$ 129	$ 170	$ 186	$ 171	$ 188	$ 202	$ 200
Annual Adjusted Debt Service Requirement	78	38	51	90	96	109	120	120
Debt Service Coverage	2.06	3.38	3.36	2.07	1.78	1.72	1.69	1.67
COST PER ENPLANED PASSENGER	$ 11.19	$ 23.80	$ 13.66	$15.02	$15.08	$15.33	$ 16.21	$16.78

Sources: Historical – Airports Division; Forecast – ICF.

REPORT LIMITATIONS

The forecasts presented in this Report are based on our interpretation of the information provided by the Airports Division, the State, publicly available sources and other third-parties, which ICF was under no duty and has not undertaken to independently verify. As such, it makes no assurances as to the accuracy of any such information; expectations of future management actions, and assumptions regarding the economy, air traffic, legislation, airport operation and financial operations, among other aspects, all of which have been discussed with and agreed to by the Airports Division.

The effects of COVID-19 and actions taken at State and national levels to reduce its spread have had, and are expected to continue having, a significant negative effect on the revenues and expenses, financial condition, operations and economy of the State. The Report, including this letter and attachments, documents our interpretation, expectations, and assumptions as of the date of the Report, and should be read in its entirety. Readers of this Report should rely on their own judgement to assess whether the forecasts are reasonable and the resulting financial performance of the Hawaii Airports System is realistic. ICF believes that the forecasts fairly present the expected financial results given the assumptions in the Report. ICF has discussed such assumptions and forecasts with the Airports Division management, who agree with their reasonableness.

However, any forecast is subject to uncertainty, which may lead to actual results that are substantially different from the forecast results in this Report. The Report is provided on an as-is basis with no warranty of any kind. ICF, nor anyone acting on behalf of ICF, does not warrant the achievability of the forecasts presented in the Report.

NO WARRANTY, WHETHER EXPRESSED OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE IS GIVEN OR MADE BY ICF IN CONNECTION WITH THIS REPORT. ICF IS NOT LIABLE FOR ANY DAMAGES OF ANY KIND ATTRIBUTABLE TO USE OF THIS REPORT.

We are pleased to assist the Department in this proposed financing.

Sincerely,

ICF

ICF

1. Introduction and COVID-19 Pandemic

1.1 Introduction

The purpose of this Report is to evaluate the financial impacts on the Hawaii Airports System from the proposed issuance of the 2022 Bonds and the Future Bonds, which will fund a portion of the costs of the CIP.

For the past two years, the COVID-19 pandemic has disrupted domestic U.S. and international air travel to an unprecedented extent. Health restrictions coupled with a loss of traveler confidence have buffeted airlines and dramatically impacted the level of passenger air travel to and from Hawaii as well as between islands. Because of the nature of this pandemic, and the considerable uncertainty of State and federal government actions and the resumption of airline service, the question of when air travel will recover to former levels, especially among the international segments, remains unanswerable. Despite this uncertainty, for purposes of this Report, ICF has developed a traffic forecast as the basis of its analysis, which was reviewed with the Airports Division management. In addition, ICF has documented the capital projects that the Airports Division intends to fund and related funding sources, reviewed the Certificate and the Airline Agreement, among other documents, and forecast the related financial results including debt service coverage ratios and CPEs through FY 2027.

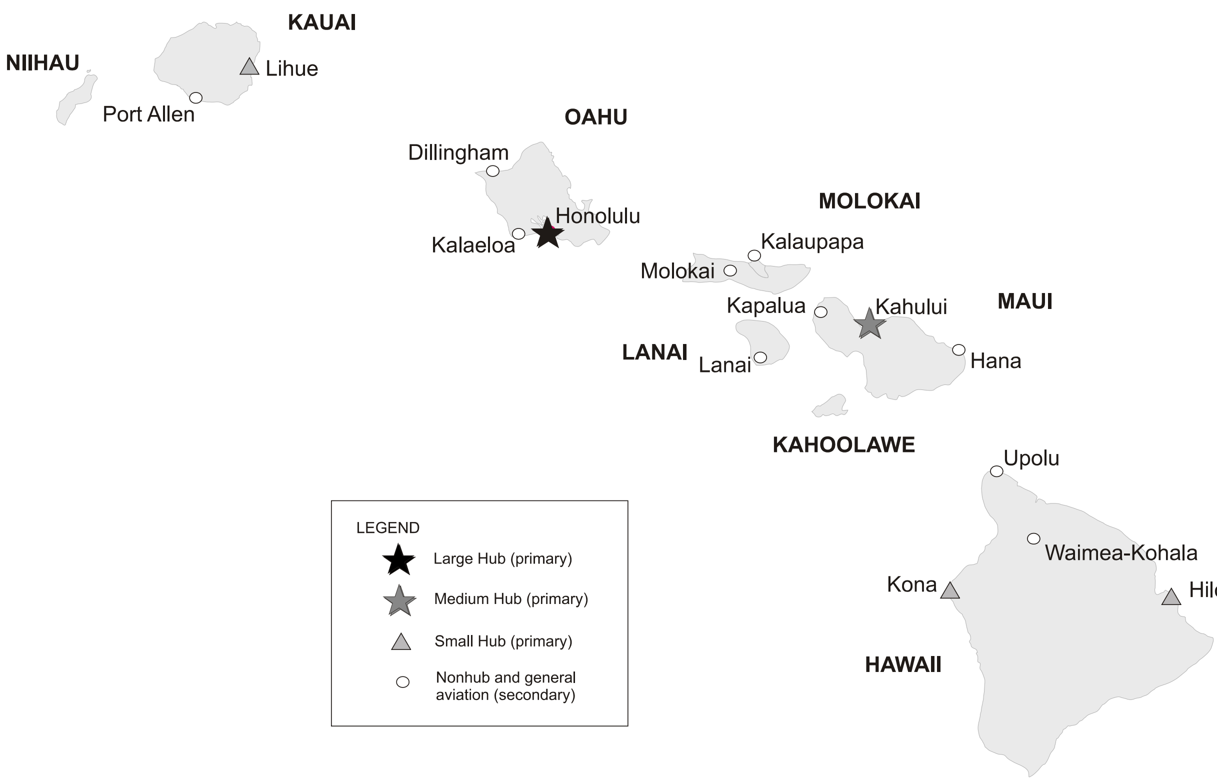
Readers of this Report should rely on their own judgement to assess whether these traffic forecast outputs are reasonable, and the resulting financial performance of the Hawaii Airports System is realistic.

1.2 Background

The Airports System includes 15 airports operated by the Department of Transportation through the Airports Division as an enterprise fund of the State. The airports are all owned by the State except for Dillingham Airfield, which is a general aviation airfield owned by the U.S. Army and managed by the Airports Division under authority of a short-term revocable lease. The airports in the Hawaii Airports System handle all the commercial aviation activities of the State.

The State comprises numerous islands spreading over 1,500 miles. The eight main islands, listed from northwest to southeast, are Niihau, Kauai, Oahu, Molokai, Lanai, Kahoolawe, Maui, and Hawaii. The island of Hawaii, also known as the Big Island, is the largest island in the State. However, the island of Oahu has the highest population, accounting for two-thirds of the State's total population of 1.4 million in 2020. As shown in Exhibit 1-1 on the next page, the 15 airports operated by the Airports Division are spread across six islands. The State is situated in the center of the Pacific Ocean and is recognized as one of the top global tourism destinations.

Exhibit 1-1: Hawaii Airports System



Note: HNL is classified as a medium hub by the FAA based on calendar year 2020 enplaned passengers.

1.2.1 Organization of State Government

The State government includes three branches: the executive branch led by the Governor, the legislative branch (the State Legislature), and the judicial branch (the Hawaii State Judiciary). The Governor is elected every four years, with the current Governor elected in 2014 and re-elected in 2018. The Governor appoints the Director and Deputy Director of the Department. There are three other Deputy Directors in the Department, one for each division of Airports, Harbors, and Highways. The Deputy Director – Airports leads the Airports Division on behalf of the Department and the State .

The Airports Division relies on central services provided by the Department of Accounting and General Services and on other departments of the State for other business functions, such as financial services from the Department of Budget and Finance, human resources services from the Department of Human Resources Development, and legal service from the Department of the Attorney General.

The Hawaii State Legislature consists of the State House of Representatives with 51 members and the State Senate with 25 members. Legislative sessions are held annually in the State Capitol building in the City and County of Honolulu, with the regular sessions starting on the third Wednesday in January for no longer than 60 working days. Among other activities, the Hawaii State Legislature reviews and approves the biennial budget in odd-numbered years and the supplemental budget in even-numbered years for the executive branch, which include the operating and capital budgets of the Airports Division. Further, the Legislature approves legislation that may influence the operations of the Airports Division, such as the rate, collection and use of the CFCs.

1.2.2 The Hawaii Airports System

The Hawaii Airports System is managed by the Department through its Airports Division as an enterprise fund of the State. The Hawaii Airports System includes 15 airports located on six islands.

Air travel is the primary means of transportation for State residents to travel between islands in the State. The only other commercial interisland transportation is the ferry services between Maui and Lanai.

Exhibit 1-2: Profile of the Hawaii Airports System

Island	Primary Airports (5)	FY2021 Enplanements	% of Total, FY 2021	FY2020 Enplanements	% of Total, FY 2020
Oahu	Daniel K. Inouye International Airport (HNL)	3,143,228	51.8%	7,981,984	55.5%
Maui	Kahului Airport (OGG)	1,493,511	24.6%	2,952,905	20.5%
Hawaii	Ellison Onizuka Kona International Airport at Keahole (KOA)	728,664	12.0%	1,550,092	10.8%
	Hilo International Airport (ITO)	211,528	3.5%	478,886	3.3%
Kauai	Lihue Airport (LIH)	407,953	6.7%	1,250,074	8.7%
Total Primary Airports		**5,984,884**	**98.6%**	**14,213,941**	**98.8%**
Island	**Non-Primary Airports (10)**				
Oahu	Dillingham Airfield (HDH)	-		-	
	Kalaeloa Airport (JRF)	-		-	
Maui	Hana Airport (HNM)	1,285		1,823	
	Kapalua Airport/West Maui Airport (JHM)	3,214		28,438	
Hawaii	Upolu Airport (UPP)	4		-	
	Waimea-Kohala Airport (MUE)	2,424		3,273	
Kauai	Port Allen Airport (PAK)	-		-	
Lanai	Lanai Airport (LNY)	27,462		39,099	
Molokai	Molokai Airport (MKK)	48,929		100,687	
	Kalaupapa Airport (LUP)	795		4,274	
Total Non-Primary Airports		**84,113**	**1.4%**	**177,593**	**1.2%**
Total Airports System		**6,068,997**	**100.0%**	**14,391,534**	**100.0%**

Note: "n/a" = Data unavailable for small non-primary airports (interisland passenger segment). Hence the sum of all values may not total properly in the above figure.
Source: Airports Division.

There are no commercial airports on the islands of Niihau and Kahoolawe. As shown in Exhibit 1-1, the Hawaii Airports System prior to calendar year 2020 includes one large-hub airport[2], one medium-hub airport, three small-hub airports, and 10 non-hub and general aviation airports.

Daniel K. Inouye International Airport (HNL) is the largest airport in the Hawaii Airports System, with 3.1 million enplaned passengers in FY 2021, accounting for 51.8 percent of the system-wide enplanements, or a total of 6.1 million enplaned passengers. HNL is the 34th largest U.S. airport ranked by the FAA based on the 2020 calendar year revenue enplaned passengers, where it ranked 29th the year prior, and is the primary port of entry for international arrival to the State. 55.7 percent of enplaned passengers at HNL head to trans-Pacific ("overseas") destinations, including the U.S. mainland and international destinations in North America, Asia, and Oceania. The remaining 44.3 percent of enplaned passengers flew interisland to other airports in the Hawaii Airports System; Kahului Airport (OGG) is the second-largest airport in the Hawaii Airports System, with 1.5 million enplaned

[2] As mentioned previously, HNL is classified as a medium hub by the FAA based on calendar year 2020 enplaned passengers.

passengers in FY 2021, accounting for 24.6 percent of system-wide traffic. OGG is the 57th largest airport in the U.S., with 27.5 percent of enplaned passengers flying on trans-Pacific flights; Hilo (ITO), Kona (KOA), and Lihue (LIH) are the three small-hub airports. Both ITO and KOA are located on the island of Hawaii, with ITO serving primarily interisland traffic. LIH is located on the island of Kauai, with 4.8 percent of enplaned passengers flying overseas; and non-primary airports accounted for 1.4 percent of system-wide traffic in FY 2021.

1.2.3 Daniel K. Inouye International Airport (HNL)

HNL is located on the south shore of the island of Oahu. It occupies 2,216 acres of land and 2,210 acres of water and is located approximately six miles west of downtown Honolulu and nine miles from Waikiki via Interstate H-1. HNL can be accessed via Interstate H-1 and Nimitz Highway from both West Oahu and East Oahu. Exhibit 1-3 provides a profile of the airport infrastructure at HNL, and Exhibit 1-4 shows the layout of HNL.

Exhibit 1-3: Profile of HNL Airport Facilities, October 2021

Terminal /Concourses	Gates	Purposes
Terminal 2 / Overseas Terminal		
Diamond Head Concourse	10	Overseas / interisland
Central Concourse	14	Overseas flights
Ewa Concourse	9	Overseas flights
Terminal 1 / Interisland Terminal		
Makai Pier	5	Interisland flights
Interisland	8	Overseas / interisland
Mauka Concourse	11	Overseas / interisland
All Terminals	57	
Runway	**Length / Width (ft)**	**Purposes**
8R/26L	12,000 x 200	
8L/26R	12,312 x 150	
4R/22L	9,000 x 150	
4L/22R	6,952 x 150	
8W/26W	5,000 x 300	Seaplane
4W/22W	3,000 x 150	Seaplane

Source: Airports Division records.

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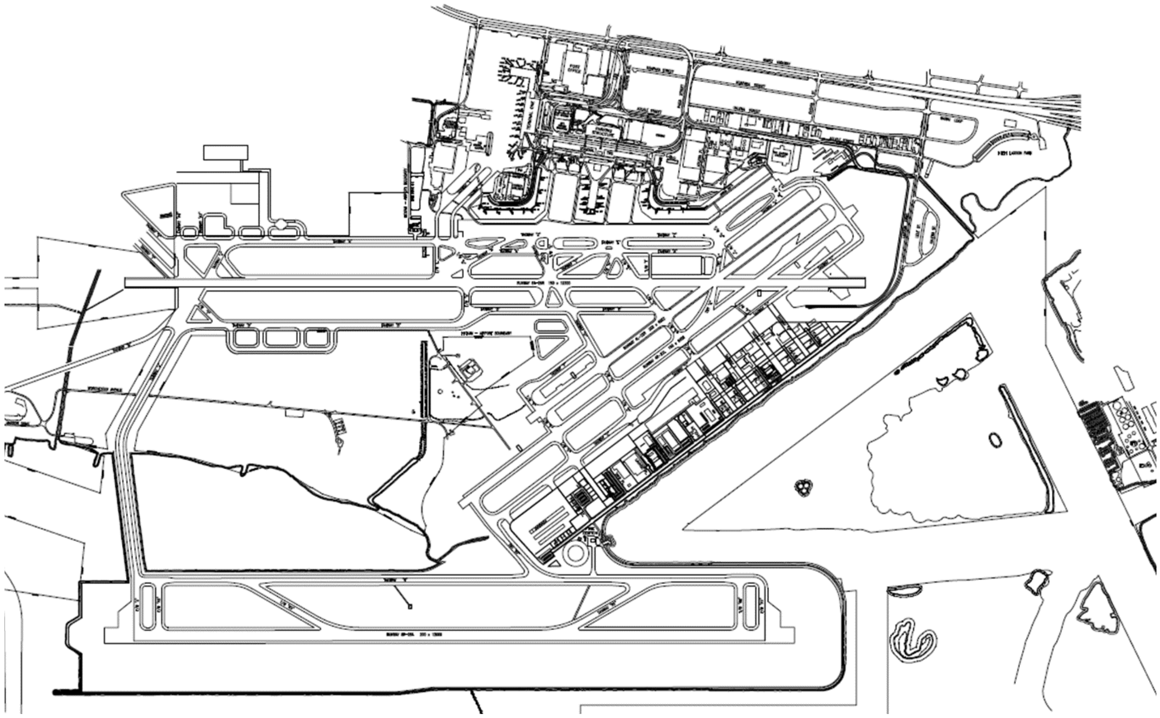
Exhibit 1-4: HNL Layout, November 2021



Source: Airports Division records.

HNL shares runways with Hickam Air Force Base, which is located on the west side of the HNL airfield. The HNL airfield has two sets of runways, and two offshore runways for seaplanes. The primary runway, designated 8R-26L or the Reef Runway, is 12,000 feet long and 200 feet wide. Runway 8L 26R is 12,312 feet long and 150 feet wide, parallel to the Reef Runway. Runway 4R/22L is 9,000 feet long and 150 feet wide, while runway 4L/22R is 6,952 feet long and 150 feet wide.

There are three terminal buildings at HNL. The Airports Division renamed the terminal gate, and baggage claim area on June 1, 2018:

Terminal 1 (formerly the Interisland Terminal) serves both interisland and overseas flights. The Airports Division completed a new Mauka Concourse in August 2021, adding up to 11 narrow-body gates.

Terminal 2 (formerly the Overseas Terminal) serves overseas flights to the U.S. mainland and other overseas destinations. An international arrivals building is located between Terminal 1 and Terminal 2.

The Commuter Terminal was closed and demolished in June 2018, with a new facility - Terminal 3, constructed near Diamond Head Concourse for Mokulele Airlines.

HNL has three garages for public parking: the Overseas Parking Garage in front of Terminal 2, the Interisland Parking Garage on levels 3 to 7 of Terminal 1, and the International Parking Garage in front of Terminal 1. The Airports Division has a total of 7,685 spaces for public and employee parking and will have an additional 745 public parking spaces when the interim HNL ConRAC is converted back to parking, anticipated in mid-2022. The HNL ConRAC is located in front of Terminal 2, which was completed in December 2021.

Other facilities at HNL include a complex for general aviation, air cargo, and airport support facilities at the south ramp near Ke'ehi Lagoon, and a complex for maintenance and air cargo facilities, principally for the interisland airlines, located west of the terminal complex.

1.2.4 Primary Neighboring Island Airports (PNI)

1.2.4.1 Kahului Airport (OGG)

OGG is a medium-hub airport located on the northern edge of the island of Maui, between Haleakala and the West Maui Mountain Range on the island of Maui. OGG occupies 1,391 acres and is located three miles east of the town of Kahului, accessible via the Airport Road that connects to Hana Highway. OGG has two intersecting runways. Runway 2/20 is 6,995 feet long and 150 feet wide, and Runway 5/23 is 4,990 feet long and 150 feet wide. A study is underway to evaluate the options to reconstruct Runway 2/20. For this Report, it was assumed that the Airports Division would implement the reconstruction project without affecting air traffic if the project is actualized within the forecast period.

OGG has two terminal buildings: the Passenger Terminal Building with 16 gates that accommodate the majority of the commercial air traffic activities, and the Commuter Terminal that serves interisland commuter traffic. The surface parking lot is located directly in front of the Passenger Terminal Building. The OGG ConRAC was completed in May 2019, consolidating the majority of rental car activities. A general aviation area is located at the southeast corner of OGG.

1.2.4.2 Ellison Onizuka Kona International Airport at Keahole (KOA) and Hilo International Airport (ITO)

Both KOA and ITO are located on the island of Hawaii. KOA is located on the west shore of the island. KOA occupies 3,450 acres and is approximately 8 miles north of Kailua-Kona, accessible via Keahole Airport Road, which connects to HI-19. KOA has a single runway, Runway 17/15, which is 11,000 feet long and 150 feet wide.

KOA has two terminals: the Passenger Terminal with 10 boarding gates serving 14 aircraft parking positions, and the Commuter Terminal serving interisland commuter airlines and air tour/air taxi operators. The surface parking lot is located in front of the terminal. General aviation, cargo, and related facilities are located south of the passenger terminal complex. The Airports Division completed a terminal modernization program in 2021, and expects to complete the construction of a new international arrival building in late 2021. KOA is the only port of entry for international visitors, other than HNL, and had recently opened its permanent federal inspection service (FIS) facility at the airport in mid-October 2021, two months ahead of schedule.

ITO is located on the east shore of the Island of Hawaii. It occupies 1,391 acres and is approximately 2 miles east of the town of Hilo, accessible via Airport Road, which connects to HI-11, Mamalahoa Highway. ITO has two runways: Runway 8-26 is 9,800 feet long and 150 feet wide, and Runway 3-21 is 5,600 feet long and 150 feet wide.

ITO has two terminals: the Main Passenger Terminal with 10 gates, and the Commuter Terminal serving primarily helicopter air tours. The general aviation and air cargo facilities are primarily located on the west side of ITO.

1.2.4.3 Lihue Airport (LIH)

LIH is located on the southeast coast of the island of Kauai. It occupies 872 acres and is approximately 2 miles east of the town of Lihue, accessible via Ahukini Road, which connects to HI-51, Kapule Highway. LIH has two runways: Runway 3/21 is 6,500-feet long and 150-feet wide, and Runway 17/35 is 6,500 feet long and 150 feet wide.

LIH has two terminal buildings: The Passenger Terminal has 8 gates with loading bridges and 4 hardstands, and the Commuter Terminal serves interisland traffic. A complex for cargo and general aviation operations is located northeast of the Passenger Terminal.

1.2.5 Non-Primary Airports

The Hawaii Airports System includes 10 additional airports, referred to as the non-primary airports. Six of the non-primary airports (Hana Airport, Kalaupapa Airport, Kapalua Airport, Lanai Airport, Molokai Airport, and Waimea-Kohala Airport) are non-hub airports offering primarily commuter and air taxi service. The four remaining airports (Dillingham Airfield, Kalaeloa Airport, Port Allen Airport, and Upolu Airport) serve general aviation, the U.S. Coast Guard, military and other uses.

1.3 The COVID-19 Pandemic

Most of the information in this Report describes historical Airports aviation, financial activity and general economic conditions and outlooks that either pre-date or were published during the COVID-19 pandemic. All information presented in this Report should be considered in light of possible or probable negative impacts from COVID-19 subsequent to the dates of such data being made available. The effects of COVID-19 and the actions taken at State and national levels to halt its spread have had, and are expected to continue having, a significant negative effect on the Airports revenues and expenses, financial condition, operations, and economy of the State. COVID-19 developments, and associated governmental and regulatory responses, are rapidly changing and cannot be predicted with any assurance.

COVID-19, a highly contagious upper respiratory tract illness caused by a novel strain of coronavirus, is having significant adverse health and financial impacts throughout the world, including the State. The World Health Organization declared the spread of COVID-19 to be a pandemic, and the Secretary of Health, Education and Welfare of the United States and the Governor of the State of Hawaii have each declared states of emergency in response to it. Since March 2020, the State has taken numerous actions intended to slow the spread of COVID-19, including restrictions on air travel. Through October 2021, the Governor had issued multiple Emergency Proclamations related to the State's COVID-19 and COVID-19 Delta-specific responses, which acknowledged the following:

- The State's continued efforts to vaccinate the residential population have met with commendable success, and the activities of the State continue with appropriate and additional mitigation measures in place.
- The Delta variant, a contagious SARS-CoV-2 virus strain, that has resulted in spiking case numbers globally and in the U.S. and continues to spread in the State, although recently at a declining rate
- State and county employees who provide proof of being fully vaccinated after August 16, 2021, will no longer be subject to regular COVID-19 testing
- Health screening for travelers to the State: All persons entering the State are subject to submitting to the mandatory screening process and must complete mandatory documentation related to the amended travel self-quarantine rules. This includes questionnaire forms, orders for self-quarantine, approved COVID testing, and the review of CDC-issued vaccination cards, if available. The State implemented its Safe Travels Program in October 2020, providing a multilayered approach designed to mitigate the spread of COVID-19 across Hawaii from trans-Pacific visitors and resident passengers arriving at airports/ports across the Islands.
- Overseas travel:
    - Effective March 21, 2020, overseas arriving passengers are subject to a mandatory health screening process when entering the State of Hawaii and a mandatory 14-day self-quarantine, except those performing emergency response or critical infrastructure functions.
    - Effective October 15, 2020, the self-quarantine requirement for overseas visitors is waived if such visitors can provide a valid negative COVID-19 test result within 72 hours of boarding their flights to the State.
    - Effective June 15, 2021, the exemption is expanded to include anyone who is fully vaccinated.

  - Effective November 8, 2021, the Biden Administration announced that the U.S. would lift COVID-19 travel restrictions for fully vaccinated foreign national seeking to enter the country. As overseas foreign travelers return, they are asked to comply with updated testing and vaccination requirements for entry. The State has aligned with federal international requirements where its existing Safe Travel program applies only for domestic travel from the U.S. and its Territories. Passengers flying directly into Hawaii from an international destination will face no additional State requirements, and will be screened prior to their departure to the U.S. However, international passengers entering the U.S. from another state or territory will be treated as domestic travelers when entering the State.
- Interisland travel: As of June 15, 2021, all passengers who are not in quarantine are free to travel between islands without restrictions.

Since the start of the pandemic, all arriving passengers are subject to health screenings, temperature scans and reporting requirements. The Legislature also approved $64 million from the State's federal COVID-19 relief grants to pay for thermal screening cameras, facial image tracking systems, web-based applications, and other related facility costs, and operating and maintenance expenses. Since the end of November 2021, a new variant named Omicron emerged and began to spread globally in December 2021. Weekly global case counts increased from the prior peak of 5.8 million in April 2021 to 10.1 million as of January 2, 2022, according to data compiled by John Hopkins University. However, weekly fatalities continue to decline as progress continues to be made in fully inoculating the majority of U.S. and global populations with COVID-19 vaccines and booster shots. Fatalities remain below 45,000 after reaching a peak of 100,000 in January 2021. As of January 1, 2022, the average new daily COVID-19 case count in Hawaii from the past seven days was over 2,400, including over 1,900 on the island of Oahu[3].

In early 4Q 2021, the Governor has held news conferences detailing international travel rules as part of the State's evolving Safe Travels program. International travelers may visit Hawaii under new federal regulations, where non-U.S. citizens traveling directly to the Islands from another country must show both vaccination records and a negative COVID test result (Nucleic Acid Amplification Test (NAAT) or antigen), within three days of boarding a flight to the U.S. Non-U.S. citizens in this case are no longer subject to the Safe Travels program requirements. Although the State only accepts NAAT results from Trusted Testing and Travel Partners for unvaccinated domestic travelers, it has expanded its test verification platform within the Safe Travels Program to include multiple Digital Health Pass Partners such as AZOVA, CLEAR and CommonPass. In addition, implementation of the new state-issued digital SMART Health Card was unveiled by the Governor in September 2021 and as of September 27, over 216,000 participants signed up voluntarily. This digital platform allows individuals to show proof of their vaccination on their personal devices without carry a physical vaccine document, that can be shown to establishments across the State.

It is unknown when and whether restrictions will be eased, reinstated, or enhanced. The duration of these directives, even those with specified end dates, is not known with any level of certainty at the time of this Report. Likely, the full impact of the COVID-19 pandemic on the State of Hawaii and the Airports System will continue to change as the situation develops. The fiscal impact will depend in part on future events outside of the Airports Division's control, including actions of the State and federal government and other nations.

[3] State of Hawaii – Emergency Management Agency (HI-EMA). (https://hiema-hub.Hawaii.gov/)

2. Aviation Environment

To evaluate the aviation environment in Hawaii, ICF has identified several socio-economic and aviation factors that support the demand and supply of air travel for the State. Historically, ICF has used these factors to develop econometric forecasts of air passenger traffic to, from and within this market. Because of the unprecedented nature of the COVID-19 pandemic, a range of health, political, economic and aviation uncertainties are considered in the development of a near to mid-term enplaned passenger forecast for overseas and interisland traffic – as has been the approach for previous bond financings. Therefore, ICF developed a traffic forecast, which has been discussed with and agreed to by the Airports Division. The forecasts and scenarios are used to present the potential evolution of the Airports Division's financial position.

In this chapter, ICF reviews the economic characteristics of the Hawaii aviation market, presents historical passenger trends of the Airport System and the impact due to the current pandemic environment, considers the strategic viability of the airlines serving Hawaii and their return to nonstop services, and reviews the financial condition of the key airlines that service this market. Also, ICF considered the State's most recent forecast of economic and visitor recovery as an input when developing its traffic forecast, comparing the length of recovery to past recoveries resulting from exogenous shocks.

In this study, ICF recognizes that the COVID-19 pandemic no longer presents itself as the exogenous shock seen in late FY 2020 and throughout the first half of FY 2021 given recent improvements to multiple economic factors and aviation traffic. As the State enters FY 2022, ICF views the pandemic instead as a continuing health crisis unlike any experienced in the past, with unique responses to action by both public and private sectors that will progress with uncertainty in the near term. Although the accelerated development of multiple COVID-19 vaccines has been achieved, the U.S. and global markets face ongoing efforts to roll out the vaccines and improve vaccination distribution rates, which are recognized as supportive indicators across the industry to strengthen the anticipated path toward domestic and international air travel recovery. As of January 1, 2021, 62 percent of the U.S. population[4] had been fully vaccinated, while Hawaii had achieved greater than 74 percent of its residents being fully vaccinated[5].

As vaccination rates in the U.S. improve, the Hawaii aviation and tourism market may face several obstacles during its recovery period, such as an uneven distribution of vaccines globally, the emergence of additional virus variants and breakouts, and evolving travel and public health policy changes related to vaccination statuses and cross-border travel restrictions. Based on recent summer 2021 travel trends and improvements to hospital resources and bed capacity levels which primed the Governor to safely encourage visitors to return to the Island, ICF views that demand in domestic segments is poised to recover sooner than in the international segment. This is also attributed through higher U.S. vaccination coverage, cautious easing of domestic travel restrictions, and pent-up demand for leisure and business travel act as catalysts for a post-COVID recovery profile. All of these are also considered in ICF's traffic forecast approach. In addition to this section, a summary of the recent sustainability plans and ESG developments undertaken by the State is included. The State of Hawaii Department of Transportation Airports Division (DOTA) will participate in planned initiatives set forth by the Governor, where it recognizes the importance of fueling investments to reduce its environmental footprint, secure the sustainable growth of air travel, and consider economic diversity and inclusion opportunities that will support its local communities.

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[4] The New York Times, "See How Vaccinations Are Going in Your County and State"

[5] News release from Star Advertiser, 8 January 2022, https://www.staradvertiser.com/2022/01/08/breaking-news/hawaii-records-1-new-coronavirus-related-death-4204-additional-infections/

2.1 Hawaii Airports Activity

Overseas air travel demand to/from Hawaii is principally driven by 1) visitors who desire to visit Hawaii and 2) residents visiting the U.S. mainland. The health of the U.S. and foreign economies (particularly the East Asia and Oceania markets) influences overseas traffic trends, while interisland passage and demand are driven by the Hawaii population who require island-hopping flights as business commuters and residents, and by visitor propensity to travel using connections via the primary neighboring island Hawaii airports to/from overseas destinations, as well as the status of the State's economy. As indicated in Hawaiian Airlines' 90th annual report from 2019, an estimated 39 percent of the carrier's interisland passengers are residents of Hawaii.

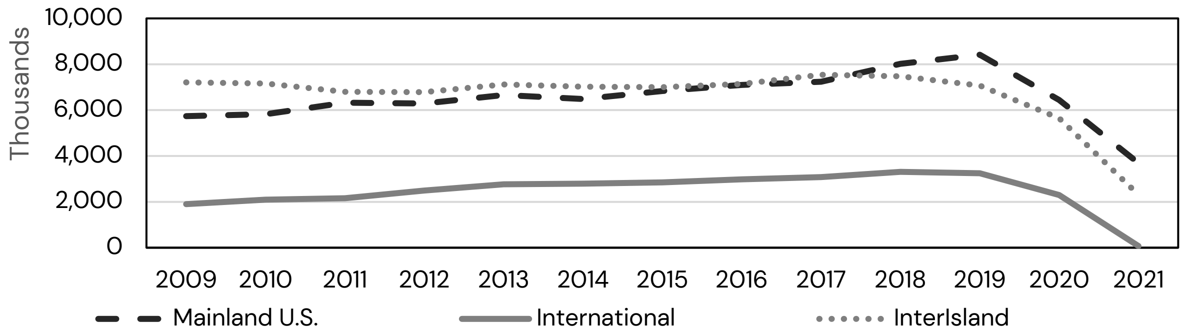
Prior to the COVID-19 pandemic, in FY 2019, the State saw more than 18.7 million enplaned passengers travel through its Airports System, a 0.4 percent decrease from the previous fiscal year, primarily because Island Air ceased service in March 2019 and because of the impact of volcano eruptions on the Big Island throughout the late spring and summer of 2018[6]. Of the enplanements during FY 2019, 45.0 percent of passengers were to/from other states within the U.S., 17.3 percent enplaned from other countries, and 37.7 percent were traveling within the State.

Hawaii Airports System enplaned passenger traffic grew steadily over the decade, prior to the COVID-19 pandemic, with the mainland U.S. passenger segment reaching an all-time high of 8.4 million enplanements in FY 2019. The international passenger segment was the fastest growing segment with expanded international nonstop services to Honolulu, Kahului, Kona and Lihue airports. Kona primarily has direct international nonstop connections to Tokyo and Vancouver, while Lihue has nonstop service to Vancouver. The mainland U.S. passenger segment also saw growth, particularly over the past five years pre-pandemic period. Over the last decade, prior to the pandemic, the interisland enplaned passenger segment faced an average declining rate of 0.2 percent per annum as the expansion of point-to-point[7] U.S. mainland services to neighboring island airports reduced the need of connections in HNL. Interisland traffic fell from 7.2 million enplanements in FY 2009 to 7.0 million in FY 2019. However, all segments were negatively impacted by COVID-19 at the end of FY 2020. Throughout FY 2021, as traffic performance steadily improved on a monthly basis, a full year's effect of the COVID-19 pandemic on Hawaii air traffic resulted in a 67.6 percent decline compared to FY 2019 traffic, with the State reporting 6.1 million enplanements. The mainland U.S. travel segment fell the least, representing 43.8 percent of FY 2019 levels with 3.7 million enplanements, followed by the interisland segment at 32.6 percent of FY 2019 levels with 2.3 million enplanements. On the other hand, international travel restrictions have kept international enplanement figures depressed at below 72,000 enplanements, 97.8 percent below FY 2019 volumes. Prior to FY 2021, international volumes historically represented 17-18 percent of total volumes, while in FY 2021, they represented 1.2 percent. It is worth noting that the low share of international traffic volumes may be attributed by travel requirements among international visitors returning to their host country who are subject to quarantining upon their return. These policies may continue to impact demand irrespective of the recent actions taken by the U.S. government.

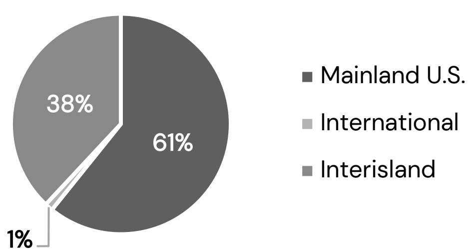
[6] An eruption occurred on September 29, 2021, at the summit of Kīlauea volcano on the island of Hawaii and continued to erupt and flow lava as of October 15. Scientists and state officials are closely monitoring site activity. (Source: U.S. Geological Survey).

[7] The point-to-point (P2P) model emphasizes a carrier flying between two cities directly, where a passenger is subject to bypass an air carrier's hub airport for connecting opportunities (hub-and-spoke model). The P2P model Is widely used by low cost carriers, including Southwest and Allegiant Air.

Exhibit 2-5: Historical Enplaned Passengers for Hawaii Airports System by Segment
Fiscal Years 2009-2021



FY 2021 Segment Shares



	CAGR			
	'09-'14	'14-'19	'09-'19	'19 vs '21
Mainland	2.5%	5.4%	3.9%	-56.2%
International	8.0%	3.0%	5.5%	-97.8%
InterIsland	-0.5%	0.1%	-0.2%	-67.4%
Total System	**1.9%**	**2.8%**	**2.4%**	**-67.6%**

Source: Airports Division.

As shown in Exhibit 2-6, HNL is the largest commercial airport within the Hawaii Airports System, accommodating more than 10.4 million enplaned passengers in FY 2019. It remained the largest airport during FY 2021, with 3.1 million enplanements. Among overseas enplaned passengers in FY 2019, HNL accounted for 53.1 percent of those traveling from within the U.S. and 89.9 percent of those traveling from international markets. OGG, the second busiest airport after HNL, accommodated more than 3.8 million enplaned passengers, capturing 25.8 percent of passengers traveling overseas from within the U.S. and 20.4 percent from within the State.

HNL accounted for 56.0 percent and the other Primary Airports accounted for 42.7 percent of overall enplaned passengers in the State in FY 2019, though due to the impacts of the pandemic and HNL's high exposure to international service relative to the other Hawaiian airports, HNL's overall passenger share declined to 51.8 percent, while the Primary Airports rose to 46.8 percent in FY 2021. Prior to the pandemic, the 5-year compound annual growth rates (CAGR) between FY 2014 and FY 2019 for the overseas passenger segment among the Primary Neighboring Island (PNI) Airports remained above 7.0 percent per year due to additional direct services provided by both U.S. and foreign carriers. Historical enplaned passengers for the Hawaii Airports System are shown in Exhibit 2-6.

Exhibit 2-6: Historical Enplaned Passengers for the Hawaii Airports System by Airport
FY 2009-2021

	Enplaned Passengers (Fiscal Year ending June 30) Actual													CAGR (%)		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	'09-'19	'14-'19	'21 vs '19
Hawaii Airports System																
Overseas	7,635,330	7,916,246	8,481,783	8,781,322	9,423,959	9,272,688	9,684,729	10,078,047	10,317,969	11,328,598	11,658,471	8,745,728	3,761,676	4.3%	4.7%	-67.7%
Mainland U.S.	5,739,019	5,820,676	6,326,228	6,291,224	6,659,078	6,481,469	6,834,201	7,099,220	7,240,443	8,020,657	8,415,420	6,444,997	3,689,798	3.9%	5.4%	-56.2%
International	1,896,311	2,095,570	2,155,555	2,490,098	2,764,881	2,791,219	2,850,528	2,978,827	3,077,527	3,307,941	3,243,051	2,300,731	71,878	5.5%	3.0%	-97.8%
Interisland	7,206,820	7,162,646	6,800,509	6,784,974	7,118,800	7,022,309	6,998,066	7,137,313	7,541,249	7,477,676	7,068,419	5,645,806	2,307,321	-0.2%	0.1%	-67.4%
Total	**14,842,150**	**15,078,892**	**15,282,292**	**15,566,296**	**16,542,759**	**16,294,997**	**16,682,795**	**17,215,360**	**17,859,218**	**18,806,274**	**18,726,890**	**14,391,534**	**6,068,997**	2.4%	2.8%	-67.6%
Honolulu International Airport																
Overseas	5,559,960	5,766,969	5,985,883	6,104,142	6,620,624	6,503,798	6,605,637	6,798,296	6,865,488	7,383,039	7,386,655	5,473,776	2,096,254	2.9%	2.6%	-71.6%
Mainland U.S.	3,757,063	3,787,185	3,965,863	3,792,079	4,037,079	3,905,540	3,961,181	4,043,179	4,015,430	4,392,199	4,472,322	3,414,687	2,028,378	1.8%	2.7%	-54.6%
International	1,802,897	1,979,784	2,020,020	2,312,063	2,583,545	2,598,258	2,644,456	2,755,117	2,850,059	2,990,840	2,914,333	2,059,089	67,876	4.9%	2.3%	-97.7%
Interisland	3,339,291	3,351,144	3,176,115	3,154,076	3,232,462	3,196,439	3,101,890	3,138,295	3,336,390	3,272,434	3,097,796	2,508,208	1,046,974	-0.7%	-0.6%	-66.2%
Total	**8,899,251**	**9,118,113**	**9,161,998**	**9,258,218**	**9,853,086**	**9,700,237**	**9,707,527**	**9,936,591**	**10,201,879**	**10,655,473**	**10,484,451**	**7,981,984**	**3,143,228**	1.7%	1.6%	-70.0%
Primary Neighboring Island (PNI) Airports																
Overseas	2,075,370	2,149,277	2,495,900	2,677,180	2,803,335	2,768,890	3,079,092	3,279,752	3,452,481	3,945,559	4,271,816	3,271,952	1,665,422	7.5%	9.1%	-61.0%
Interisland	3,665,561	3,638,374	3,447,770	3,456,265	3,709,984	3,653,149	3,693,242	3,779,314	3,994,388	3,977,578	3,724,868	2,960,005	1,176,234	0.2%	0.4%	-68.4%
Total	**5,740,931**	**5,787,651**	**5,943,670**	**6,133,445**	**6,513,319**	**6,422,039**	**6,772,334**	**7,059,066**	**7,446,869**	**7,923,137**	**7,996,684**	**6,231,957**	**2,841,656**	3.4%	4.5%	-64.5%
Kahului (OGG)																
Overseas	1,254,604	1,306,866	1,537,593	1,591,597	1,642,016	1,637,202	1,822,152	1,949,229	2,033,603	2,191,040	2,364,272	1,837,730	1,036,416	6.5%	7.6%	-56.2%
Interisland	1,287,718	1,280,231	1,209,611	1,246,166	1,388,773	1,371,867	1,424,740	1,449,726	1,486,909	1,462,750	1,443,775	1,115,175	457,095	1.2%	1.0%	-68.3%
Total	**2,542,322**	**2,587,097**	**2,747,204**	**2,837,763**	**3,030,789**	**3,009,069**	**3,246,892**	**3,398,955**	**3,520,512**	**3,653,790**	**3,808,047**	**2,952,905**	**1,493,511**	4.1%	4.8%	-60.8%
Kona (KOA)																
Overseas	456,832	467,903	538,395	539,293	569,962	561,167	649,683	707,101	778,084	961,466	1,036,548	801,282	441,098	8.5%	13.1%	-57.4%
Interisland	875,391	853,088	812,928	823,064	874,418	854,022	841,251	859,215	951,771	969,261	858,349	748,810	287,566	-0.2%	0.1%	-66.5%
Total	**1,332,223**	**1,320,991**	**1,351,323**	**1,362,357**	**1,444,380**	**1,415,189**	**1,490,934**	**1,566,316**	**1,729,855**	**1,930,727**	**1,894,897**	**1,550,092**	**728,664**	3.6%	6.0%	-61.5%
Lihue (LIH)																
Overseas	363,934	374,508	416,522	494,375	542,820	544,551	569,900	588,443	604,824	757,310	838,872	607,698	181,413	8.7%	9.0%	-78.4%
Interisland	866,447	845,538	804,383	787,492	815,736	808,574	816,117	844,190	913,599	906,290	852,149	642,376	226,540	-0.2%	1.1%	-73.4%
Total	**1,230,381**	**1,220,046**	**1,220,905**	**1,281,867**	**1,358,556**	**1,353,125**	**1,386,017**	**1,432,633**	**1,518,423**	**1,663,600**	**1,691,021**	**1,250,074**	**407,953**	3.2%	4.6%	-75.9%
Hilo (ITO)																
Overseas	0	0	3,390	51,915	48,537	25,970	37,357	34,978	35,970	35,743	32,124	25,242	6,495	n/a	4.3%	-55.0%
Interisland	636,005	659,517	620,848	599,543	631,057	618,686	611,134	626,183	642,109	639,277	570,595	453,644	205,033	-1.1%	-1.6%	-40.1%
Total	**636,005**	**659,517**	**624,238**	**651,458**	**679,594**	**644,656**	**648,491**	**661,161**	**678,079**	**675,020**	**602,719**	**478,886**	**211,528**	-0.5%	-1.3%	-40.8%
Other																
Interisland	201,968	173,128	176,624	174,633	176,354	172,721	202,934	219,704	210,471	227,664	245,755	177,593	84,113	2.0%	7.3%	-65.8%

Note: Primary neighbor airports include OGG, KOA, LIH, ITO.
Source: Airports Division.

2.1.1 Recent Air Travel Rebound

Hawaii's recent aviation recovery trend encountered several tailwinds throughout its FY 2021 period after the State implemented its "Safe Travels" program in October 2020, allowing domestic visitors to by-pass quarantine in Hawaii with a negative COVID-19 test complemented by accelerated efforts to inoculate a majority of the U.S. population and the wide availability of COVID-19 vaccines beginning in early 2021. In July 2021, the State reported 1.5 million enplanements, which represented an 82.1 percent recovery to July 2019 levels, as shown during the summer season of 2021 in Exhibit 2-7. FY 2021 enplanements represented a 32.4 percent recovery of the pre-pandemic FY 2019 volume. Analysis of the summer ramp-up from July 2021 through October 2021 on a fiscal year-to-date (FYTD) basis, compared to the same period in 2019 shows that the Airports System recovered to greater than 75 percent of its traffic as shown in Exhibit 2-7.

It is worth noting that this section of the Report includes two sets of up-to-date passenger information that were analyzed and utilized in the development of the ICF forecasts.

- Enplaned passenger information reported to DOTA includes overseas and interisland enplaned passengers.
- Daily domestic overseas passenger air arrivals reported by the Hawaii Department of Business, Economic Development and Tourism (DBEDT) do not include interisland travel. However, passenger counts include returning residents, intended residents and visitors.

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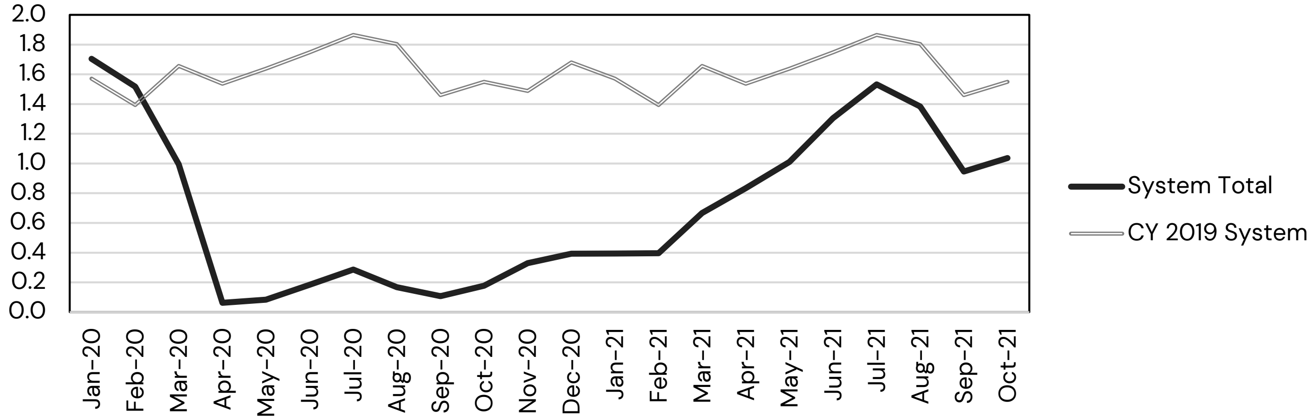
Exhibit 2-7: Historical Monthly Total Enplaned Passengers for the Hawaii Airports System (in millions) January 2020-FYTD 2022



	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Enplanements - System (000s)	1,704.2	1,517.0	994.7	62.7	83.5	183.6	286.4	167.7	107.5	177.7	329.8
Monthly Recovery vs. CY 19 month	*108.5%*	*108.9%*	*60.0%*	*4.1%*	*5.1%*	*10.5%*	*15.4%*	*9.3%*	*7.4%*	*11.5%*	*22.2%*
FYTD vs. FYTD 19	*107.4%*	*107.6%*	*101.9%*	*92.1%*	*83.7%*	*76.8%*	*16.3%*	*13.4%*	*11.8%*	*11.9%*	*13.9%*

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Enplanements - System (000s)	392.8	394.0	395.8	667.0	834.1	1,010.9	1,305.2	1,531.8	1,384.0	945.9	1,036.5
Monthly Recovery vs. CY 19 month	*23.4%*	*25.1%*	*28.4%*	*40.3%*	*54.3%*	*61.7%*	*74.7%*	*82.1%*	*76.7%*	*64.8%*	*66.9%*
FYTD vs. FYTD 19	*15.9%*	*17.3%*	*18.5%*	*21.1%*	*24.5%*	*28.1%*	*32.4%*	*87.3%*	*86.3%*	*81.3%*	*78.8%*

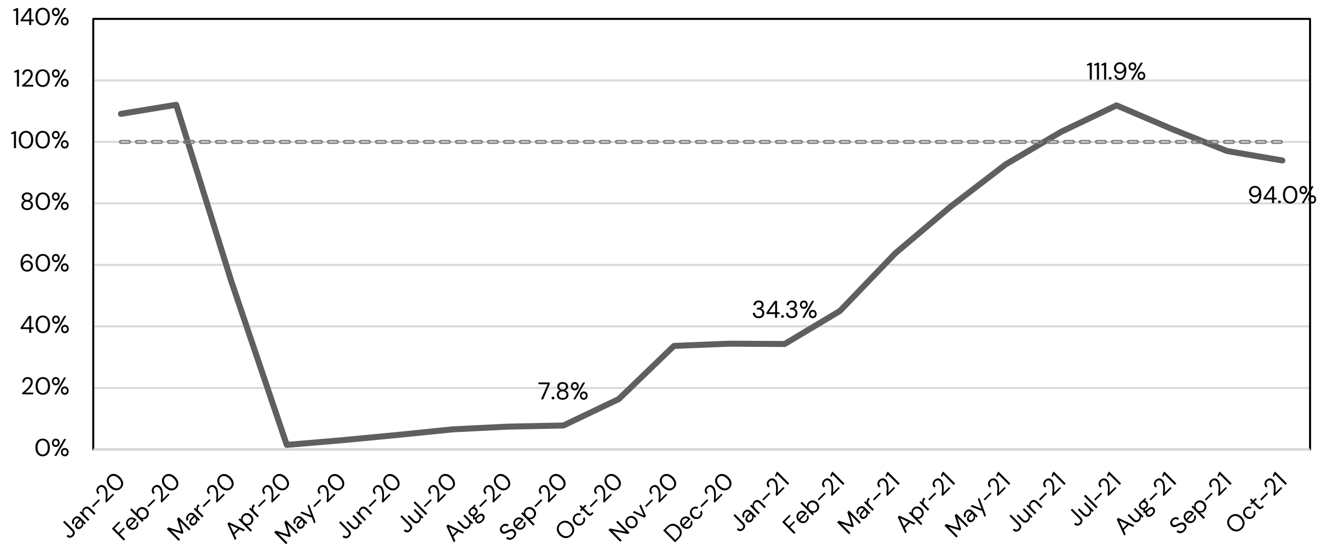
Date of Event	Event / Announcement Description
Oct 15, 2020	Hawaii's Pre-Travel Testing Program starts (Safe Travels Multi-tier program)
Mar 19, 2021	100 million vaccine doses administered in the U.S.
May 11, 2021	Fully vaccinated travelers are permitted to bypass COVID-19 testing and quarantine restrictions (interisland travel only)
Jun 15, 2021	Inter-county travel restrictions end; travelers entering the state, with proof of being fully-vaccinated, may by-pass quarantine without a pre-travel test
Jul 08, 2021	State drops travel restrictions for fully vaccinated U.S. mainland travelers
Aug 23, 2021	Gov. urged residents and visitors to delay all non-essential travel through the end of Oct 2021
Oct 19, 2021	Gov. announces that the State of Hawaii is safely open to vaccinated residents and visitors who are traveling domestically and between islands starting Nov 1, 2021.
Nov 08, 2021	U.S. lifts COVID-19 travel restrictions for fully vaccinated foreign nationals seeking to enter the country.

Note: Latest available enplanement data from DOTA is through October 2021. The percentage figures shown on the 'FYTD vs FYTD 19' line for October 2021, for example, indicates the sum of enplaned passengers between July 2021 and October 2021 vs the same months in the fiscal year 2019 period (i.e., July 2018 through October 2018).
Source: Airports Division. July through October 2021 data are preliminary.

Since September 2020, the mainland U.S. segment has seen recovery improvements to passenger arrivals by air, demonstrating the rebound of air travel for Hawaii. Compared to the same month in 2019, domestic overseas arrivals by air improved from 7.8 percent in September 2020 to 34.3 percent in January 2021, and increased further to a high of 111.9 percent in July 2021, as reported by DBEDT. Domestic overseas arrivals between the summer months of June and August 2021 surpassed historic 2019 monthly levels by between 2 and 12 percent. However, the Governor's announcement on August 23, 2021 urging residents and visitors to delay non-essential travel resulted in a decline in September and October preliminary traffic recovery profiles. Mainland U.S. arrival counts fell below the 100 percent recovery line, despite the pent-up demand during the Labor Day holiday weekend at the end of the U.S. summer season. The recovery of daily domestic overseas passenger arrivals as a percentage as compared to the same month in 2019 decreased to 97.0 percent in September 2021 and to 94.0 percent in October 2021, as seen in Exhibit 2-8.

Exhibit 2-8: Monthly Indexed Recovery of Air Passenger Arrivals for the Hawaii Airports System

Domestic Overseas



Domestic Overseas	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Arrivals - System (000s)	697.8	659.1	412.6	10.0	22.4	39.5	57.8	57.6	46.9	112.6	220.9
Monthly Recovery vs CY 19 month	*109.1%*	*112.1%*	*54.4%*	*1.5%*	*3.0%*	*4.7%*	*6.5%*	*7.4%*	*7.8%*	*16.4%*	*33.7%*
FYTD vs. FYTD 19	*107.8%*	*108.3%*	*101.6%*	*91.7%*	*82.9%*	*75.0%*	*6.5%*	*6.9%*	*7.2%*	*9.3%*	*13.7%*

Domestic Overseas	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Arrivals - System (000s)	280.4	219.3	264.8	483.2	528.5	692.9	867.5	987.8	810.6	584.0	645.0
Monthly Recovery vs CY 19 month	*34.4%*	*34.3%*	*45.0%*	*63.8%*	*79.0%*	*92.7%*	*103.3%*	*111.9%*	*104.2%*	*97.0%*	*94.0%*
FYTD vs. FYTD 19	*17.6%*	*21.0%*	*23.6%*	*28.6%*	*33.6%*	*39.5%*	*45.9%*	*111.9%*	*108.3%*	*105.3%*	*102.7%*

Note: DBEDT daily domestic passenger counts, which excludes interisland flights, are preliminary figures published through October 31, 2021. Closest comparable weekday in that year compared to 2019. See notes in the previous exhibit for an example of FYTD vs. FYTD 19 interpretation.

Source: DBEDT Daily passenger arrival counts (preliminary) by air.

2.1.2 Visitors by Air to Hawaii

Through FY 2019, the State saw continuous growth as a popular island destination for millions of tourists each year. DBEDT records visitors traveling from the U.S. mainland or international markets as visitors to each airport and does not track Hawaiian residents who visited other islands in the State. In FY 2019, the State welcomed 9.97 million visitors by air, a 3.7 percent increase from the previous year as shown in Exhibit 2-9. Over the previous five years from FY 2019, total visitors by air grew at an average annual rate of 4.4 percent, with the westbound visitor markets from the mainland U.S., Canada, and Europe growing faster at an average annual rate of 5.7 percent. Of total visitors arriving by air, the westbound visitor share grew five percentage points from 39 percent share to 44 percent, which is attributed to the growing air service connections from the U.S. West Coast, Vancouver, and the central U.S. and the addition of nonstop service by Hawaiian Airlines from Boston along the

U.S. East Coast. Altogether, visitors traveling from the mainland U.S. represented the majority share (97 percent) in FY 2021 as global and U.S. travel restrictions remain an obstacle for long-haul international demand to Hawaii.

Exhibit 2-9: Historical Visitors by Air to Hawaii, by Origin Market (in thousands), FY 2014-2021

	Westbound					Eastbound						
Fiscal Year	U.S. West	U.S. East	Canada	Europe	*Westbound Total*	Japan	South Korea	China	Oceania	*Eastbound Total*	Other	Total
2014	3,158	1,706	528	142	*5,535*	1,521	185	137	364	*2,207*	*304*	**8,046**
2015	3,412	1,753	516	144	*5,826*	1,490	179	174	388	*2,231*	*342*	**8,400**
2016	3,577	1,843	474	143	*6,037*	1,490	222	174	399	*2,285*	*353*	**8,676**
2017	3,744	1,966	494	144	*6,347*	1,517	264	148	395	*2,324*	*346*	**9,017**
2018	4,051	2,124	547	144	*6,866*	1,509	276	136	414	*2,335*	*410*	**9,612**
2019	4,403	2,220	549	139	*7,310*	1,522	218	105	384	*2,229*	*431*	**9,970**
2020	3,269	1,614	383	103	*5,369*	1,128	165	54	248	*1,595*	*301*	**7,266**
2021 (p)	2,245	961	11	5	*3,222*	10	3	2	1	*17*	*74*	**3,313**
Compound Annual Growth Rate												
2014-2019	6.9%	5.4%	0.8%	-0.5%	*5.7%*	0.0%	3.3%	-5.2%	1.1%	*0.2%*	*7.2%*	**4.4%**
2018-2019	8.7%	4.5%	0.4%	-3.8%	*6.5%*	0.9%	-21.1%	-22.9%	-7.2%	*-4.6%*	*4.9%*	**3.7%**
2019-2020	-25.8%	-27.3%	-30.2%	-25.5%	*-26.6%*	-25.9%	-24.4%	-48.5%	-35.5%	*-28.4%*	*-30.0%*	**-27.1%**
2021 vs 2019	-49.0%	-56.7%	-98.0%	-96.4%	*-55.9%*	-99.3%	-98.7%	-97.7%	-99.6%	*-99.2%*	*-82.8%*	**-66.8%**
Share (%) of Total												
2014	39.3%	21.2%	6.6%	1.8%	*68.8%*	18.9%	2.3%	1.7%	4.5%	*27.4%*	*3.8%*	**100.0%**
2019	44.2%	22.3%	5.5%	1.4%	*73.3%*	15.3%	2.2%	1.1%	3.9%	*22.4%*	*4.3%*	**100.0%**
2020	45.0%	22.2%	5.3%	1.4%	*73.9%*	15.5%	2.3%	0.7%	3.4%	*22.0%*	*4.1%*	**100.0%**
2021	67.8%	29.0%	0.3%	0.2%	*97.2%*	0.3%	0.1%	0.1%	0.0%	*0.5%*	*2.2%*	**100.0%**

Note: Other includes MMA markets categorized as 'Other Asia', which includes Singapore, Taiwan, and Hong Kong, and Latin America.
(p) = preliminary data
Source: Hawaii Tourism Authority, 2021.

The international enplanement segment share stood at 16 percent in FY 2020, and the international visitor arrivals and spending in Hawaii depends on the resiliency and growth of foreign economies. DBEDT reported a decline of 28.4 percent year-over-year, from 3.3 million international visitors in FY 2019 to 2.4 million in FY 2020. During FY 2021, visitor arrivals recorded by DBEDT diminished year-over-year in all segments where preliminary visitor counts reached slightly above 3.3 million (or 66.8 percent below FY 2019 levels). The proportion of foreign visitors that same year dropped from 33.5 percent in FY 2019 to 3.2 percent in FY 2021. Anyhow, Japan is expected to remain a top source of international visitors, when foreign demand begins to return, having represented over 15 percent (or 1.1 million visitors) in FY 2020, followed by Canada, Oceania (Australia and New Zealand), and South Korea. Prior to the COVID-19 pandemic (FY 2014-2019), South Korean visitors to Hawaii grew the fastest, at a rate of 3.3 percent per year while during the same period, Japan remained nearly flat, and China saw an average decline of 5.5 percent per year. Nonetheless, the recovery of Hawaii's foreign air visitor market may continue to be impacted as COVID-19 cases weigh on uneven economic growth across foreign nations emerging from the pandemic, even as the U.S. begins lifting foreign travel restrictions.

2.2 Economic Characteristics of the Hawaii Aviation Market

Located in the central Pacific Ocean, Hawaii is a popular tourist destination for travelers from the U.S. as well as from Pacific Rim countries such as Japan, South Korea, and Australia. Prior to the global pandemic, the government, real estate, and leisure & hospitality industries historically have been the three largest contributors to the State's GDP. GDP growth within the State has performed consistent with that of the U.S. However, in CY 2019, GDP growth for the State was 0.3 percent compared to the overall U.S. GDP growth of 2.2 percent. Because the State has an island economy, air travel is essential to the operation and development of most business sectors and is consequently far more important to Hawaii than it is for most mainland U.S. markets.

However, the ongoing impact of COVID-19 has changed the near-term economic prospects of the State. DBEDT has produced an economic outlook in 3Q 2021 that projects it will take approximately six years from 2019 for visitor arrivals to recover to 2019 levels. DBEDT also revised its economic growth forecast for 2021 to 2.7 percent, down from a 3.5 percent forecast figure from its previous outlook report in May 2021. Lower forecast growth rates were indicated by the continuous rise of uncertainty caused by the surge in Delta variant infections and the higher inflation expectations. Personal income for the State is forecast to grow on average -0.1 percent annually over the short-term (2021-2024).

This section of the Report addresses various historical and forward-looking economic indicators for the State and the DBEDT forecast for near-term economic growth.

2.2.1 Population

The population of the State grew consistently between 2009 to 2014 but remained flat from 2014-2019. The dispersion of residents among the islands has shifted as the population of Honolulu County gradually shrank to below the 2014 level, while the population of its other three major counties increased since then. The migration of Hawaii residents has been an ongoing issue over the past decade; in 2019, California was a top destination for former Hawaii residents, having received more than 20 percent of domestic migrants[8]. In 2020, the State estimated a population decline of 0.6 percent from 2019 levels to 1,407,000, a net loss of approximately 7,500 residents. This outcome was due majorly to the island state's economy being impacted by the pandemic, issues related to the high cost of living, and a lack of job opportunities for locals beyond tourism. The State-level unemployment rate reached a record of 22.3 percent in April 2020.

In 2020, Honolulu and Kauai counties saw a greater than 0.5 percent reduction in population while Hawaii and Maui counties saw an uptick of 0.6 and 0.1 percent, respectively. This increase in dispersion may support the latent demand for interisland air travel, as residents live increasingly far from each other, and from key social and economic functions. Since 2009, the population grew 0.5 percent on average per year in the State, compared to the overall U.S. population growth rate of 0.7 percent for the same time period, as shown in Exhibit 2-10. Altogether, the State's population continues to represent a consistent 0.4 percent share of the total U.S. population, as it has historically.

[8] U.S. Department of Labor

Exhibit 2-10: Annual Growth in Hawaii Population and U.S. Population, CY 2004-2020

	Historical				Estimate	Compound Annual Growth			
	2004	2009	2014	2019	2020	'04-'19	'09-'19	'14-'19	'19-'20
Population (in 000s)									
State of Hawaii	1,274	1,347	1,415	1,416	1,407	0.7%	0.5%	0.0%	-0.6%
By County									
Honolulu	908	943	988	973	964	0.5%	0.3%	-0.3%	-1.0%
Hawaii	163	184	194	202	203	1.5%	1.0%	0.8%	0.6%
Maui	141	153	163	168	168	1.2%	0.9%	0.6%	0.1%
Kauai	62	67	70	72	72	1.0%	0.8%	0.5%	-0.5%
State of Hawaii as % of U.S.	0.4%	0.4%	0.4%	0.4%	0.4%				

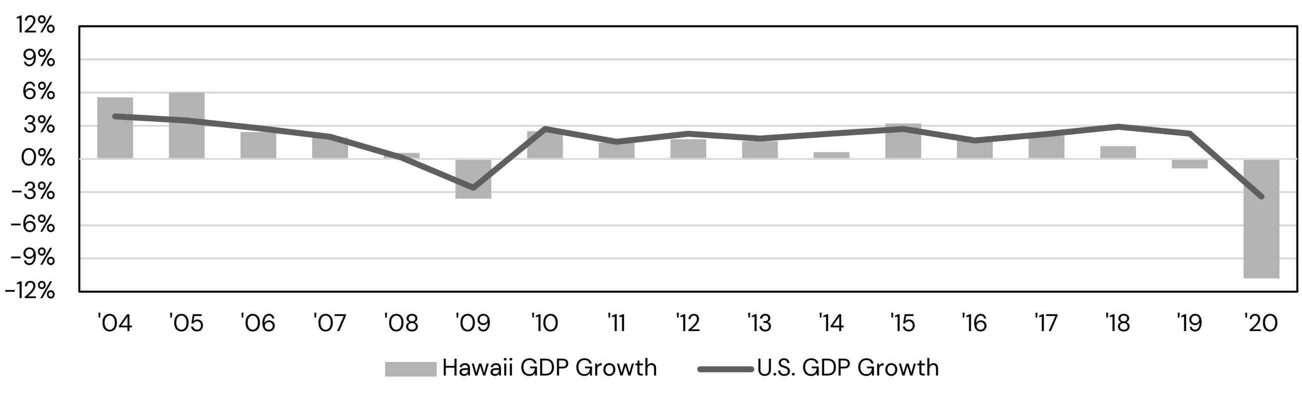
Note: Maui County includes Kalawao County
Source: U.S. Census Bureau.

In the 3Q 2021 Outlook for the Economy report, DBEDT projects a slower population growth rate of 0.2 percent on average annually through 2024. The population is expected to increase 0.1 percent in 2021 and 2022 and then 0.3 percent and 0.2 percent in 2023 and 2024, respectively.

2.2.2 Gross Domestic Product (GDP) and Economic Outlook

Another economic indicator contributing to traffic growth is GDP. GDP growth within the State has historically outperformed the nation, up to the 2008 financial crisis. As shown in , both the national and State GDP growth dipped in 2009, which subsequently illustrates Hawaii GDP lagging the U.S. except in 2015 and 2016. In 2020, the State's GDP fell 10.8 percent due to the impact of the COVID-19 pandemic across all industries. The recent economic downturn, different from the one in 2008, was amplified by travel bans and public health emergency declarations, which negatively impacted GDP growth by a magnitude of 2.2x. Overall, the State's GDP fell greater than the national GDP of -3.5 percent growth.

Exhibit 2-11: Annual Growth in Hawaii GDP and U.S. GDP, 2009-2020



Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA).

Prior to the pandemic in 2019, the State generated approximately $79.2 billion (chained 2012 US$), about 0.4 percent of the total U.S. real GDP. The largest industry share of the State's GDP was real estate and rental and leasing, which represented 16.8 percent in 2019. This was due partially to the inclusion of imputed rent in this sector. In addition, the strong military and tourism presence made the government and leisure & hospitality two of the top three leading industries in Hawaii, accounting for over 31 percent of the State's GDP. In 2020, the State had a 10.7 percent reduction in real GDP, a significantly higher reduction than the U.S. 3.4 percent. Among all the industries, the leisure & hospitality and transportation industries fell the most, with each shrinking by 41 percent, while the agriculture, finance & insurance, and utilities industries displayed positive growth of 9.6, 5.9, and 0.8 percent, respectively, compared to 2019 levels.

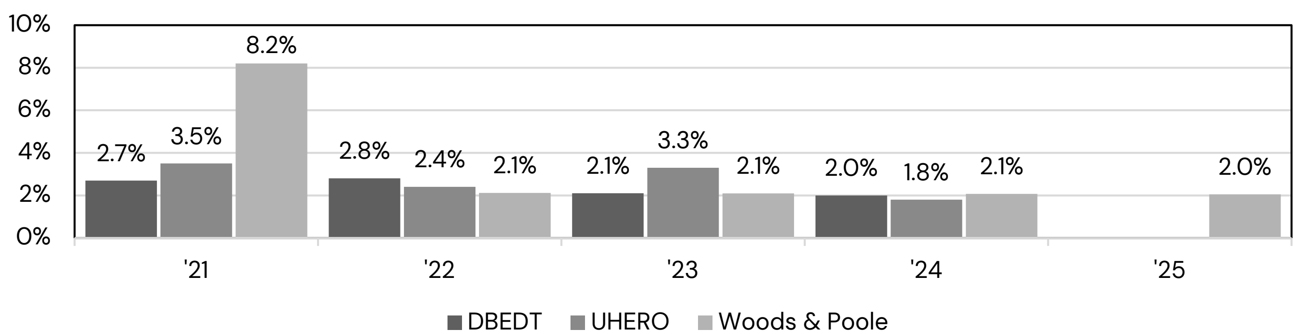
Exhibit 2-12: Real GDP by Industry in the State of Hawaii (chained 2012 US$, millions), 2014, 2019 & 2020

	Hawaii GDP			Pct. Change	CAGR	% Share	U.S. GDP	U.S. % Share
Industry Ranked by 2019 values	**2014**	**2019**	**2020**	**('19 vs '20)**	**'14-'19**	**2020**	**2020**	**2020**
Government	16,044	15,665	15,589	-0.5%	-0.5%	22.1%	2,195,500	11.9%
Real Estate	12,995	13,333	12,702	-4.7%	0.5%	18.0%	2,306,800	12.5%
Leisure & Hospitality	7,143	8,785	5,119	-41.7%	4.2%	7.2%	516,200	2.8%
Professional Business Services	6,859	7,204	6,655	-7.6%	1.0%	9.4%	2,483,900	13.5%
Healthcare	4,966	5,961	5,764	-3.3%	3.7%	8.2%	1,359,300	7.4%
Retail Trade	5,194	5,939	5,280	-11.1%	2.7%	7.5%	1,090,500	5.9%
Construction, Manufacturing & Mining	5,330	5,614	5,425	-3.4%	1.0%	7.7%	3,256,800	17.7%
Transportation	3,501	4,522	2,639	-41.6%	5.2%	3.7%	490,300	2.7%
Wholesale Trade	2,469	2,614	2,396	-8.3%	1.1%	3.4%	1,083,900	5.9%
Finance & Insurance	2,463	2,587	2,740	5.9%	1.0%	3.9%	1,259,500	6.8%
Information Technology	1,673	2,229	2,052	-8.0%	5.9%	2.9%	1,296,500	7.0%
Other Services (excl. gov't)	1,652	1,787	1,387	-22.4%	1.6%	2.0%	323,000	1.8%
Utilities	1,861	1,563	1,576	0.8%	-3.4%	2.2%	298,600	1.6%
Education	874	861	741	-13.9%	-0.3%	1.0%	203,000	1.1%
Agriculture	489	513	562	9.6%	1.0%	0.8%	254,700	1.4%
Total	**$ 73,512**	**$ 79,175**	**$70,625**	**-10.8%**	**1.5%**	**100.0%**	**18,418,500**	**100.0%**

Note: Leisure & Hospitality includes Accommodation & Food Services and Art, Entertainment, & Recreation; the last column represents the GDP share by U.S. industry (i.e., the U.S. Government industry contributed 11.9 percent to the U.S. total GDP in 2020).
Totals may not add up correctly, due to rounding.
Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA).

DBEDT projected in August 2021 that the State's GDP growth would increase by 2.7 percent in calendar year 2021 and will experience gradual growth of 2.8, 2.1, and 2.0 percent annual growth from 2022 to 2024, compared to the U.S. forecast growth of -8.0 percent in 2020 and a recovery of 4.5 percent in 2021. Compared to the other industry forecasts seen below, the State's GDP is expected to grow on average between 1.8 and 3.3 percent in the next four years.

Exhibit 2-13: Real GDP Forecast Comparison for the State of Hawaii



Note: Forecast values by DBEDT and University of Hawaii Economic Research Organization (UHERO) beyond 2024 are unavailable.
Source: Woods & Poole, UHERO, DBEDT.

As for the U.S. GDP as a whole, which is a primary indicator of the outcome of tourism recovery, The Conference Board[9] (TCB), comprised of global, independent business memberships and research associations working in the public interest, released its U.S. Economic Outlook report on September 15, 2021. The organization projects that U.S. economic growth will increase 5.9 percent in 2021 after GDP contracted by 3.4 percent in 2020 versus 2019. TCB forecasts that in 3Q 2021, U.S. real GDP growth will slow to 5.5 percent (annualized rate) compared to the 6.6 percent growth seen in 2Q 2021. In context, its September projections are a downgrade compared to its August outlook and incorporate the larger-than-expected impact introduced by the COVID-19 Delta variant on the U.S. economy.

2.2.3 Employment

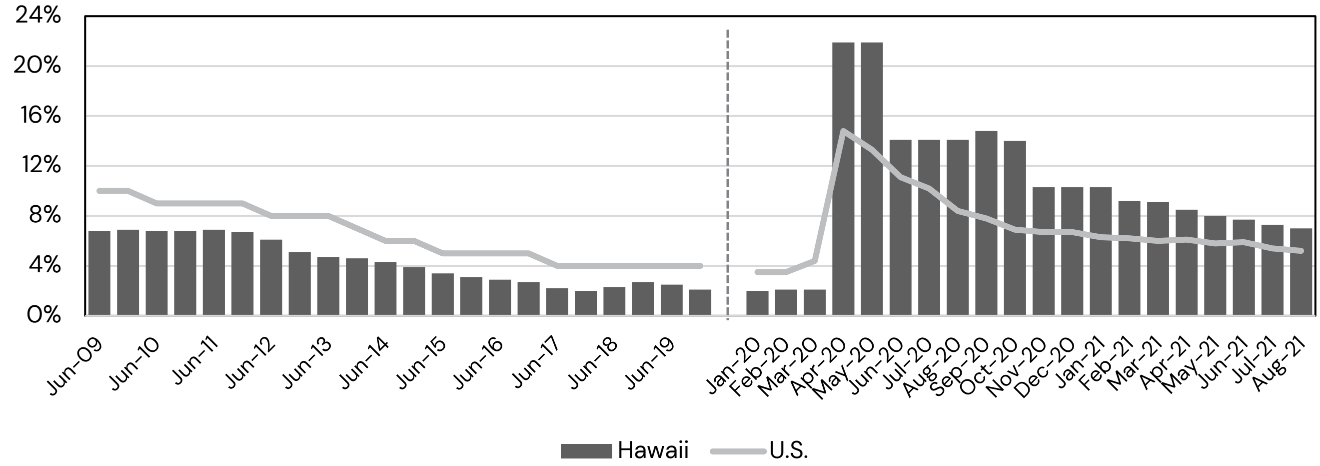
Between 2009 and 2019, unemployment rates in Hawaii were historically below the national rate, as shown in Exhibit 2-14. The national unemployment rate peaked at 10.0 percent in 2010. Over the same period, Hawaii's unemployment rate was consistently below the national average, with a peak of 6.9 percent in 2011. Prior to the pandemic, the State annual unemployment rate of 2.5 percent ranked the second-lowest in the nation after Vermont and North Dakota which were tied for first at 2.3 percent.

Given the extensive global economic and travel impacts of COVID-19, Hawaii and the U.S. reported high unemployment rates. In April 2020, the national unemployment rate reached 14.8 percent, while the rate in Hawaii was 21.9 percent. The unemployment rates reached their peak during the April to May 2020 timeframe; however, government responses through the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) funds improved unemployment rates in late May and June. The funding programs reduced the State's gap with the national rate between 5.0 and 7.0 percentage points in 4Q 2020, after Hawaii' implemented its Safe Travels travel testing program.

In May 2020 the unemployment rate in Hawaii rose by 20 percent due to the COVID-19 pandemic's impact on the local economy. However, the unemployment rate started to fall in June 2020 in conjunction with the projected economic recovery. In August 2021, the unemployment rate fell continually to 7.0 percent. Hawaii's rate was significantly higher than the U.S. national unemployment rate since the outbreak of the pandemic, but the gap was reduced from 8.6 percentage points in April 2020 to 2.8 points in August 2021. According to DBEDT's latest Economic Outlook update for 2019-2024, the unemployment rate is forecast to remain above its pre-pandemic level through the end of the horizon period. The unemployment rate is expected to decrease from a peak of 14 percent in mid-2020 to under 5 percent by the end of 2024.

[9] TCB has had a clear mandate from its inception in 1916, and in its Charter filed in 1924, to promote the "public welfare" by bring together the collective experience of those engaged in business, by studying business and economic conditions, and by disseminating well-considered views thereon, as its contribution to the solution of the problems at the intersection of business and society. One of the purposes of TCB is to "assemble, analyze and disseminate information in regard to economic conditions and management experience in the United States and other countries."

Exhibit 2-14: Historical Unemployment Rates for Hawaii and the U.S., June and December*, CY 2009-2021



Note: Data prior to 2020 are illustrated semi-annually (June and December); 2020-2021 unemployment rates are plotted on monthly basis.
** for 2021, the latest available month was August 2021 (preliminary, seasonally adjusted), which is shown in the chart above.*
Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).

In August 2021, non-farm employees in Information and Leisure & Hospitality had the highest percentage reduction compared to the 2019 level with 26.1 percent and 24.9 percent reductions, respectively. While a similar trend was observed at the U.S. national level, the magnitude of reduction is much smaller. Leisure & Hospitality, Trade, Transportation, and Utilities and Government were ranked as the top three industries by employment in August 2019, representing more than half of total non-farm employment in the State. In August 2021, although the same top three industries continued to represent more than half of State non-farm employment, their proportions showcase a greater spread of 16.6 percent, 18.2 percent, and 20.6 percent, respectively.

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Exhibit 2-15: Non-Farm Employment in Hawaii and the U.S., August 2019 vs 2021

	Non-Farm Employees ('000s)					
	August 2019		August 2021		Percentage Change	
Industry Sector	**U.S.**	**Hawaii**	**U.S.**	**Hawaii**	**U.S.**	**Hawaii**
Leisure and Hospitality	16,580	127.1	15,216	95.5	-8.2%	-24.9%
Trade, Transportation, and Utilities	27,696	125.6	27,429	105.1	-1.0%	-16.3%
Government	22,663	125.5	22,045	118.8	-2.7%	-5.3%
Education and Health Services	24,246	87.2	23,660	81.7	-2.4%	-6.3%
Professional and Business Services	21,320	74.4	21,001	70.1	-1.5%	-5.8%
Mining, Logging, and Construction	8,225	37.1	8,060	37.0	-2.0%	-0.3%
Financial Activities	8,779	29.9	8,846	27.3	0.8%	-8.7%
Other Services	5,909	28.5	5,748	23.0	-2.7%	-19.3%
Manufacturing	12,820	13.9	12,421	11.4	-3.1%	-18.0%
Information	2,870	8.8	2,764	6.5	-3.7%	-26.1%
Total	**151,108**	**658.0**	**147,190**	**576.4**	**-2.6%**	**-12.4%**
					Hawaii Rank	
Percentage of Total					**2019**	**2021**
Leisure and Hospitality	11.0%	19.3%	10.3%	16.6%	1	3
Trade, Transportation, and Utilities	18.3%	19.1%	18.6%	18.2%	2	2
Government	15.0%	19.1%	15.0%	20.6%	3	1
Education and Health Services	16.0%	13.3%	16.1%	14.2%	4	4
Professional and Business Services	14.1%	11.3%	14.3%	12.2%	5	5
Mining, Logging, and Construction	5.4%	5.6%	5.5%	6.4%	6	6
Financial Activities	5.8%	4.5%	6.0%	4.7%	7	7
Other Services	3.9%	4.3%	3.9%	4.0%	8	8
Manufacturing	8.5%	2.1%	8.4%	2.0%	9	9
Information	1.9%	1.3%	1.9%	1.1%	10	10
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**		

Note: August 2021 data are preliminary. Industry sectors ranked by Hawaii employment figures in 2019.
Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).

2.2.4 Personal Income

From 2008 to 2019, real per capita personal income in the State increased by 1.2 percent annually, compared to the U.S. average of 1.3 percent. The State's growth rate of 1.8 percent in 2016 and 2.4 percent in 2017 exceeded the U.S. average of 0.7 percent in 2016 and 1.8 percent in 2017. However, Woods & Poole estimated that the national average real per capita personal income marginally outpaced the State by 0.4 and 0.1 percentage points in 2018 and 2019, respectively.

According to the University of Hawaii Economic Research Organization (UHERO) forecast released on September 24, 2021, total personal income in the State for CY 2021 is forecast to drop 1.1 percent. In the short-term forecast through 2024, UHERO predicts total personal income to fall to $85.2 billion by the end of its forecast period, reflecting an average -0.1 percent annual growth. Over the same period, personal income growth for Oahu is projected to grow faster than the State, while Maui, Hawaii, and Kauai are projected to grow slower than the State.

DBEDT's recently released 3Q 2021 outlook report indicates an increase in total real personal income (2012 US$) from $61.9 billion in 2019 to a forecasted 2021 amount of $64.1 billion, or a 3.6 percent increase. However, starting from 2020, DBEDT forecasts the 3-year average annual growth to be -0.1 percent per year.

2.2.5 Sustainability and Environmental, Social, and Corporate Governance (ESG)-Related Engagements

The State of Hawaii is committed to long term sustainability and environmental, social, and corporate governance (ESG). Over the past decade, DOTA, as a stakeholder of the multi-agency led "Sustainable Hawaii Initiative" set forth by the Governor's Office, has undertaken the mission of promoting sustainability across Hawaii's airports by empowering projects, fostering collaboration, and communicating progress through education and outreach. As of July 2021, the Governor had signed seven bills that will help the state achieve the long-term vision articulated in its newly updated Hawaii 2050 Sustainability Plan, which relates to the following issues:

1) Farm to school program
2) Agriculture
3) Supplemental nutrition assistance program incentives
4) Sea level rise adaptation
5) Real property transactions
6) Sustainable aviation fuel (SAF)
7) Job corps program

Given the location of the Hawaiian islands in the Pacific Ocean and the close proximity of the Airports System infrastructure, the Airports Division is vulnerable to the effects of sea level rise, extreme climate conditions and extreme weather events such as hurricanes of greater strength than in the past. These impacts may affect the Airports System operations and infrastructure, directly, or indirectly, such as by disrupting access or demand for the Airports System or operations at other airports that have ripple effects in the air transportation industry. It is worth noting that the Airports System has achieved several milestones and made capital investments to address its vulnerabilities and promote climate change mitigation, including:

- The Statewide Energy Savings Performance Contract (ESPC) with Johnson Controls, Inc., which brings improvements at 12 airports including lighting, HVAC systems, solar PV arrays and deferred maintenance specifically to the Airports Division, pursuant to HRS 36-41.
- Installation of a wastewater and water treatment system at OGG, a $21 million project, expected to be complete in February 2022 – this project will implement water scalping technologies to produce R-1 water[10] by extracting biomass from effluent.
- HNL received its fifth airport carbon accreditation certificate (Level 2) in November 2021, from ACI.
- Act 96/SLH 2006, which requires, to the extent practicable, buildings and facilities to be designed and constructed to meet the Leadership in Energy and Environmental Design (LEED) silver or two green globes rating system – the OGG Consolidated rental car facility (ConRAC) received LEED Silver Certification and uses an environmentally friendly electric tram to transport passengers to/from the terminal to the facility, and the HNL ConRAC facility is on track to receive LEED Silver Certification and will be converting to electric buses. The Mauka Concourse has opened; DOTA expects to receive LEED Silver Certification and

[10] The R-1 recycled water category has the highest recycled water quality standards relative to R-2 and R-3. The categories indicate the level of treatment required for a specific beneficial use. For R-1 standards to be met, Hawaii requires that wastewater effluent be treated by means of oxidization and filtration and be disinfected to a significant reduction in viral and bacterial pathogens. (Appendix 3E Summary of HI & CA Water Reuse Regulations, from Chapter 62 of Title 11, State of Hawaii 2004)

is hopeful about receiving LEED Gold certification. The KOA federal inspection station (FIS) facility is also on track to receive LEED Silver Certification.

DOTA plans to account for the sea level rise in the update of its Master Plan and other capital planning studies to avoid, to the extent practical, development within areas vulnerable to the sea level rise impact of 3.2 feet. A "2017 Hawaii Sea Level Rise Vulnerability and Adaptation Report", presented anticipated impact of global sea level rise on the Airports System which DOTA will integrate into its planning approach. In addition, the Governor signed Act 32, the "Climate Change Act", in 2017, which made Hawaii the first state to enact legislation implementing parts of the Paris climate accord. This resulted in the creation of the State's Climate Commission, where state, county and federal agencies directed and coordinated climate change mitigation, focused on the reduction of greenhouse gases (GHG) and climate change resiliency strategies.

Multiple sustainability efforts are being developed by both governmental and non-governmental organizations statewide. To ensure DOTA's resilience, DOTA remains committed to supporting the progress of environmental, social, and corporate governance (ESG) strategies and practices as an active community stakeholder, as communities emerge, and as multiple sustainability developments are being led by both governmental and non-governmental organizations Statewide. Two ongoing framework initiatives enhance the Governor's vision of the "Sustainable Hawaii Initiative." They are the Hawaii Clean Energy Initiative (HCEI) and the Hawaii 2050 Sustainability Plan. Both involve a diverse group of stakeholders within aviation, including DOTA, and cross-sector participants. Furthermore, the social risks such as the impacts of COVID-19 have been disclosed at length, including the steps the State has taken to manage its hospital capacity and support its local communities. Hawaii has also managed to receive high marks in access and quality of healthcare, as the State continues to protect the Hawaii Prepaid Health Care Act which was originally enacted in 1974, mandating employer-provided health insurance. In terms of governance considerations, the State commits to strong governance practices which include consensus revenue forecasts, updated quarterly and multiyear financial planning and centralized governmental authority.

As an international gateway in the Pacific region, the Hawaii Airports System plays a vital role in the health of its local economies and communities, where it will continue to promote and participate in growing Hawaii and its culture as an exemplary model of sustainable living and ESG best practices.

2.2.5.1 The Hawaii Clean Energy Initiative

The Hawaii State Energy Office has renewed Hawaii's commitment to setting clean energy goals through a memorandum of understanding re-commitment[11] from 2014 that includes achieving the nation's first-ever 100 percent renewable portfolio standards by 2045. The HCEI and its framework, which was launched by the U.S. Department of Energy and the State of Hawaii, will build upon the dynamic, ongoing work of public and private organizations via collaboration efforts to achieve the following key objectives:

- **Define the new infrastructure** needed to move and commit Hawaii to a clean energy economy
- **Foster and demonstrate innovation** in the use of clean energy technologies, creative financing, and public policy to accelerate the State's transition to clean energy
- **Create economic opportunity** by developing and diversifying Hawaii's economy so all industry players can reap the benefits of a sustainable energy policy
- **Establish an "open source" learning model** that supports other island communities seeking to achieve similar goals and make Hawaii a world model for clean energy-based economies

[11] Memorandum of Understanding between The State of Hawaii and The U.S. Department of Energy, https://energy.Hawai'i.gov/wp-content/uploads/2020/11/HI-DOE_MOU_9.15.14.pdf/ (dated September 15, 2014)

- **Build a workforce with new skills** that will form the foundation for an energy-independent Hawaii

Since its inception, HCEI has implemented many foundational policies and innovative solutions needed to reduce dependency on foreign oil, maximize a diverse portfolio of natural resources, and create jobs and investment opportunities throughout Hawaii. As the State earns recognition as a clean energy leader, it has embraced innovative technologies and decision-making behind growth in the clean transportation sector. According to the Hawaii Energy Office, there are over 12,000 registered electric vehicles (EVs) in Hawaii, supported by 286 public electric vehicle charging stations, and the State continues to make investments in renewable energy deployment which includes smart infrastructure and exploring next-generation technologies. As of calendar year 2019, the State reached a milestone, having generated 29.8 percent of its energy from renewable resources.

Hawaii has also been one of the center markets behind the development of sustainable flight. Los Angeles-based hybrid-electric aircraft engine developer Ampaire completed its first flight trials in Maui along a commercial route, from Kahului Airport to Hana, successfully conducting a one-month trial flying program with Hawaii-based operator Mokulele Airlines in December 2020.[12] This was recorded as the first use of a hybrid-electric aircraft under the FAA's Experimental-Market Survey category. The trial, which utilized Ampaire's Electric EEL, a modified Cessna 337 aircraft with an electric battery-powered motor, showcases electric aviation's (EA) potential value in reducing harmful emissions. Ampaire's electric power unit and fuel consumption reduce CO_2 emissions by approximately 40 to 50 percent.[13] Continued developments in electric technology may increase the prospects of bringing EAs and electric vertical take-off and landing aircraft (eVTOLs) to commercial service in markets like Hawaii that offer short-haul regional/interisland operations. It is also worth noting that Ampaire has been working with the Hawaii Department of Transportation and the Hawaiian Electric Company to explore longer-term infrastructure ground solutions to support a fleet of hybrid- or fully-electric aircraft in the near future.

2.2.5.2 Hawaii 2050 Sustainability Plan

Earlier this year, the State Office of Planning & Sustainable Development launched the update of the "Hawaii 2050 Sustainability Plan" for the 2021-2030 decade to serve as the State's climate and sustainability strategic action plan. As a living product, the basis of the 2050 Plan product references the United Nations (U.N.) Sustainable Development Goals as a framework to match the 2020-2030 planning timeline, which incorporates State Laws, State Plans, County Climate & Sustainability Plans, the 'Aloha+' Challenge, and the Sustainable Hawaii Initiative. Climate-related focus areas that the Airports' stakeholders within the aviation industry and cross-industry will pay close attention to, as well as economic recovery given the centrality of tourism to the State economy, include the following recommendations:

- **Promote a Sustainable Economic Recovery** – Through strategies that support local agriculture, green workforce development and education, and regenerative and sustainable tourism
- **Reduce Greenhouse Gas Emissions** – By continuing to monitor the state's emissions and reduce GHG emissions through strategies in the energy, transportation, and waste sectors
- **Improve Climate Resilience** – By continuing to monitor and adapt to climate impacts and take actions to increase the resilience of the natural and built environments and their occupants

The process includes a review of Hawaii's laws and plans, public outreach efforts via informational sessions throughout the island, and coordination with stakeholder groups to focus on and mitigate challenges that may

[12] Mokulele Airlines is one of 15 airlines to have signed a Letter of Interest with the company for its Electric EEL hybrid-electric aircraft

[13] Based on an Ampaire company news release in December 2020.

be experienced. These steps will determine future actions through which the State can identify gaps and recommend future actions to achieve by 2030.

In addition to the development of the State's sustainability action plans, Hawaiian Airlines, serving as Hawaii's hometown airline, has outlined its progress on ESG initiatives during the challenging period stemming from the COVID-19 pandemic, which will support themes that DOTA is involved with as well. In its recent 2021 Corporate Kuleana Report[14], released on June 30, Hawaiian indicated that climate change remains one of its key ESG priorities, and has committed to achieving net-zero emissions by 2050 through ongoing fleet investments, more efficient flying, and industry advocacy for air traffic control reform and sustainable aviation fuel (SAF) development and proliferation.

2.3 Airlines Serving this Market

This section analyzes the airline performance in Hawaii over the recent fiscal year (FY) 2021 period in comparison to the "pre-COVID" period. During calendar year (CY) 2019, the State reported traffic enplanements from over 30 various airline operators that provided nonstop air service to/from and within Hawaii, while in CY 2021, Official Airline Guide (OAG) advance schedule data indicates that the number of scheduled operators declined to 18 overall. As shown in Exhibit 2-16, Hawaiian Airlines (HAL) accounted for 50 percent of total enplaned passengers in FY 2019, followed by United Airlines (13 percent); no other airline accounted for more than 10 percent (collectively accounting for 37 percent). Hawaiian remained the largest carrier through FY 2021 at 43 percent.

Despite the challenges presented by the COVID-19 pandemic and the resulting traffic disruption, all major carriers including Hawaiian, United, Southwest Airlines, American Airlines, Alaska Airlines, and Delta Air Lines had continued their operations as of October 2021. Southwest (SWA) entered the market in March 2019, starting with overseas service to Oakland and San Jose, and then with interisland operations between HNL, OGG, and KOA. Since then, the carrier has grown to capture 12 percent of the total Hawaii market in the FY 2021 period. Among interisland enplanements, in FY 2019, local airlines Hawaiian and Mokulele represented 95 percent of the market, though as Southwest grew its presence at the other primary neighboring island airports, its annual interisland market share increased to 16 percent in FY 2021.

Altogether, the Hawaii Airports System is served largely by major U.S. and foreign carriers with considerable financial strength. United Airlines served the most enplaned passengers in the mainland U.S. segment, with 847,600 (or 23 percent of the market segment) and was the second-largest airline by total market share in both FY 2019 and FY 2021, even without offering interisland connections. In terms of total passenger volume recovery in Hawaii as a percentage of FY 2019 levels, American Airlines and Mokulele Airlines recovered the greatest at 50 and 63 percent of their respective pre-pandemic traffic volumes.[15]

[14] Hawaiian Airlines published its inaugural Corporate Kuleana Report in December 2020, outlining progress in advancing a host of ESG-related initiatives. The word Kuleana translates to "responsibility," encompassing Hawaiian value. The full report can be found at the following link: https://issuu.com/hoike/docs/hawaiian_airlines_corporate_kuleana_report_2021/

[15] Although Southwest grew over 350 percent when comparing its FY 2021 to FY 2019 Hawaii traffic volumes, do note that the airline commenced operations in Hawaii market in March 2019.

Exhibit 2-16: Mainland, Interisland, and International Enplanements by Airline in the Hawaii Airports System (in thousands)

	FY 2021								FY 2019				FY 2021
	Enplanements (000s)				% of Total				% of Total				as % of FY '19
Airline	**Mainland U.S.**	**Inter-national**	**Inter-island**	**Total**	**Mainland U.S.**	**Inter-national**	**Inter-island**	**Total**	**Mainland U.S.**	**Inter-national**	**Inter-island**	**Total**	**Total**
Hawaiian	811.2	12.0	1,770.8	2,594.0	22%	17%	77%	43%	26%	21%	93%	50%	28%
United	847.6	40.7	-	888.2	23%	57%	-	15%	27%	6%	-	13%	36%
Southwest	348.8	-	368.2	717.0	9%	-	16%	12%	1%	-	2%	1%	356%
American	638.8	-	-	638.8	17%	-	-	11%	15%	-	-	7%	50%
Alaska	581.7	-	-	581.7	16%	-	-	10%	18%	-	-	8%	38%
Delta	452.3	-	-	452.3	12%	-	-	7%	13%	8%	-	7%	33%
Mokulele Airlines	-	-	144.5	144.5	-	-	6%	2%	-	-	3%	1%	63%
Western Aircraft	-	-	20.6	20.6	-	-	1%	0%	-	-	-	-	-
Sun Country	8.3	-	-	8.3	0%	-	-	0%	0%	-	-	0%	27%
Japan Airlines	-	4.6	-	4.6	-	6%	-	0%	-	17%	-	3%	1%
Other Airlines	1.1	14.6	3.2	18.9	0%	20%	0%	0%	1%	48%	2%	9%	1%
Total	**3,689.8**	**71.9**	**2,307.3**	**6,069.0**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**32%**

Source: Airports Division.

As indicated by advance schedules published by OAG as of November 29, 2021, Southwest expanded its seat capacity by 1.5 million or 195 percent in the second half of 2021 compared to the same half in calendar year 2019. This resulted in an increased market share from 6.6 percent to 20.7 percent. As the carrier continues to build its interisland network, Southwest's total available scheduled departing seats represent 26.3 percent, decreasing Hawaiian's interisland share to 69.3 percent, as seen in the following exhibit.

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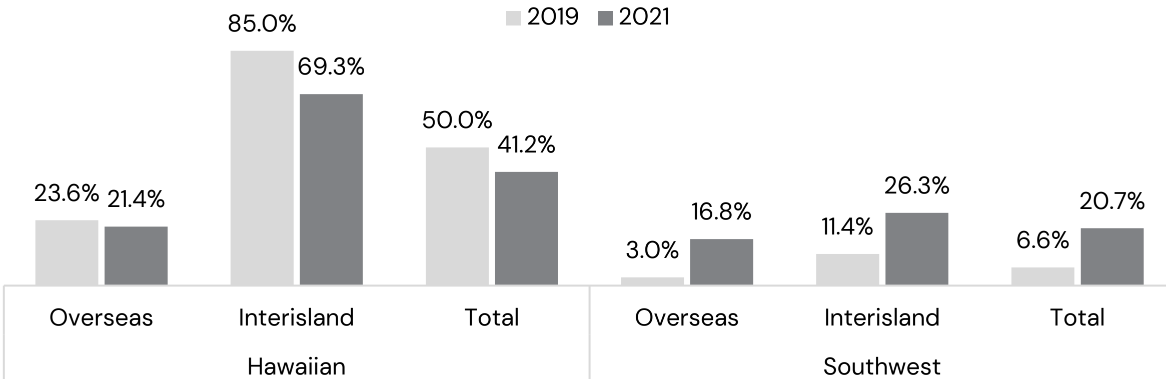
Exhibit 2-17: Scheduled Seat Market Share in Hawaii, Hawaiian vs Southwest, July-December 2019 vs 2021



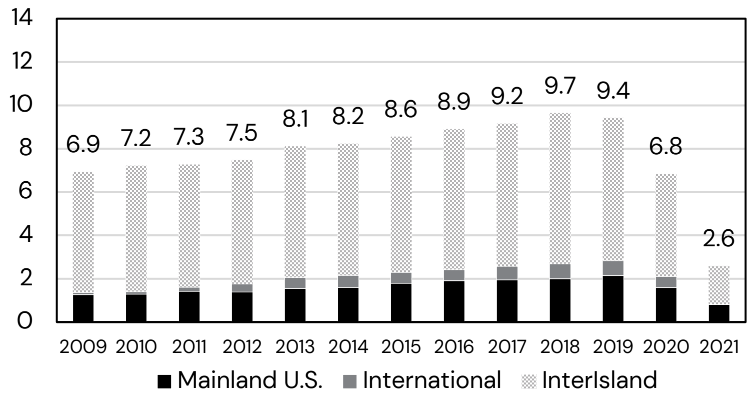
	Jul-Dec 2019	Jul-Dec 2021	Variance
Mainland U.S.			
Hawaiian Airlines	1,200,100	1,350,700	12.5%
Southwest Airlines	202,100	1,112,300	450.4%
International			
Hawaiian Airlines	413,900	60,600	-85.4%
Southwest Airlines	0	0	
Overseas			
Hawaiian Airlines	1,614,000	1,411,300	-12.6%
Southwest Airlines	202,100	1,112,300	450.4%
Interisland			
Hawaiian Airlines	4,367,500	3,221,600	-26.2%
Southwest Airlines	587,800	1,222,600	108.0%
Total			
Hawaiian Airlines	5,981,500	4,632,900	-22.5%
Southwest Airlines	789,900	2,334,900	195.6%

Note: Available scheduled departing seat subtotals rounded to nearest hundreds.
Source: OAG Analyzer accessed November 29, 2021.

2.3.1 Hawaiian Airlines

Hawaiian Airlines has served the aviation market in Hawaii for more than 90 years. After the bankruptcy of Aloha Airlines in 2007, HAL became the dominant airline in the Hawaii Airports System, accounting for 25.0 percent of total enplaned passengers and 93.1 percent of interisland enplaned passengers in FY 2019. However, when Southwest entered the Hawaii market in early 2019, and Southern Airways acquired commuter operator Mokulele Air in February 2019, HAL's interisland market share fell by 16 percentage points to 76.7 percent in FY 2021. In FY 2021, as the airline continued to re-build its network, it competed primarily with eight (8) other domestic scheduled commercial carriers in the Mainland U.S. segment, having captured 22.0 percent of the pandemic-driven enplanements. International traffic remained suppressed throughout FY 2021; the airline carried 11,990 enplaned passengers, representing less than 1.0 percent of its total enplanements for that year. For FY 2021, HAL accounted for 42.8 percent of the total passenger enplanements in Hawaii and 76.7 percent of enplanements on interisland flights, as seen in Exhibit 2-18.

Exhibit 2-18: Hawaiian Airlines' Enplanements by Hawaii Enplanement Segment, (millions)



% of HAL Enplanements	FY 2009	FY 2018	FY 2019	FY 2021
Mainland U.S.	18.3%	20.7%	22.8%	31.3%
International	1.4%	7.1%	7.3%	0.5%
InterIsland	80.3%	72.1%	69.9%	68.3%
Total	100.0%	100.0%	100.0%	100.0%
% of Hawaii Market				
Mainland U.S.	22.1%	25.0%	25.5%	22.0%
International	5.1%	20.8%	21.3%	16.7%
InterIsland	77.3%	93.1%	93.2%	76.7%
Total	46.8%	51.3%	50.3%	42.8%

Source: Airports Division.

Throughout the pandemic into 2021, HAL continues to actively work with the State to support Hawaii's tourism recovery and rebuild its network with the expansion of its North American routes. Although restrictions on travel to and from various international locations within the carrier's network remain in effect, HAL has seen increased demand in bookings and travel in the second quarter of 2021, leading to an increase in passenger revenue of 159.2 percent compared to 1Q 2021. In the carrier's recent 3Q 2021 SEC 10-Q filing, HAL's management team indicated that despite the easing of restrictions on travel to and within Hawai'i, uncertainties remain regarding the impact of vaccine availability, reliability, and effectiveness, along with limitations on travelers' ability to bypass quarantine requirements should the prevalence of the COVID-19 pandemic worsen, especially with COVID variants emerging (i.e., Delta variant, etc.).

All of HAL's routes either start or end with a destination within the Hawaii Airports System, covering all large-hub airports along the U.S. West Coast and several other major U.S. markets and foreign Pacific visitor markets. According to November 2021 OAG schedules in the exhibit below, HAL provided nonstop service to the following 27 major long-haul destinations. In the spring of 2021, HAL introduced three new nonstop services to Austin, Ontario (CA), and Orlando. For international services, HAL will be restarting services to Australia (Brisbane, Sydney), Tahiti, Japan (Fukuoka, Osaka, Sapporo, and Tokyo), South Korea, and New Zealand as the U.S. looks to begin relaxing travel restrictions for fully vaccinated foreign travelers from select countries. In particular, Tahiti nonstop 1x weekly service between HNL was reinstated in August 2021 as part of the launch of a pre-travel testing program between Hawaii and French Polynesia that allows for quarantine-free travel. This program requires inbound travelers to provide proof of negative test results from a State-approved testing partner and outbound travelers to provide proof of vaccination and fulfill the government of Tahiti's COVID-19 entry requirement prior to travel. ICF expects that future programs and procedures will be necessary for international services to resume in the near term as markets re-open to overseas demand. Overall, the airline is expected to operate on average 14 additional weekly frequencies to U.S. mainland markets starting in January 2022. However, advance published schedules show that the airline will operate nearly a quarter of its pre-pandemic international service levels compared to January 2020 (equivalent to 43 less departures).

Exhibit 2-19: Hawaiian Airlines Average Scheduled Weekly Departures, Overseas Markets

Market Segment	Country	Destination	New Service	Average Weekly Departures				
				Jan-20	Nov-20	Nov-21	Jan-22	Variance Jan '22 vs Jan '20
Mainland U.S.	USA	Austin (AUS)	New (April 2021)	-	-	2	3	2.9
		Boston (BOS)		5	-	5	4	(0.7)
		Las Vegas (LAS)		22	5	27	25	2.9
		Long Beach (LGB)		7	-	14	14	7.0
		Los Angeles (LAX)		42	17	43	43	0.5
		New York (JFK)		7	-	7	7	-
		Oakland (OAK)		21	7	21	21	-
		Ontario (ONT)	New (March 2021)	-	-	7	7	7.0
		Orlando (MCO)	New (March 2021)	-	-	2	3	2.9
		Phoenix (PHX)		7	4	7	7	-
		Portland (PDX)		14	7	14	14	0.2
		Sacramento (SMF)		14	8	14	14	-
		San Diego (SAN)		14	7	14	14	-
		San Francisco (SFO)		21	7	14	15	(5.9)
		San Jose (SJC)		14	7	14	14	-
		Seattle (SEA)		18	9	15	15	(2.7)
International	American Samoa	Pago Pago (PPG)		2	-	<1	<1	(1.6)
	Australia	Brisbane (BNE)		3	-	-	-	(3.2)
		Sydney (SYD)		7	-	-	5	(2.0)
	French Polynesia	Tahiti (PPT)		1	-	<1	1	-
	Japan	Fukuoka (FUK)		4	-	-	-	(3.8)
		Osaka (KIX)		7	-	1	1	(5.9)
		Sapporo (CTS)		3	-	-	-	(2.9)
		Tokyo (HND)		14	-	-	<1	(13.3)
		Tokyo (NRT)		7	1	3	3	(3.8)
	South Korea	Seoul (ICN)		5	<1	3	3	(2.0)
	New Zealand	Auckland (AKL)		4	-	-	-	(4.1)
Subtotals		**Mainland U.S.**		206	78	221	220	14.2
		International		57	2	9	15	(42.7)
		Overseas Total		**264**	**80**	**229**	**235**	**(28.5)**

Note: Totals may not add up correctly due to rounding. The carrier suspended nonstop service to China in 2018, prior to the events of COVID-19, re-deploying its aircraft to pursue other opportunities consistent with Hawaiian's expansion plan at the time.
Source: OAG Analyzer accessed November 29, 2021.

At the beginning of the COVID-19 pandemic, HAL's revenues in 2Q 2020 dropped by over 90 percent year-over-year, to US$60.0 million, though in the recent 3Q 2021 period, it has increased operating revenues to $508.8 million, reflecting a 33 percent drop compared to the same quarter in 2019. Although the carrier faced financial difficulties throughout the year, compounded by the State's 14-day self-quarantine requirement, introduced in March 2020, several positive changes to Hawaii's Safe Travels program and vaccination campaign rollouts across the U.S. and globe have contributed to the recent uptick in demand and financial improvements.

Overall, HAL quarterly scheduled seat capacity has improved; system-wide available seat miles (ASM) recovered to about 79 percent of its capacity from 3Q 2019. Average aircraft load factors increased from 25 percent at the height of the pandemic to above 75 percent for 3Q 2021, which remains about 12 percentage points below pre-pandemic levels.

Exhibit 2-20: Hawaiian Airlines' Key Financials, Third Quarter 2021

	3Q 2021	3Q 2020	3Q 2019	21 vs 19
Financials				
Passenger Revenue	454.0	39.8	694.3	-34.6%
Other Revenue (Cargo, other)	54.8	36.2	60.9	-10.0%
Total Operating Revenue	508.8	76.0	755.2	-32.6%
Operating Income (Loss)	43.5	-121.1	116.6	-62.7%
Operating Margin	8.5%	-159.3%	15.4%	
Net Income (Loss), pre-tax	19.2	-143.6	108.5	-82.3%
Net Margin	3.8%	-189.0%	14.4%	
Cash and Cash Equivalents	746.4	537.0	744.6	0.2%
Short-term Investments	1,280.0	442.1	232.4	450.7%
Subtotal	2,026.4	979.1	977.1	107.4%
Quick Ratio	1.86	1.21		
Debt/Equity	3.12	1.62	1.09	
Scheduled Operations				
Revenue Passenger Miles (RPMs)	3,181.2	181.9	4,679.6	-32.0%
Available Seat Miles (ASMs)	4,189.0	711.2	5,331.9	-21.4%
Avg Passenger Load Factor (%)	75.9%	25.6%	87.8%	-11.8%
Passenger Revenue per ASM (USc)	10.84	5.59	13.02	-16.8%

Note: In millions, except as otherwise indicated. Variance calculated for load factor is in percentage points.
Source: Hawaiian Airlines 10-Q, CAPA, Zacks.

Financially, after the expiration of the CARES Act payroll support to air carriers on September 30, 2020, HAL required additional assistance from government support programs in late 2020, achieved full repayment of a warrant agreement with the U.S. Department of Treasury of $45 million, and terminated an amended and restated loan agreement (which increased the maximum facility available to $622.0 million) in February 2021. With regards to the payroll support programs (PSP), HAL entered into two additional PSP extension agreements with the Treasury in January 2021 and April 2021 (PSP3), having received $179.7 million in 2Q 2021. The PSP3 agreement extended the prohibition on conducting involuntary employee layoffs or furloughs through September 2021, and the money is to be used exclusively for continuing to pay employee salaries, wages, and benefits.

HAL's operating income for 3Q 2021 improved to a positive US$43.5 million, compared to its operating loss of US$121.1 million for the same period in 2020 and its net loss (pre-tax) of US$143.6 million (net loss margin of 189 percent). The rebound in pre-summer travel during 3Q 2021 improved operating revenue streams while the airline continued to take actions to preserve and support its liquidity position. Its unrestricted cash, cash equivalents and short-term investments at the end of 3Q 2021 stood at US$2.0 billion, growing from $979.1 million the previous year, while it reported a daily cash burn of between US$1.1 million to $1.3 million in the prior quarterly period of 2Q 2021, about three million dollars less than its reported high of $4.4 million daily in 3Q 2020.

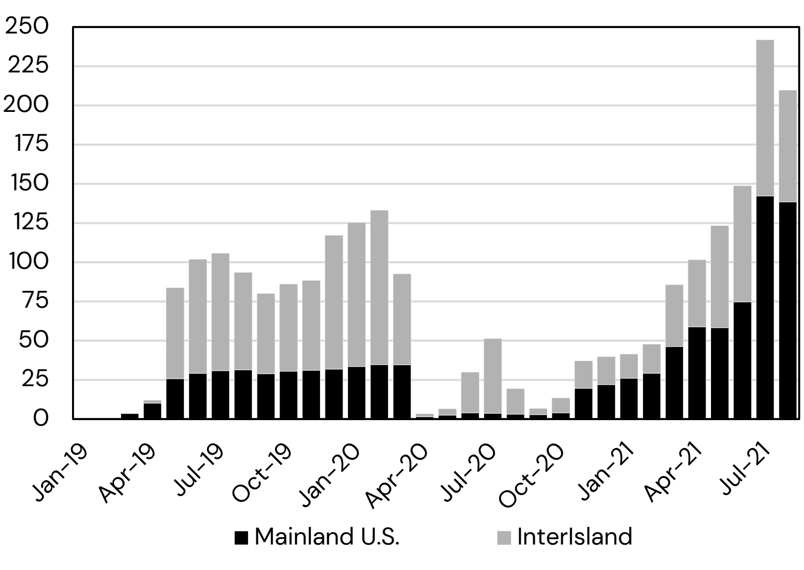
Regarding fleet modernization, the airline took delivery of its last A321neo in 2Q 2020, totaling that particular fleet family size to 18 aircraft, which will fly primarily on smaller West Coast missions. Its older B717 aircraft will continue to be deployed for interisland short-haul operations and the A330 for larger West Coast markets and international services. As of September 30, 2021, HAL has made substantial pre-delivery payments on its firm orders for ten (10) Boeing 787-9s. These purchase agreements represent significant future financial commitments and operating cost savings; however, due to the pandemic, the aircraft delivery schedule has been amended from 2021 through 2025 to 2022 through 2026, with the first delivery scheduled in September 2022.

During the second quarter of 2021, management also announced the termination of its ‘Ohana by Hawaiian service (launched in Spring 2014 and suspended in late 2020 due to the COVID-19 pandemic), which utilized its ATR-42 and ATR-72 fleet for both passenger and cargo operations under a capacity purchase agreement (CPA) with a third-party feeder carrier, Empire Airlines. The decision was made primarily because Hawaiian’s current scope clause provisions forbade it from operating subcontracted services when its mainline services operated on B717 and A321neo aircraft drop below a certain level. In addition, the carrier was unable to restart a sustainable financial operation, impacting interisland service between Honolulu, Molokai, and Lanai.

2.3.2 Southwest Airlines

Southwest began service to Hawaii in March 2019 with flights operating between Oakland (OAK) and HNL. The airline then introduced interisland flights in April 2019 and currently operates from all five primary airports in Hawaii. After over a decade of preparation for the launch, which required a new aircraft variant and certification, crew training, and investment in airport infrastructure, Southwest expanded its footprint in both the mainland U.S. and interisland segments, achieving a market share of 11.8 percent in FY 2021, a 5.1 percentage point increase from the previous fiscal year amount of 6.7 percent. The carrier operates direct mainland service to four of the five primary airports (Hilo does not have direct mainland service), with Hilo served via an interisland connection. Of Southwest’s Hawaii traffic, about 51 percent flew on interisland segments, while the rest were on mainland U.S. flights. Despite a start in the second quarter of CY 2019 and facing delays to its originally planned capacity ramp-up due to the Boeing 737 MAX groundings by the FAA, SWA eventually expanded its mainland U.S. market share from 4.6 percent in FY 2020 to 9.5 percent in FY 2021.

Exhibit 2-21: Southwest Airlines’ Enplanements by Hawaii Enplanement Segment, (thousands)



% of Southwest Hawaii Enplanements	FY 2019	FY 2020	FY 2021
Mainland U.S.	34.1%	30.7%	48.6%
International	0.0%	0.0%	0.0%
InterIsland	65.9%	69.3%	51.4%
Total	100.0%	100.0%	100.0%
% of Hawaii Market			
Mainland U.S.	0.8%	4.6%	9.5%
International	-	-	-
InterIsland	1.9%	11.8%	16.0%
Total	1.1%	6.7%	11.8%

Note: Southwest commenced Hawaii services in March 2019.
Source: Airports Division.

According to Southwest’s recent 10-Q release in July 2021, the airline is committed to its ongoing fleet modernization plans for more climate-friendly aircraft, increasing its 2022 firm orders by 34 Boeing 737 MAX aircraft, resulting in 234 firm orders for MAX 7 and 149 MAX 8 aircraft as of June 30, 2021. Although fleet and capacity plans will continue to evolve as SWA manages this recovery period, there is operational flexibility to manage and accelerate fleet modernization efforts at later stages, if growth opportunities do not materialize immediately. In hindsight, the carrier reintroduced scheduled operations with the Boeing 737 MAX aircraft after the FAA rescinded the emergency order for the groundings of all Boeing MAX aircraft on November 18, 2020. The MAX returned to revenue service on March 11th, 2021; Southwest met all FAA requirements and its pilots received necessary updated MAX-related training. As MAX aircraft deliveries continue, Southwest expects that more than half of its firm order book will replace its 737-700 fleet over the next 10 to 15 years to modernize its fleet as part of its environmental sustainability initiatives and efforts. Southwest ended 2Q 2021 with 736 aircraft in its fleet, including 68 Boeing MAX 8 aircraft, seven of which were delivered during that quarter.

In February 2020, prior to the pandemic reaching the U.S., Southwest operated an average of 9 daily departures from Hawaii to the West Coast, and 34 daily departures between interisland markets, with low fares (as low as $29 one-way for interisland, $99 between California) to stimulate demand. Between May 2020 and November 2020, Southwest's Honolulu to Oakland route was the only scheduled mainland U.S. operation connecting the two markets. However, after the State lifted its COVID-19 quarantine requirements by implementing pre-travel testing programs for visitors in mid-October 2020, the carrier re-initiated its Hawaii expansion to the U.S. mainland starting in November 2020. Southwest returned 2x daily nonstop service to Sacramento and 3-4x daily to San Jose, along with immediately commencing its new service from San Diego (initially 1x daily), which was initially delayed due to concerns about the pandemic. Among all the Hawaii bases that Southwest currently operates, it has nearly doubled its daily overseas and interisland activity from an average of 39 daily departures in November 2020 to an average of 70-75 daily departures for the remainder of the 2021 calendar year in response to the pent-up leisure demand for Hawaii.

OAG schedule data accessed on November 29, 2021 reported that mainland U.S. to Hawaii daily departures grew to more than 30 departures on average in November 2021 and beyond, as the airline continues to offer new nonstop Hawaii services from multiple Hawaii airports throughout 2021. New U.S. destinations connecting to multiple Hawaii primary airports include Las Vegas (LAS), Long Beach (LGB), Los Angeles (LAX), and Phoenix (PHX). Southwest's U.S. mainland network will support Hawaii connection flows from other locations behind the U.S. West Coast that require connections and will offer direct service to Maui, Kauai, and the Big Island, bypassing the need to connect at Honolulu (HNL). Average interisland weekly departures will increase 68 frequencies overall, where Southwest plans to operate an additional 4-5x daily departures from HNL, along with another 2-3x daily departures from its bases at Kahului (OGG) and Hilo (ITO) when comparing January 2022 schedules to January 2020. A summary of Southwest's weekly nonstop services in Hawaii can be found in Exhibit 2-22.

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Exhibit 2-22: Southwest Airlines' Average Scheduled Weekly Departures, Hawaii Markets

Market Segment	Country	Destination	Hawaii Service	Average Weekly Departures Jan-20	Nov-20	Nov-21	Jan-22	Variance Jan '22 vs Jan '20
Mainland U.S.	USA	Las Vegas (LAS)	HNL, KOA, LIH, OGG	-	-	21	28	28.0
		Long Beach (LGB)	HNL, OGG	-	-	14	14	14.0
		Los Angeles (LAX)	HNL, KOA, LIH, OGG	-	-	42	42	42.0
		Oakland (OAK)	HNL, KOA, LIH, OGG	31	32	42	46	14.7
		Phoenix (PHX)	HNL, KOA, LIH, OGG	-	-	21	25	24.8
		Sacramento (SMF)	HNL, KOA, OGG	7	13	14	15	8.1
		San Diego (SAN)	HNL, KOA, LIH, OGG	-	6	32	30	30.5
		San Jose (SJC)	HNL, KOA, LIH, OGG	17	27	38	27	10.2
Interisland		Hilo/Hawaii (ITO)	HNL	12	21	28	28	16.3
		Honolulu/Oahu (HNL)	ITO, KOA, LIH, OGG	96	90	126	126	30.5
		Kahului/Maui (OGG)	HNL, KOA	31	35	49	49	18.1
		Kona/Hawaii (KOA)	HNL, OGG	31	28	35	35	4.1
		Lihue (LIH)	HNL	28	21	28	28	-
Subtotals		**Mainland U.S.**		55	78	223	227	172.3
		Interisland		197	195	265	266	68.9
		Total		**252**	**274**	**488**	**493**	**241.2**

Note: Totals may not add up correctly due to rounding. January 2020 is a proxy to pre-pandemic scheduled flights
Source: OAG Analyzer accessed November 29, 2021.

Southwest operating revenue during 3Q 2021 increased by 1.6x year-over-year from US$1.8 billion in 3Q 2020 to $4.7 billion. The carrier managed to return to positive operating and net margins for the quarter, amounting to US$733.0 million and $600.0 million, respectively. However, both income gains are 11-27 percent lower than what was generated during the same quarter in 2019. Southwest continues to hold a sound liquidity position at the end of the quarter, with unrestricted cash and short-term investments of US$16.0 billion, and a relatively low cash burn averaging US$0.5 million per day in 3Q 2021. Across its scheduled network, Southwest is operating at about its pre-pandemic ASM capacity levels from 3Q 2019. Load factors have nearly recovered, surpassing the 80 percent mark, but remain 2.8 percentage points below 2019 levels, at 80.7 percent.

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Exhibit 2-23: Southwest Airlines' Key Financials, Third Quarter 2021

	3Q 2021	3Q 2020	3Q 2019	21 vs 19
Financials				
Passenger Revenue	4,227.0	1,454.0	5,230.0	-19.2%
Other Revenue (Cargo, other)	452.0	339.0	409.0	10.5%
Total Operating Revenue	4,679.0	1,793.0	5,639.0	-17.0%
Operating Income (Loss)	733.0	-1,411.0	819.0	-10.5%
Operating Margin	15.7%	-78.7%	14.5%	
Net Income (Loss), pre-tax	600.0	-1,542.0	819.0	-26.7%
Net Margin	12.8%	-86.0%	14.5%	
Cash and Cash Equivalents	12,980.0	12,109.0	2,488.0	421.7%
Short-term Investments	3,024.0	2,453.0	1,528.0	97.9%
Subtotal	16,004.0	14,562.0	4,016.0	298.5%
Quick Ratio	1.98	2.01		
Debt/Equity	1.07	1.07	0.37	
Scheduled Operations				
Revenue Passenger Miles (RPMs)	31,285.0	11,888.0	32,889.0	-4.9%
Available Seat Miles (ASMs)	38,756.0	26,464.0	39,379.0	-1.6%
Avg Passenger Load Factor (%)	80.7%	44.9%	83.5%	-2.8%
Passenger Revenue per ASM (USc)	10.91	5.49	13.28	-17.9%

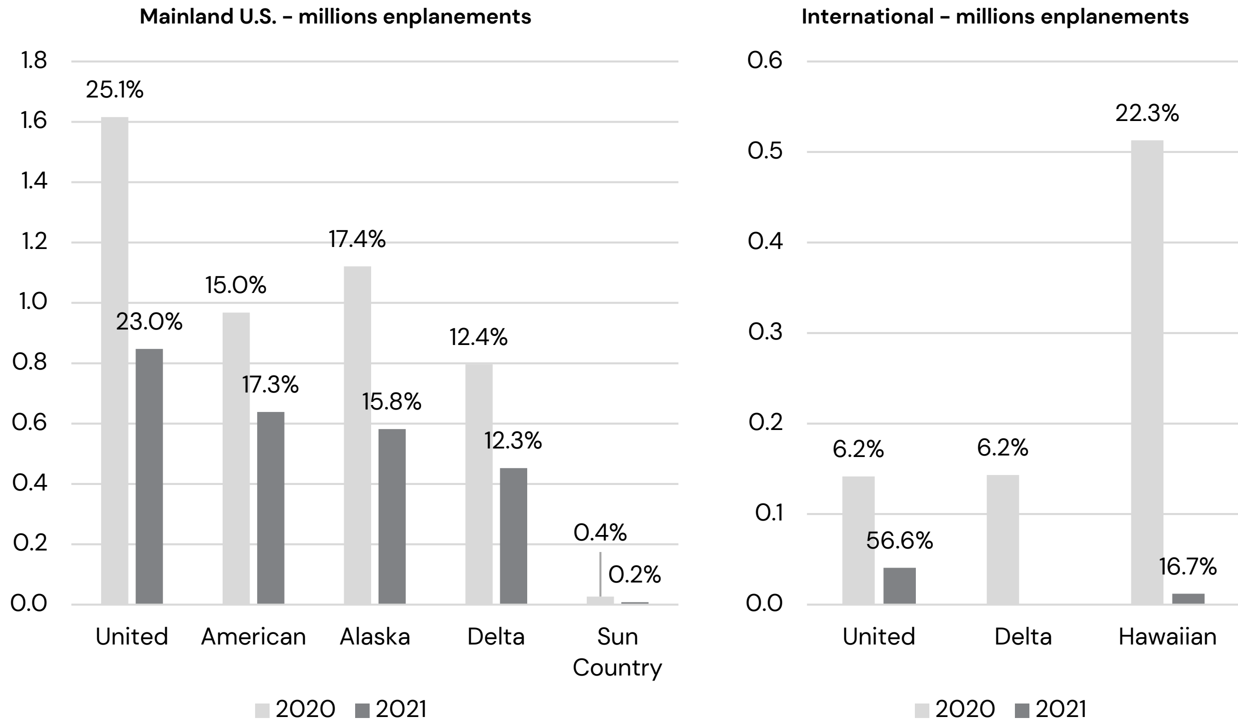
Note: In millions, except as otherwise indicated. Variance calculated for load factor is in percentage points.
Source: Southwest Airlines, CAPA, Zacks.

As the airline's operating financials continue to improve, it also intends to resume building its Hawaii-mainland U.S. and interisland segments. The previous year, Southwest President Thomas Nealon, on the company's 2Q 2020 earnings call, mentioned that Hawaii will remain a market of interest and excitement to the airline, as it awaits the opportunity to build back Hawaii, the California market, and the interisland market from their current "vital service level." As a reflection of that commitment, Nealon highlighted, in the company's recent 2Q 2021 earnings call, that Southwest has "committed substantial amounts of aircraft to new city opportunities and to Hawaii. And both investments are paying off and meeting our expectations." It is worth noting that the recent mainland operational challenges (i.e., flight cancellations, pilot schedules/allocations) experienced by Southwest during 3Q and 4Q 2021 would have little to no impact in Hawaii over the long run.

2.3.3 Other U.S. Flag Airlines

United Airlines' services to Hawaii date back to over half a century ago, and the airline has retained a strong presence to date, with a market share exceeding 20 percent over the previous two fiscal years in the Hawaii-mainland U.S. market. In 2021, the airline offered nonstop services from all its major U.S. hub airports to Hawaii, but the primary services were from San Francisco (SFO) and Los Angeles (LAX), followed by Denver (DEN), representing 85 percent of all nonstop United frequencies to Hawaii from the mainland according to advance OAG schedules in January 2022. Apart from mainland U.S. services, United continuously operated daily scheduled nonstop service to Guam; and 2x weekly departures to the Marshall Islands (MAJ) and resumed nonstop service to Tokyo (NRT) in December 2021. Although international volumes were significantly lower, by 96.9 percent, in FY 2021 compared to the previous fiscal year, United became the leading carrier for international traffic in Hawaii, having continued its limited international operations. United represented 56.6 percent of total international Hawaii passengers in FY 2021 (versus 6.2 percent in FY 2020), while Hawaiian Airlines reduced its international network footprint and foreign flag carriers continued to suspend international services, primarily due to the ongoing pandemic.

Exhibit 2-24: Other U.S. Flag Carrier Market Share by Hawaii Passenger Segment, FY 2020 vs FY 2021



Note: Percentage data labels represent the airline's market share within the total segment.
Source: Airports Division.

Other major U.S. carrier players in the mainland U.S.-Hawaii market (Alaska Airlines, American, and Delta) have scheduled services connecting predominantly to the U.S. West Coast (largely Los Angeles, Seattle, and Phoenix). Prior to the pandemic, Delta provided nonstop service to four Japanese markets in 2019, but according to forward schedules, the carrier does not seek to operate to Japan through January 2022. American's other notable services to Hawaii (apart from LAX on the West Coast) were from Dallas (DFW) and Phoenix (PHX).

Throughout the pandemic, airlines that serve the Hawaii market have taken extra steps to promote and facilitate compliance with the State's Safe Travels program by providing testing protocols and informing its passengers of the necessary requirements and online registrations made mandatory by the State. As the State began to provide exemptions to its quarantine requirements for travelers who are fully vaccinated and who participate in the Safe Travels program, U.S. carriers began to resume nonstop services to the Island. While Delta's strategy in Hawaii going forward is unclear, each of the U.S. major carriers connect to the island primarily through its mainland hub airport destinations, as seen in Exhibit 2-25. A comparison of the upcoming January 2022 schedules to January 2020 reveals that United Airlines has expanded its mainland U.S. network to Hawaii, where it will operate an additional 26 weekly departures (or 3-4x daily departures). Alaska Airlines, American, and Delta will operate about 14, 13, and 2 percent below their respective pre-pandemic Hawaii frequencies. However, Alaska Airlines lags in its network recovery, operating about 29 fewer weekly departures than it previously did. Seven of the 10 West Coast markets that Alaska Airlines previously connected, will have nonstop service to a Hawaii airport.

Exhibit 2-25: Other U.S. Flag Carrier's Average Scheduled Weekly Departures, Mainland U.S.

Airline	Country	Airport	New Service	Average Weekly Departures Jan-20	Nov-20	Nov-21	Jan-22	Variance Jan '22 vs Jan '20
Alaska Airlines	Anchorage	ANC		16	2	12	14	(1.8)
	Bellingham	BLI	Seasonal	-	-	-	-	-
	Los Angeles	LAX		12	1	19	15	3.6
	Oakland	OAK		17	4	-	-	(16.7)
	Portland	PDX		35	7	26	28	(7.2)
	Sacramento	SMF		10	-	-	-	(9.9)
	San Diego	SAN		22	21	28	22	(0.7)
	San Francisco	SFO		15	-	10	14	(1.1)
	San Jose	SJC		19	11	24	22	2.9
	Seattle	SEA		70	61	91	72	1.6
American Airlines	Charlotte-Douglas	CLT	New	-	-	7	1	0.7
	Chicago	ORD	Seasonal	8	3	-	-	(8.4)
	Dallas/Fort Worth	DFW		36	19	35	29	(7.2)
	Los Angeles	LAX		59	12	59	51	(7.7)
	Phoenix	PHX		30	28	35	36	5.4
Delta Air Lines	Atlanta	ATL		7	-	6	7	-
	Detroit	DTW	Seasonal	1	-	-	-	(0.9)
	Los Angeles	LAX		50	34	41	46	(4.3)
	Minneapolis/St. Paul	MSP	Seasonal	5	-	2	7	1.8
	New York	JFK	Seasonal	1	-	-	-	(0.9)
	Portland	PDX	Seasonal	-	-	-	-	-
	Salt Lake City	SLC		11	3	7	12	1.1
	Seattle	SEA		30	19	24	32	1.4
KaiserAir	Oakland	OAK		2	3	2	2	(0.2)
Sun Country Airlines	Los Angeles	LAX	Seasonal	-	-	-	-	-
	Portland	PDX	Seasonal	4	-	-	-	(3.6)
	San Francisco	SFO	Seasonal	-	-	-	-	-
United Airlines	Chicago	ORD		12	6	12	14	1.8
	Denver	DEN		29	21	37	36	6.5
	Houston	IAH		7	3	7	7	-
	Los Angeles	LAX		56	30	60	57	0.9
	New York	EWR		7	-	8	9	1.6
	Orange County	SNA	New	-	-	7	7	7.0
	San Francisco	SFO		78	50	94	86	8.1
	Washington	IAD		2	-	1	2	(0.2)
Subtotals	Alaska Airlines			215	107	210	186	(29.4)
	American Airlines			133	62	135	116	(17.2)
	Delta Air Lines			106	56	79	104	(1.8)
	United Airlines			191	110	226	217	25.7
	Total			**651**	**337**	**652**	**625**	**(26.4)**

Note: Totals may not add up correctly due to rounding. January 2020 is a proxy to pre-pandemic scheduled flights. Several airlines operated seasonal routes to Hawaii from the U.S. mainland during months not shown above.
Source: OAG Analyzer accessed November 29, 2021.

In recent investor press releases, United Airlines has expressed its confidence in Hawaii remaining a holiday destination. The carrier has high expectations about pent-up demand as customers resume leisure travel following relaxed quarantine requirements and the absence of lockdowns. United also commenced a new service connecting Orange County (John Wayne SNA) and Honolulu after having expanded existing services to Hawaii from Kahului to the East Coast (Newark EWR) and Kona to the Midwest (Chicago ORD), respectively. As the carrier continues to utilize its wide-body 767 and 787 fleet on Hawaii missions, United indicated, in its third quarter 2021 financial results, that it has resumed nonstop service on 23 domestic routes and 13 international routes systemwide in 3Q 2021 than operated in the previous quarter. United Airlines, reported that its 3Q 2021 capacity was down 28 percent compared to 3Q 2019, and that it improved net profitability to $473 million with an EBITDA margin of 7.4 percent.

In 3Q 2021, other U.S. flag carriers had improved their financial performances. Balance sheet management remains a key priority for Delta as the airline charts its return to investment grade metrics for the coming years. It had reduced its financial obligations by $12 billion and used excess cash to reduce gross debt and interest expense while rebuilding unencumbered assets and managing its debt maturity profile. In the prior quarter, Delta indicated that its daily cash generation was substantially cash-positive for the full quarter in which it transitioned away from daily metrics to focus on regular cash flows and restore financial strength. Although Delta reported a daily cash burn of US$11 million in 1Q 2021, the carrier was able to generate positive cash of about US$4 million per day in 2Q 2021.

Alaska Airlines reported it had returned to profitability in 3Q 2021 of US$ 194 million, generating a pre-tax margin of 12 percent. The carrier was able to generate a positive cash flow of $1 million per day starting in March, as passengers began to book their summer air travel. In addition, Alaska plans to push forward its growth plan, having recalled all its pilots who took long-term leave during the pandemic and ramping up pilot training for newly hired pilots and MAX simulators as 737 MAX aircraft are delivered over the next five years. The carrier has taken delivery of its seventh Boeing MAX and will take five more by year-end 2021; 63 additional aircraft are scheduled for delivery between 2022 and 2023. In 2021, Alaska officially joined the Oneworld alliance, extending airline cooperation with American Airlines (one of the founding alliance members), helping the carrier to compete with Delta at Seattle, and expand its long-haul hub presence along the U.S. west coast.

American Airlines turned its daily cash burn rate positive during 2Q 2021, with approximately $1 million per day, and ended 3Q 2021 with approximately $18 billion of total available liquidity aiming to step down its target liquidity to between $10 billion and $12 billion in 2022. As American reshaped its network, simplified its fleet, and made its cost structure more efficient, the carrier developed a plan to pay down approximately $15 billion in debt by the end of 2025, versus previous guidance of $8 to $10 billion, by preferably using excess cash and free cash flow.

2.3.4 International Airlines

Japan is the largest source market for international visitors to Hawaii, with over 1.5 million visitors per annum between 2017 and 2019. Consequently, Japan Airlines (JAL) and All Nippon Airways (ANA) are the two most prominent international carriers serving the state of Hawaii, with 16 percent and 10 percent respectively of international enplanements from Hawaii in 2019. After Japan, Canada is the second most important source of international visitors to Hawaii, but significantly lags Japan's volume produced, with about 500 thousand visitors coming from Canada in 2019. WestJet represented 8.5 percent of international enplanements in FY 2020, making it the third-largest foreign flag carrier servicing Hawaii after JAL and ANA, respectively, and the largest Canadian carrier, competing only with Air Canada. The South Korea-Hawaii market, prior to the pandemic, grew by 3.3 percent on average per annum between 2014 and 2019. Korean Air (KAL) represented 6.6 percent of the international market share from Hawaii in FY 2020 and provided daily nonstop service to Seoul.

To further their reach in each other's markets, JAL and Hawaiian entered into a codeshare agreement effective from 2018, which the two airlines had planned on growing into a joint venture (JV). This has, however, been disrupted by the lack of regulatory approval for the JV. In March 2020, the U.S. Department of Transportation (DOT) approved their general commercial agreement, but denied them anti-trust immunity (ATI,) on the grounds of a lack of evidence of benefits to customers. The two airlines had stated earlier that the JV would be a requirement for their codeshare agreement to be successful.

At the onset of the pandemic, all scheduled international flights to Hawaii were suspended, other than limited services to repatriate citizens of foreign countries and support other essential travel. ANA, which planned on 2x daily service between Tokyo (Narita) and Honolulu commencing in June 2020 on its A380s has shelved the plan indefinitely. According to OAG forward schedules through February 2022, JAL operated less than daily nonstop service between Hawaii and Japan during 2020 and 2021 but plans to upgrade its routes to fly a total of 6-7x daily departures in January 2022. ANA underwent similar schedule decisions where it, too, will increase scheduled departures in Hawaii to a total of 2x daily to Tokyo by January 2022, utilizing both its 787 and A380 fleet. However, while capacity to Japan was suppressed by its major carriers throughout the first half of 2021, Hawaii welcomed JAL's new low-cost subsidiary start-up carrier, ZIPAIR, in December 2020 (HNL-NRT). ZIPAIR operated 2x weekly flights as the State expanded its pre-travel testing program to Japan, allowing travelers to forgo a two-week quarantine in Hawaii if they provided proof of a negative COVID-19 test. One-way fares with the carrier started at US$180. After a five-month hiatus, the low-cost carrier restarted scheduled service, and participates in Hawaii's Pre-Clearance program[16], which is available at select U.S. and international airports.

In South Korea, the government has imposed similar exemptions to its mandatory 14-day quarantine upon entry to the country if a traveler is fully vaccinated in Korea, where they may be eligible for monitoring in lieu of quarantine. However, travelers who received all vaccine doses in the U.S. would still undergo 14 days of quarantine at their own expense but may apply for a quarantine exemption certificate with an overseas Korean Embassy or Consulate prior to travel. Korean Air (KAL), however, plans on returning daily nonstop service to Seoul, as the carrier faces delays to the approval process after having finalized its post-merger integration plan (PMI) to integrate Asiana Airlines in June 2021. Within the integration process, KAL plans to reshape its network by "streamlining redundant routes" due to the airline's new size and strength in the region[17]. Asiana will also exit from Star Alliance to bolster the KAL trans-Pacific joint venture with Delta over the next few years. As the two Asian carriers merge their fleet and operations between 2022-2024, their Airbus A380 and Boeing 747-8i fleets are planned to be retired between the next five to ten years.

[Remainder of page intentionally left blank]

[16] Hawaii Pre-Clearance (pre-arrival clearance) program allows travelers to comply with the State's Safe Travels guidelines prior to departure, and the skip mandatory airport screenings and quarantines on arrival. The program partnership with testing providers extends to multiple U.S. and foreign carriers that departed from airports on the mainland U.S., Japan and South Korea. For ZIPAIR, its passengers are provided a pre-clearance service to complete part of entry procedures for Hawaii before departing from Tokyo Narita and can purchase a pre-departure PCR test option.

[17] Sourced from industry publications between Walter Cho (CEO of Korean Air) and Flight Global, Executive Traveler news, published by Business Travel Media, "Asiana's exit from Star Alliance to bolster Korean Air, Delta JV", 20 August 2021.

Exhibit 2-26: Foreign Carrier's Average Scheduled Weekly Departures, International Markets

Country/Region	Market	Airport	Airline	New Service	Average Weekly Departures Jan-20	Nov-20	Nov-21	Jan-22	Variance Jan '22 vs Jan '20
Australia	Melbourne	MEL	Jetstar Airways		3	-	-	-	(3.2)
	Sydney	SYD	Jetstar Airways		4	-	-	-	(3.8)
			Qantas Airways		7	-	-	4	(2.7)
Canada	Calgary	YYC	Air Canada		3	-	-	3	0.7
			Westjet		4	-	2	16	11.5
	Edmonton	YEG	Westjet		-	-	-	3	3.2
	Montreal	YUL	Air Canada	New	-	-	-	<1	0.7
	Toronto	YYZ	Air Canada		2	-	-	3	0.2
	Vancouver	YVR	Air Canada		16	-	14	17	0.9
			Westjet		49	-	26	27	(21.9)
China	Beijing	PEK	Air China		-	-	-	-	-
	Shanghai	PVG	China Eastern Airlines		6	-	-	-	(5.9)
Chinese Taipei	Taipei	TPE	China Airlines		2	-	-	-	(2.0)
Fiji	Nadi	NAN	Fiji Airways		<1	-	-	2	1.1
Japan	Nagoya	NGO	Japan Airlines		7	-	-	<1	(6.8)
	Osaka	KIX	Airasia X		7	-	-	-	(7.0)
			Japan Airlines		7	-	-	<1	(6.8)
			Scoot		-	-	-	-	-
	Tokyo	HND	All Nippon Airways		7	<1	2	6	(1.4)
			Japan Airlines		-	<1	2	2	2.5
		NRT	All Nippon Airways		14	-	-	9	(5.0)
			Japan Airlines		35	-	1.4	2	(32.7)
			Korean Air		7	-	-	-	(7.0)
			ZIPAIR Tokyo Inc.	New	-	-	3	3	3.4
Kiribati	Kiritimati	CXI	Fiji Airways		<1	-	-	-	(0.9)
South Korea	Seoul	ICN	Asiana Airlines		7	-	-	7	-
			Jin Air		-	-	-	-	-
			Korean Air		11	-	3	5	(5.9)
New Zealand	Auckland	AKL	Air New Zealand		5	-	-	-	(4.5)
Philippines	Manila	MNL	Philippine Airlines		5	<1	<1	4	(1.1)
Samoa	Apia	APW	Fiji Airways		1	-	-	-	(1.1)
Subtotals			Japan		84	1	8	23	(60.7)
			Other Countries		126	1	46	92	(34.8)
			Overseas Total		**211**	**2**	**54**	**115**	**(95.5)**

Note: Totals may not add up correctly due to rounding. January 2020 is a proxy to pre-pandemic scheduled flights. Air China, Jin Air, and Scoot (via fifth-freedom route) operated flights to Hawaii in 2019 prior to being suspended before the COVID-19 pandemic. Analysis excludes U.S. flag carriers that operate international missions from Hawaii.
Source: OAG Analyzer accessed November 29, 2021.

2.3.5 Recent Airline Mergers & Acquisitions in the Hawaii Market

In February 2019, Southern Airways, a regional U.S. mainland operator in the Gulf South, the mid-Atlantic and South Florida, added Hawaii to its portfolio through the acquisition of Mokulele Airlines, founded in 1994. Southern intended to keep the Mokulele brand alive across the Hawaiian Islands while operating all flights on the Southern Airways FAA operating certificate. In FY 2021, Mokulele increased its market share of interisland traffic from 2.6 percent to 6.3 percent, having recovered to about 97 percent of its FY 2020 interisland traffic levels, the fastest compared to any other operating carrier on that segment. Currently, the carrier operates over 120 daily interisland departures and will replace several essential air service (EAS) routes that were recently suspended by Hawaiian ('Ohana brand) to Lanai and Molokai utilizing unspecified twin-engine aircraft to meet basic EAS requirements.

In 2020, Southern Airways Express announced the merger of its subsidy Mokulele with Makani Kai Air, where interisland flights will merge to operate and be sold under the Mokulele brand. Together, the two commuter airlines, as the founder of Makani Kai Airlines, Richard Schuman, puts it, "can better serve the Hawaiian people if we team up and do it together." The combined operations will compete on interisland segments primarily with Hawaiian Airlines and Southwest.

2.3.6 Prospects for Airline Traffic Recovery in Hawaii

Given the current health, economic and aviation uncertainties, it remains difficult to predict when or how total air travel volumes will recover in Hawaii to pre-pandemic levels. As international travel restrictions begin to ease for fully vaccinated travelers and U.S. and Asian economies show signs of an economic rebound, these indicators will support and foreshadow the Hawaiian tourism market recovery direction. Although the U.S. is on track to recover from its recent economic downturn with a sharp rebound in GDP projected for the end of 2021, the ongoing unique global health and travel policy issues as described above are prolonging recovery and affecting potential travel demand opportunities to the Islands. ICF has identified several underlying factors that support the resiliency of demand and reflect the importance of air travel in the Hawaii market.

- First and foremost, Hawaii is a multi-island economy, and therefore aviation is a vital linkage in the day-to-day operation of the State. There is no viable replacement for air travel between the Hawaiian Islands;
- Second, air travel to and from the State is highly reliant on the leisure and hospitality industries. There is little indication that the demand for leisure travel plans, particularly in the U.S., will be permanently reduced as a result of COVID-19. What has been observed during the early periods of the pandemic is that consumers were shifting to short-haul, drive vacation markets, instead of flying. However, domestic air travel demand to Hawaii was proven to remain resilient especially during the summer of 2021 where mainland enplaned passenger traffic surpassed 2019 monthly levels. Altogether, there is no indication that the underlying demand drivers have changed. If anything, demand for Hawaii and similar leisure beach/island destinations continues to be pent-up and dependent on responses to public travel policy easing and the available supply of lodging accommodations. The widespread availability of an FDA-approved (both official and emergency-use) COVID vaccines in 2021 has boosted the leisure travel recovery profile, especially in the domestic sector, which will be among the first Hawaii traffic segment to recover;
- Third, Hawaii is a highly established brand, particularly in the U.S. West Coast and Far East Asian origin markets, with large established hotels/resorts, tourism infrastructure, and nature sites. It is unlikely that another destination will replace what Hawaii has to offer in the near- to medium-terms;
- Fourth, with Hawaiian Airlines and United Airlines being the dominant carriers for mainland U.S. and international segments in the State, the former will be singularly focused on passenger traffic growth that touches the Hawaii airports, where its distinct network will support the carrier's continued mission to connect the world to Hawaii and link the archipelago state.
- Fifth, Southwest's efforts to serve the Hawaii market over the last decade became a reality in early 2019. The airline has continued its expansion plan by growing its Hawaii bases during its first two years connecting the Island between eight West Coast markets. After the start of mainland U.S. operations from Oakland and San Jose in four market pairs during its first six months, OAG schedules[18] data reports that

[18] Accessed November 29, 2021.

Southwest has grown and is scheduled to provide nonstop service in 29 market route pairs by January 2022, along with fulfilling interisland connectivity across all Hawaii primary airports.

For these reasons, among other factors, ICF believes that airline passenger traffic from, to, and within the State will eventually recover. However, at this juncture, uncertainty as to when the ongoing health crisis resulting from the pandemic will subside and when the State will further ease travel restrictions to all travelers without quarantine throughout the remainder of FY 2022 and beyond, it is difficult to predict with any degree of accuracy the shape of the aviation recovery curve.

2.4 Previous Exogenous Shocks to the Hawaiian Aviation Market

The airline industry is cyclical and highly sensitive to long-term economic conditions – not only to local conditions, but also to the national and global environment, where it has seen considerable sensitivity to political decisions and other exogenous shocks. To better understand the long-term impact of the COVID-19 event, ICF examined prior exogenous shocks to the aviation system. While this pandemic is unprecedented and still unfolding, historic events may provide indications of the historic resilience and recovery of the air travel demand market. We have focused on 9/11 and the 2008/2009 Global Financial Crisis (GFC) as the most comparable exogenous shocks to have impacted the Hawaiian aviation system over the past 20 years.

As seen in , the U.S. GDP recovered the fastest after the attacks on 9/11, having experienced minimal impact to GDP quarter-over-quarter, where seasonally adjusted real GDP recovered in less than one year. On the other hand, the GFC required a longer recovery timeframe. The economy regained its pre-recession peak in 2Q 2011 which took 3.5 years after the initial onset of the official recession. According to quarterly U.S. GDP data as of 2Q 2021, the U.S. no longer appears to be in an economic downturn cycle/GDP shock due to the COVID-19 pandemic, since it has surpassed its previous peak levels from 4Q 2019. Although U.S. regional economies may vary in recovery, the COVID-19 pandemic presents itself differently compared to previous shocks experienced since the turn of the century.

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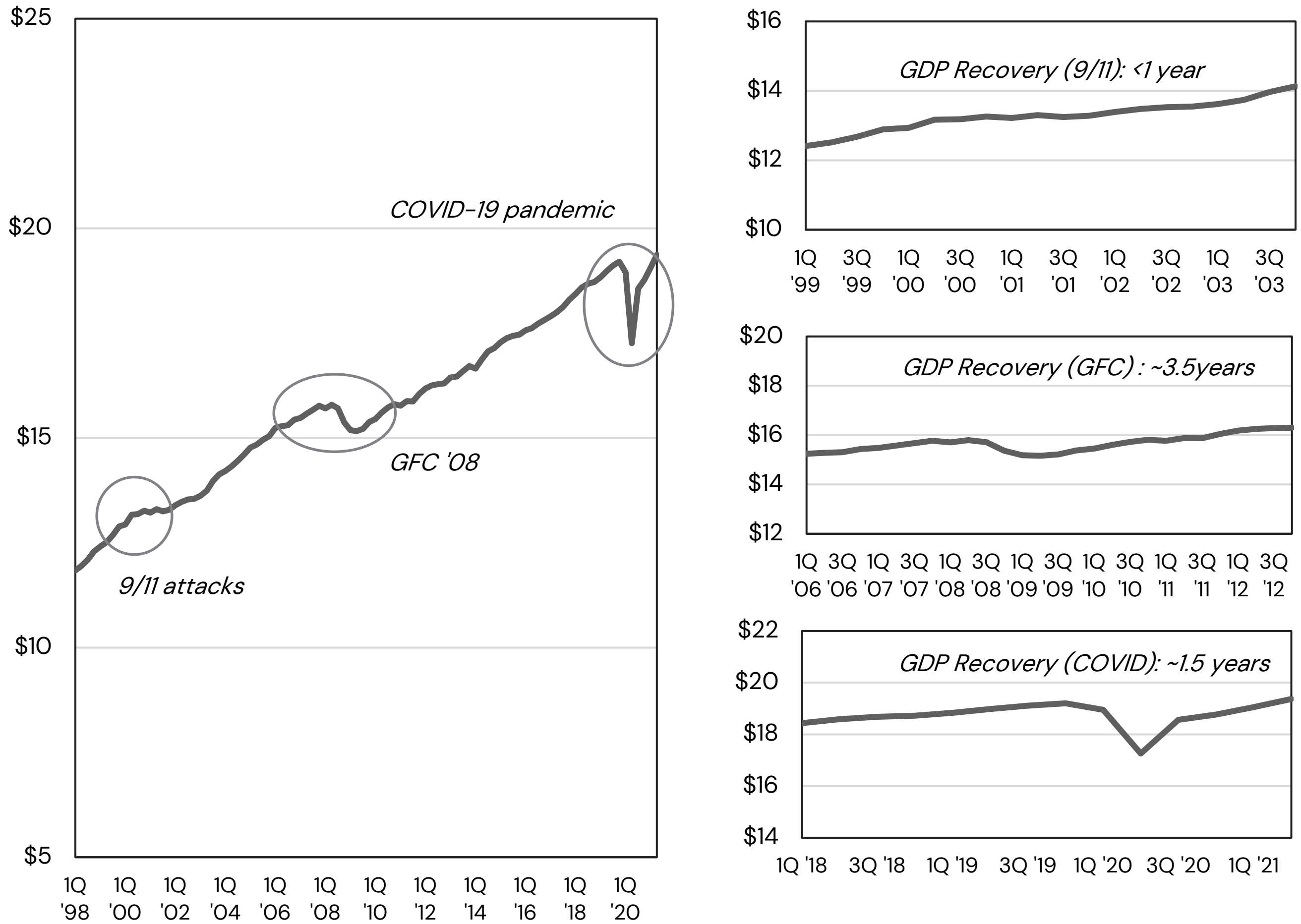
Exhibit 2-27: Recent U.S. Economic Recovery Profiles
(real GDP, billions of chained 2012 US$, seasonally adjusted)

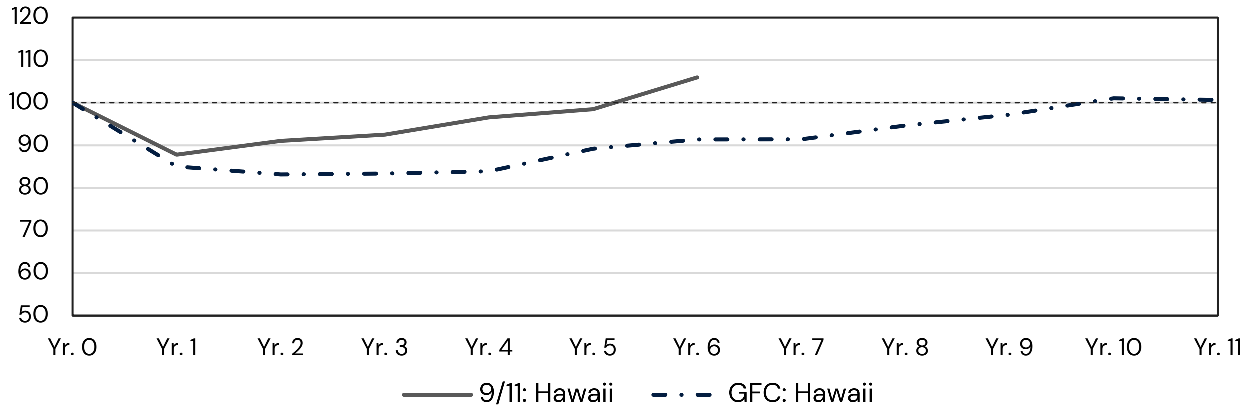


Source: U.S. Bureau of Economic Analysis via Federal Reserve Economic Research (FRED) St. Louis, ICF analysis.

After the events of 9/11 and the GFC, the Hawaiian aviation market experienced a noticeable decline in traffic volumes. However, the magnitude of the shocks and driving factors behind each decline varied between events. At its worst following 9/11, the Hawaiian air travel market was 13 percent below pre-shock levels; meanwhile following the GFC, the maximum drawdown on air traffic was larger, at 18 percent, seen in the table complementing Exhibit 2-28. Similarly, the time to recovery for the Hawaiian commercial aviation market following the GFC lasted longer, at about 9.5 years, compared to a recovery period of just over five years after 9/11.

Exhibit 2-28: Length of Time for Hawaii Passenger Traffic Recovery After Previous Exogenous Shocks

Events: 9/11 attacks, Global Financial Crisis (GFC) in 2008, COVID-19 pandemic
Indexed Annual Total Enplaned Passengers



	9/11	GFC
Magnitude of Shock, 12-month rolling sum (%)	-13%	-18%
Time to Recover, 12-month sum (Months, total enplanements)	64	116

Note: Indexed annual enplaned passenger figures calculated based on rolling 12-month sum. Yr0 for 9/11 is assumed to be 12-months ending August 2001, while Yr0 for GFC is assumed to be 12 months ending February 2008. Yr0 for the ICF forecast is assumed to be FY 2019 annual figures. The ICF forecast presents only the first six years of the horizon period through FY 2027. Aloha Air ceased operations in March 2008, which impacted the initial Hawaii market traffic shock seen in the GFC case.
Source: Airports Division, U.S. DOT T-100 via AirlineData, Inc., ICF analysis.

The difference presented from each shock can be attributed in part to the varying impacts each had on different segments of the Hawaiian commercial aviation market. Mainland U.S. traffic, which is the largest segment of the Hawaiian aviation market, recovered faster on an annualized basis following 9/11 (approximately 13 months to recover,) than it did after the GFC (approximately 85 months to recover), while international traffic, which represents a smaller proportion of the overall market historically, faced a longer recovery timeline due to 9/11 than to the GFC. Overall, ICF recognizes that the aviation market will continue its recovery progress amidst a unique recovering macro and micro-environment belabored with issues revolving around global supply chain disruptions, unemployment/labor supply shortages, public health concerns, and accelerated sustainability development goals.

2.5 Anticipating the Restart of International Tourism and Air Traffic Recovery

As of September 2021, recovery of international enplanements in the Hawaii Airport System remained low at 5.8 percent of September 2019 levels, having grown from 2.4 percent in April 2021 vs April 2019. However, the adoption of new travel policies and the easing of travel restrictions at the start of November 2021 among foreign visitors entering the U.S., who show proof of being fully vaccinated and a negative COVID-19 test, signals the long-awaited recovery of international travel. President and CEO of Airports Council International-North America (ACI-NA) Kevin Burke acknowledged the announcement in mid-October as a "promising step forward for [the industry] following a long period of depressed international air travel." U.S. citizens and permanent residents who are not fully vaccinated can fly to the U.S. but will continue to undergo testing and contact tracing protocols.

Although Hawaii has already begun trialing and implementing trusted testing and travel partner sites as part of its Safe Travels Program, the Island began to allow travelers from Pacific markets like Japan, South Korea, Tahiti, and the Philippines. In North America, Canada has been included. The aim to attract tourists from markets with robust vaccination rates will drive faster international air traffic recovery. As of late September, the CDC mentioned that the U.S. will accept entry for travelers who have been fully vaccinated with any COVID-19 vaccine authorized by the U.S. or the World Health Organization (WHO). This trend will depend on which vaccines worldwide are recognized as "approved" vaccines for foreign visitors and how the visitor's origin country reciprocates its travel entry policies, especially when its citizens/residents re-enter from the U.S. As of October 7, the WHO had approved seven (6) vaccines worldwide including Moderna, Pfizer-BioNTech, Johnson & Johnson, AstraZeneca, Sinopharm, and Sinovac[19]. While all the other markets' residents have access to the WHO-approved vaccines, only two out of the four vaccines available in Mainland China are approved.

The table below in Exhibit 2-29 summarizes the list of approved vaccines at top Hawaii visiting markets and the most recent proportion of its population that has been fully vaccinated with a COVID-19 vaccine. Among the top international visitor markets to Hawaii, Mainland China has the highest fully vaccinated share of its population at 86 percent, followed by South Korea and Japan at 82 and 79 percent, respectively, as of January 4, 2022. Hawaii has announced achieving at least 74 percent of its residents being fully vaccinated, compared to the U.S. proportion of 62 percent.

Exhibit 2-29: Approved Global Coronavirus Vaccines and Percent of Population Fully Vaccinated

Market	Brands of Vaccines Available	Accepted Vaccines by U.S. CDC*	Share (%) of Population Fully Vaccinated
United States	Johnson & Johnson, Moderna, Pfizer-BioNTech	All	62
Hawaii	Johnson & Johnson, Moderna, Pfizer-BioNTech	All	74
Mainland China	CanSino, Sinopharm, Sinovac, ZF2001	Sinopharm, Sinovac only	86
South Korea	Johnson & Johnson, Moderna, Pfizer-BioNTech, AstraZeneca	All	82
Japan	Moderna, Pfizer-BioNTech, AstraZeneca	All	79
Australia	AstraZeneca, Moderna, Pfizer-BioNTech	All	78
New Zealand	Pfizer-BioNTech, AstraZeneca	All	78

Source: NY Times (updated January 4, 2022), Our World in Data, State of Hawaii Department of Health (updated January 3, 2022), ICF *analysis.*
Note: Subject to change as governments update their Emergency Use listings (EUL)and approval lists for international arrivals.
** Includes vaccines listed for EUL by the WHO;*
https://www.cdc.gov/coronavirus/2019-ncov/travelers/proof-of-vaccination.html#covid-vaccines/

The recent announcements that the State is aligning its policy to federal international travel regulations are important and beneficial steps toward re-enabling travel to the U.S. and Hawaii with a standard and cost-effective set of safety protocols. Fully vaccinated non-U.S. citizens who arrive on a nonstop international flight to Hawaii are not required to enroll in Safe Travels and must provide a negative COVID-19 test result (either as a PCR/NAAT or antigen test) to bypass quarantine restriction periods upon arrival. Aside from the natural pent-up demand for Hawaii in international markets, increases global vaccination rates, and Hawaii remaining a safe and popular tourist destination, airline cooperation and business development initiatives also remain key contributing elements to support the facilitation for all travel and instill passenger confidence over the near-term.

[19] Listed on the WHO website, https://www.who.int/emergencies/diseases/novel-coronavirus-2019/covid-19-vaccines/

2.6 DBEDT Economic and Visitor Forecast

On August 26, 2021, the Hawaii Department of Business, Economic Development and Tourism (DBEDT) developed the State's view regarding Hawaii's economic recovery including visitor arrivals over the next several years based on historical experience and several health, demographic, economic, and financial assumptions. ICF has not independently reviewed or verified the underlying basis of these forecasts and provides no opinion regarding the reasonableness of these forecast outputs. These forecasts are being used by a range of State agencies in their planning for the coming years. ICF has also reviewed traffic recovery projections assumed by industry trade associations, bond rating agencies, and other industry participants. Based on this review, ICF formulated the basis for modeling several hypothetical passenger traffic scenarios for the Hawaii Airports System to consider as the possible impact to air travel to/from and within Hawaii and the implications for the financial position of the Hawaii Airports System.

According to DBEDT's Outlook for the Economy, as previously referenced in Section 2.2 of this Report, population declined marginally by 0.3 percent in 2020 and is expected to grow by 0.1 percent in 2021 and 2022, then increase by another 0.3 percent in 2023 and by 0.2 percent in 2024. Subject to a range of assumptions developed by the State, Hawaii's economic growth rate, as measured by real GDP, is expected to increase marginally by 2.7 percent in 2021, and will then increase by 2.8 percent and 2.1 percent in 2022 and 2023, respectively. Exhibit 2-30 shows a summary of the relative short-term forecast outputs for the period CY 2021 to CY 2024.

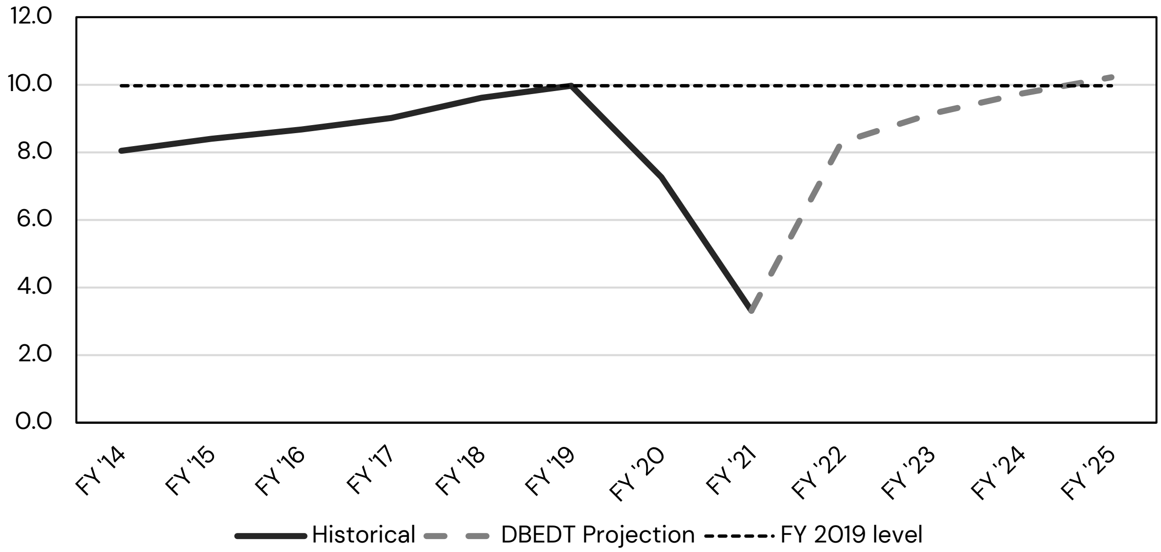
Exhibit 2-30: Hawaii Forecast of Key Economic Indicators, CY 2019-2024

Economic Indicators	2019A	2020A	2021F	2022F	2023F	2024F
Total Population (000s)	1,459	1,455	1,457	1,459	1,463	1,466
Real Personal Income (millions of 2012$)	61,855	65,210	64,073	62,496	63,077	63,819
Real Gross Domestic Product (millions of 2012$)	82,471	75,863	77,900	80,059	81,744	83,373
Gross Domestic Product Deflator (2012 = 100)	116.1	118.4	121.5	124.3	126.7	128.3

Source: DBEDT, August 26, 2021

According to DBEDT, the State welcomed 3.31 million visitors in FY 2021, a decrease of 66.7 percent from its FY 2019 level. When one compares the second quarter of CY 2020, (the first full quarter of the pandemic) which totaled 30,700 visitors, to the same quarter in 2019, one sees that the State declined 98.8 percent in visitor traffic. Total visitor arrivals are expected to reach its 2019 level in FY 2025 based on the assumptions underlined, which incorporates the pace seen following the 2009 great recession. Along with fewer visitor arrivals to the islands, the State anticipates visitor spending to decrease more during the next few years due to decreased daily spending. The following Exhibit 2-31 depicts the expected near-term phased recovery of visitor arrivals, projecting 8.29 million in FY 2022, 9.14 million in FY 2023, and 9.73 million in FY 2024, where its recovery to FY 2019 levels will reach 92 percent. ICF's traffic forecast (seen in Section 2.8) considered inputs that were derived, in part, from the DBEDT visitor forecast.

Exhibit 2-31: Hawaii Visitor Arrivals by Air – DBEDT Quarterly Tourism Forecast (in millions), Fiscal Years ended June 30, 2014-2025



Source: DBEDT forecast, August 26, 2021.

2.7 Forecast Risks

Any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between ICF's forecast and actual results, and those differences may be material. While the traffic and visitor forecasts are based on historical data and future assumptions that ICF believes are reasonable, some of the underlying assumptions that are detailed explicitly or implicitly may not materialize due to unforeseen events or circumstances. Some uncertainties to the forecasts include:

- National and global economy;
- Hawaii as a top global tourism destination;
- Airline industry status;
- Future jet fuel prices;
- Changes in air travel propensities; and
- Other general factors.

2.7.1 National and Global Economy

Economic cycles are among the primary factors affecting air traffic levels at the Hawaii Airports System. During the Great Financial Crisis, the number of enplaned passengers declined from 17.5 million in FY 2008 to 14.8 million in FY 2009, driven by the economic recession as well as changes in airline service due to airline bankruptcies. The related economic indicators, such as unemployment rate and real disposal income in the U.S., strongly correlate to the changes in the number of visitors from the U.S. mainland to Hawaii. Most recently, there has also been growing market concerns surrounding inflation, supply chain and labor shortages across the country and the world, which may impact future air traffic levels.

In addition, the economic condition in Japan and other countries in the Pacific Rim, as well as the exchange rates, affect Hawaii's air traffic levels. In FY 2019, international enplaned passengers accounted for 17.3 percent of system-wide enplaned passengers. In July 2021, The Bank of Japan forecasted that Japan's GDP would grow between 3.5 to 4.0 percent in FY 2021 (a downgrade from 3.6 to 4.4 percent in its forecasts from April 2021), between 2.6 to 2.9 percent in FY 2022, and between 1.2 to 1.4 percent in FY 2023. An unexpected decline in Hawaii, national, or global economies or unfavorable changes in exchange rates may negatively affect the forecast air traffic level.

2.7.2 Hawaii as a Top Global Tourism Destination

In FY 2019, over 60 percent of enplaned passengers at the Hawaii Airports System came from overseas destinations, largely because Hawaii is a top global tourism destination. Therefore, the State's ability to continue developing tourism infrastructure, and attractions and to market Hawaii as a destination for global travelers is a key factor in affecting air traffic levels. Developments of additional infrastructure and tourism facilities, especially on the islands of Maui, Hawaii, and Kauai, may attract additional or repeat visitors. In addition to sustain growth in tourism, the Hawaii Tourism Authority developed its Destination Management Action Plan (DMAP) among the island communities for the upcoming 2021-2024 period. This community-based tourism management plan is a guide to rebuild, redefine and reset the direction of tourism on each island, where accelerated efforts are underway to manage tourism in a regenerative manner via partnerships with residents and their respective counties. DMAP will ensure advocation for solutions to overcrowded attractions, and proper mitigation efforts to include responsible agencies to improve natural and cultural assets valued by both residents and visitors.

2.7.3 Airline Industry Status

The realization of air traffic forecast depends on the supply of air service, the airlines' willingness and ability to provide air seats at certain price levels, and market demand, the travelers' willingness and ability to travel to Hawaii. According to the U.S. Department of Transportation, U.S. passenger airlines had a combined operating profit of $5.7 billion in 2000 and an operating loss of $10.4 billion in 2001 as a result of the September 11th terrorist attack and the ensuing economic recession. The operating result improved to a profit of $6.7 billion in 2007 before declining to a loss of $5.6 billion in 2008. The airline industry's profitability has since gradually improved, due largely to improving economy and capacity disciplines, leading to an operating profit of $28.0 billion in 2015. During the economic downturns, many airlines reduced their capacity and/or went bankrupt.

In 2009, interisland enplaned passengers at the Hawaii Airports System declined from a peak of 9.0 million in 2007 to a trough of 6.8 million, due partially to the bankruptcy of Aloha Airlines and reduced competition since. Changes in airline profitability, fare level, and consolidation will continue to affect the air traffic level at the Hawaii Airports System. Among other issues over the past decade, Alaska Air Group Inc., parent company of Alaska Airlines, announced a merger with Virgin America Inc., and determined on March 22, 2017 to operate all Virgin America flights under the Alaska Airlines' brand name starting in 2018. This change may lead to the elimination of duplicate routes to Hawaii. In FY 2017, Virgin America accounted for 1.0 percent of system-wide enplaned passengers. Further airline consolidations may happen, and their effect on the forecasted air traffic level is uncertain.

2.7.4 Future Jet Fuel Prices

According to the U.S. Department of Transportation, the costs of jet fuel accounted for more than one-quarter of operating expenses for U.S. airlines. The Bureau of Transportation Statistics reported that average domestic jet fuel prices per gallon increased to as high as $3.69 in July 2008, and declined to as low as $1.07 in May 2020. Fluctuating jet fuel prices, as well as the availability of jet fuel, will continue to affect the forecasted air traffic level at the Hawaii Airports System.

2.7.5 Changes in Air Travel Propensity

Technology development and other changes may affect the propensity of air travel in the future. Historically, those concerns have focused on issues such as electronic communication, video conferencing, and other technologies that may reduce the need for business travel. The recent developments of virtual reality, drones, and remote-controlled cameras may also lead to a reduction in the willingness to engage in personal travel.

In addition, the development of alternative transportation modes may affect air travel propensity. The potential implementation of Hyperloop, driverless cars, or personal flying equipment may divert traffic from commercial airports, although it is a lesser concern for the State due to the nature of its being an island. However, an interisland ferry service at a commercially viable price may affect the air traffic level at the Hawaii Airports System. As of the date of this Report, there is no known plan to expand interisland ferry service, and the feasibility of developing such services is unknown.

2.7.6 Other General Factors

Many other factors could affect the realization of the air traffic forecast, including:

- Aviation security and terrorist attack;
- Global pandemics and quarantine policies;
- Governmental foreign or economic policy;
- Latest immigration and travel ban from the current administration;
- Issuance of visitor visas to the U.S.;
- Cybersecurity;
- Environmental regulation and cost implication;
- Climate change;
- Natural disaster or accident;
- Individual airline route decisions; and
- Airport capacity limitation

In general, it is assumed that, during the forecast period, no unfavorable event will occur that will materially and negatively affect the air traffic level forecast in this Report.

2.8 Passenger Traffic Forecast

To evaluate the financial impacts of the proposed issuance of the 2022 Bonds, ICF developed the following traffic forecast that has been reviewed and agreed to by the Airports Division management. Aside from actual events and historic recovery patterns analyzed in the recent past for the Hawaii market, ICF included assumptions behind the continuation of a Safe Travels program through December 2021 on domestic and interisland passenger segments and a gradual easing of strict quarantine orders and border restrictions for foreign visitors in the international overseas segments starting 1Q 2022, where international trans-Pacific traffic begins its recovery trend.

Based on our review of traffic recovery projections assumed by industry trade associations, bond rating agencies, and other industry participants, ICF's traffic forecast results in a 5.5-year recovery, where total enplaned passengers of the Hawaii Airports System will reach FY 2019 levels by FY 2025. It is assumed that domestic enplanements will recover prior to the foreign overseas segment. Also, Southwest's expansive role in the Hawaii aviation market, Hawaiian Airlines competing with other U.S. and foreign carriers across all of its trans-Pacific and interisland segments, and the State remaining a safe and highly sought global tourist destination are long-term drivers that will contribute to continued growth, consistent with historic pre-pandemic levels. The total enplaned passenger count is forecast to rebound to 75.6 percent of the FY 2019 level in FY 2022, 84.3 percent in FY 2023, and 105.9 percent in FY 2027.

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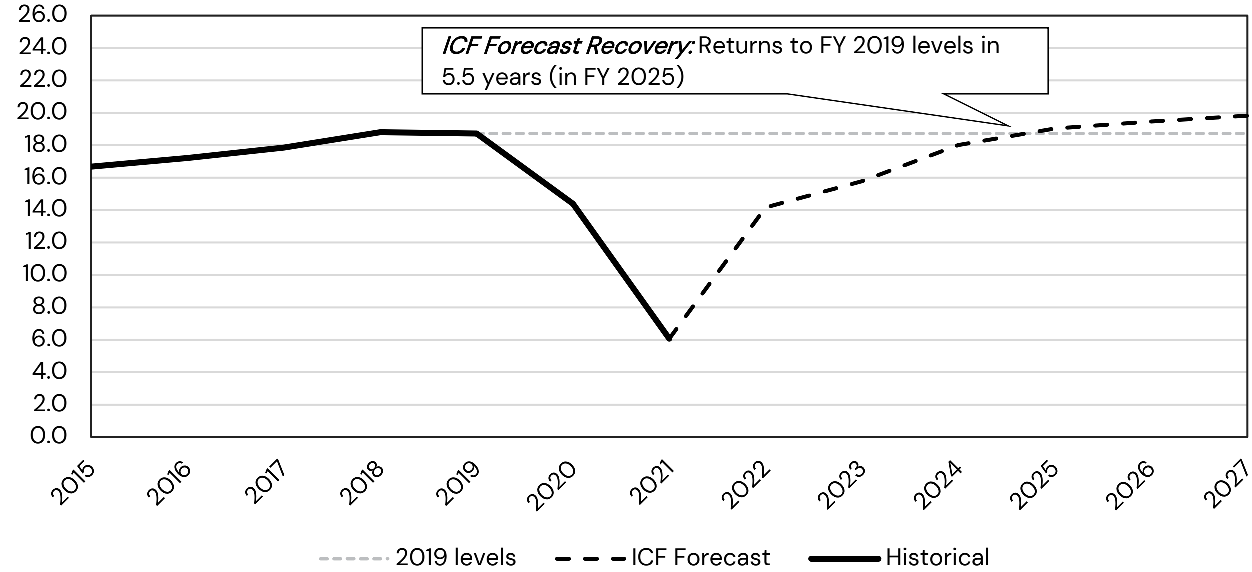
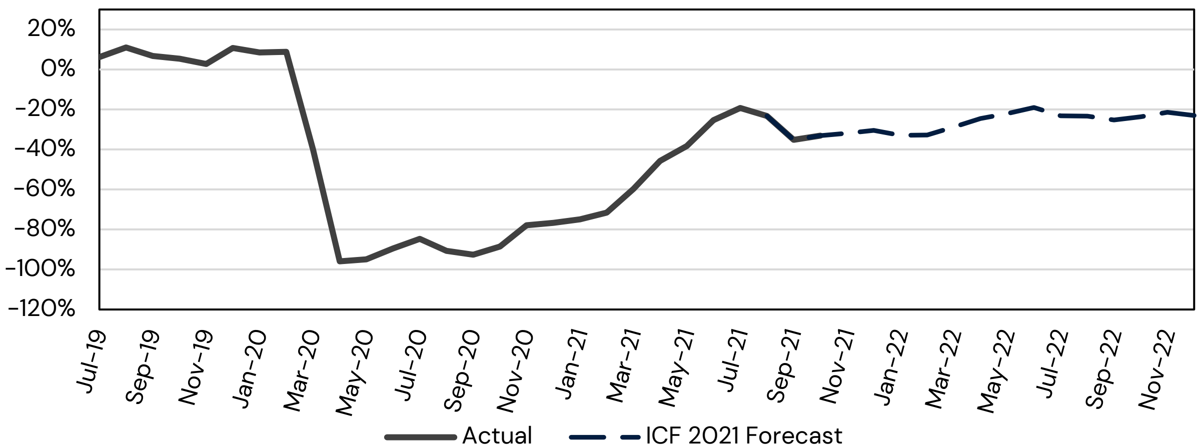
Exhibit 2-32: Hawaii Airports System Enplaned Passenger Historical & Forecast (in millions), Fiscal Years Ended June 30, 2015-2027



	Fiscal Year (Ended June 30)	ICF Traffic Forecast Epax (000s)	Annual % Change	% vs FY 19
Actual	FY 2016	17,215	3.2%	91.9%
	FY 2017	17,859	3.7%	95.4%
	FY 2018	18,806	5.3%	100.4%
	FY 2019	18,727	-0.4%	100.0%
	FY 2020	14,392	-23.2%	76.8%
	FY 2021	6,069	-57.8%	32.4%
Forecast	FY 2022	14,164	133.4%	75.6%
	FY 2023	15,779	11.4%	84.3%
	FY 2024	18,015	14.2%	96.2%
	FY 2025	19,029	5.6%	101.6%
	FY 2026	19,470	2.3%	104.0%
	FY 2027	19,825	1.8%	105.9%

Note: Epax = enplaned passengers
Source: Actual enplanement figures for FY 2012 to FY 2021 – Airports Division. Forecast – Airports Division and ICF.

Exhibit 2-33: Short-Term Monthly Enplaned Passengers – ICF Traffic Forecast



Note: Percentage data points show the ratio of enplanements to the volumes seen in the respective month in CY 2019 (i.e., December 2021 vs December 2019).
Source: ICF forecast.

A range of factors may cause the traffic results to be materially higher or lower, especially in FY 2022. Those factors may include further virus spread and mutations, the ineffectiveness of current COVID vaccines, the Governor re-implementing restrictions related to concerns of hospital bed/intensive care unit (ICU) capacity limits, a negative effect on the economy and travel patterns, U.S. governmental actions, foreign policies and travel restrictions, airline bankruptcy, and airline competitiveness and network decision-making, among others.

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3. Financial Framework

The State owns the Hawaii Airports System, which it operates through the Airports Division as an enterprise fund. The financial operations of the Hawaii Airports System are governed by federal, State, and local rules and regulations, as well as by contractual arrangements that the Department has executed with airport users and other parties. Key elements of the financial framework include:

- State Regulations
- The Certificate
- The Airline Agreement
- Commercial Agreements
- Other Agreements

The Airports Division is one of the operating branches of the Department and follows the same State rules and regulations governing all State agencies. The Airports Division has no contracting power and relies on the Department to issue bonds or execute contracts on behalf of the Airports Division. Legislative bills can be proposed during the annual legislative session and passed by the Governor to directly impact the operations of the Hawaii Airports System, so long as the bill does not violate existing contractual arrangements.

The Certificate provides for conditions and covenants that the Department must follow for existing bonds of the Airports Division and for future bonds to be issued. The Airline Agreement provides a hybrid residual airline ratemaking methodology, which ensures that the financial covenants of the Certificate are met. Although the Airline Agreement can be canceled by either the Department or the Signatory Airlines with 60-day advance notice, it has been automatically extended quarterly since 1997 and is assumed to be extended throughout the forecast period. Commercial agreements affect the Airports Division's ability to generate non-airline revenues and may affect the level of airline rates and charges. The subordinate bond document governs the use of Revenues and Aviation Fuel Taxes after the obligations under the Certificate are fulfilled, and the special facility bond documents govern the use of incomes other than the Revenues and Aviation Fuel Taxes.

3.1 State Rules and Regulations

Existing State laws, rules, and regulations are provided through the Hawaii Constitution, Hawaii Revised Statutes, Hawaii Administrative Rules, and session laws. The Legislature includes the Hawaii State House of Representatives, consisting of 51 members, and the Hawaii State Senate, consisting of 25 members. Each year, the Legislature convenes from the third Wednesday in January for a session of no longer than 60 working days. From time to time, special sessions may be organized to address specific issues. The Legislature has broad powers in affecting all aspects of the Airports Division's operations so long as the action does not violate existing contractual obligations.

3.1.1 Appropriation of Operating Budget and Capital Budget

In each odd Fiscal Year (such as FY 2021), the Airports Division prepares a biennium budget covering the following two Fiscal Years (such as FY 2022 and FY 2023) and including (a) an operating budget for operating expense, debt service, and other fund deposits and (b) a capital budget for capital expenditures. The Airports Division submits the biennium budget to the Department; it becomes part of the executive budget of the Governor. The budget preparation is governed by HRS Title 5, Article 37, Part IV: the Executive Budget. No less than 30 days before the convening date of the Legislature, the Governor submits the executive budget to the Legislature. During the legislative session, the Legislature reviews and revises the executive budget and prepares the appropriation for the executive budget, along with other bills in the regular sessions, for the Governor's approval. Under Article III, Section 16 of the Hawaii Constitution, the Governor may approve or veto a bill or take no action that would turn the bill into a law after 10 days.

Upon the Governor's approval, the appropriation forms the spending ceiling of the Airports Division for the Fiscal Years. Certain adjustments can be made if airport internal cash, which the State refers to as "the special fund," is available.

The appropriation for operating costs includes operating expenses, debt service payments, and other amounts for operating costs, and the number of approved positions. The appropriation is organized by expense categories, such as payroll, other expenses, equipment, motor vehicles, or lease financing, and by locations, such as HNL or OGG. The Airports Division can reallocate appropriations across certain categories, subject to completion of a staff study. Any appropriation for operating costs will lapse at the end of the Fiscal Year unless it is encumbered under a specific contract. In addition, the appropriation does not include any non-cash accrued liabilities or inter-government transfers and therefore is not directly comparable to operating expenses following generally accepted accounting principles (GAAP).

The appropriation of capital investment costs specifies the total costs and funding sources for each capital project. A bond appropriation serves as the State's approval to issue bonds for a project. Among other considerations and actions, to use the capital appropriation, the Airports Division must submit an allotment request to the Office of the Governor; it can advertise the project after the Governor's approval. Appropriations for a project will expire at the end of the next biennium budget cycle unless encumbered under a contract; appropriations including federal funding sources have long durations before expiration. The Airports Division may supplement the capital appropriations using internal cash subject to the Governor's approval but cannot revise the bond appropriations without additional legislative approval.

In each even Fiscal Year (such as FY 2022), the Airports Division submits a supplemental budget for the second year of the biennium cycle (such as for FY 2023). Upon approval, it is added to the existing appropriations.

3.1.2 Central Service, State Surcharge, and Grandfathered Payments

As part of the State government, the Airports Division receives services from other State offices and agencies. Such services include, among others:

- Department of Accounting and General Services for payroll and other payment processing;
- Department of Agriculture for agriculture inspection (fruits and vegetables are prohibited on overseas flights);
- Department of Attorney General for legal services;
- Department of Budget and Finance for bond issuance, budget preparation, financial management, and fund investment;
- Department of Business, Economic Development & Tourism for bond issuance and economic forecast;
- Office of the Governor for administrative services;
- Department of Human Resources Development and Human Services for hiring and all other human resource management services;
- Department of Land & Natural Resources for lease review;
- Legislature;
- Department of Public Safety for sheriff services; and
- Department of Transportation, of which the Airports Division is an operating branch.

Other than certain direct reimbursements for services provided, the Airports Division makes payments to the State's general fund for central service expenses, known as the State Surcharge. The State Surcharge is provided under HRS Section 36-27 to defray government central service expenses in relation to all special funds. It is calculated as 5 percent of all receipts excluding debt service payments.

The State Surcharge is implemented prior to the Policy and Procedures Concerning the Use of Airport Revenue published in 1999 and is a grandfathered revenue diversion. However, Title 49 United States Codes Section 47115(f) provides that the Secretary of the United States Department of Transportation (the USDOT) shall consider the revenue diversion when distributing discretionary grants if the related amount exceeds the 1994 actual amount adjusted for inflation. The inflation-adjusted amount was $14.7 million in FY 2019 and increased to $15.6 million in FY 2021.

Due to increasing revenues from the Hawaii Airports System, the calculated State Surcharge using 5 percent of receipts net of debt service was higher than the inflation-adjusted amount in FY 2019. Although there is no statutory requirement, the Airports Division decided to limit the amount of the State Surcharge in FY 2019 to $14.7 million and plans to follow the limitation during the forecast period.

3.1.3 Other State Regulations

The Legislature has broad powers in affecting all aspects of the Airports Division's operations, so long as the action does not violate existing contractual obligations. The Office of the Governor can also affect the Airports Division's operations through executive actions. Historically, such actions have included, for example:

- Waiver of landing fee during economic downturn;
- Rent relief provided to concession operators during economic downturn;
- Permission to extend concession contract terms in exchange for capital investment commitment;
- Revision of aviation fuel tax and fuel tax credits;
- Establishment of Customer Facility Charge (CFC) and increase in CFC level; and
- Temporary suspension of CFC collection prior to adoption of CFC indenture.

In the previous legislative sessions, legislation was introduced that proposed establishing an independent airports corporation to assume operations of the Airports System from the Airports Division. This legislation was not approved and has not been enacted. The Department cannot predict at this time whether any such legislation will be enacted in the future. Although the Constitution of the United States contains prohibitions against the impairment of contracts, the Department cannot predict what impact, if any, such legislation would have on the operations of the Airports System or the availability of Revenues or Aviation Fuel Taxes.

3.2 The Certificate

The Certificate sets out the annual revenue requirement (the Rate Covenant), the terms and conditions for the Department to issue additional bonds (the Additional Bond Test), the application of Revenues and Aviation Revenues (also known as the flow of funds), and other covenants of the Department for the operation of the Undertaking (the Hawaii Airports System).

3.2.1 Rate Covenant

The Rate Covenant is specified in Section 7.02 of the Certificate. It requires the Department to, among other things:

1. Impose, prescribe, and collect rates, rentals, fees, or charges so that Revenues and Aviation Fuel Taxes will be sufficient to at least:

- Make the required payments of the principal of and interest on all Bonds, including reserves therefor, and the payment of all other indebtedness payable from Revenues and Aviation Fuel Taxes;
- Pay the Costs of Operation, Maintenance and Repair of the Undertaking, including reserves therefor; and
- Reimburse the State's general fund for general obligation bonds which are or shall have been issued for the Undertaking (none outstanding as of FY 2021) and carry out the Certificate's provisions and covenants.

2. Yield Net Revenues and Taxes, along with that amount of unencumbered funds on deposit in the Airport Revenue Fund on the last day of a Fiscal Year which the Department shall certify as Revenues to the Director of Finance, to be equal to at least one and twenty-five hundredths (1.25) times the Annual Adjusted Debt Service Requirement.

The former test is referred to as the "flow test" and the latter as the "coverage test."

Revenues includes all income, revenues, and moneys that the State derived from the ownership by the State or operation and management by the Department or the furnishing and supplying of the services, facilities, and commodities, including interest earnings on certain funds. Revenues does not include PFC revenues unless specifically provided through a supplemental certificate, nor does Revenues include CFC revenues. Aviation Fuel Taxes are levied pursuant to HRS at a half-cent per gallon and a majority of the Aviation Fuel Taxes are credited to the landing fee according to certain reimbursement procedures. In FY 2020, Aviation Fuel Taxes were $2.2 million, and $1.6 million was credited back to the airlines.

An amendment to the Certificate has been effective starting FY 2020 and defined the Costs of Operation, Maintenance and Repair. These costs generally include all expenses of the Department incurred for the operation and maintenance of the Hawaii Airports System, including, among other items, the State Surcharge and reimbursement to State agencies including the DOT, and excluding, among other items, any amount of pension and other post-retirement benefits expenses exceeding the amount that the Department deposits to the State funds for the proportional share related to the Hawaii Airports System. The exclusion of such non-cash items from FY 2020 forward has been reflected in Exhibit E as a reduction to gross operating expenses.

The Airports Division no longer has general obligation bonds requirements and does not expect to incur such obligations in the future.

Net Revenues and Taxes include the aggregate of the Revenues and Aviation Fuel Taxes, excluding (i) the Costs of Operation, Maintenance and Repair, (ii) the credit to the Debt Service Reserve Account, (iii) the credit to the Major Maintenance, Renewal, and Replacement Account (MMRRA), and (iv) reimbursement for general obligation bonds.

For Rate Covenant purposes, the Airports Division has established an internal account – the Funded Coverage Account – to serve as the "unencumbered funds on deposit in the Airport Revenue Fund on the last day of a Fiscal Year which the Department shall certify as Revenues to the Director of Finance." The Airports Division has been maintaining the fund balance at approximately 25 percent of gross debt service net of capitalized interest, but has not released the funds after the gross debt service in FY 2021 and FY 2022 was reduced as a result of the bond refunding in 2020. There is no limitation on the amount in the Funded Coverage Account for purposes of the Rate Covenant.

The Annual Adjusted Debt Service Requirement means the Debt Service Requirement net of (i) the amount of Available PFC Revenues deposited or irrevocably committed to be deposited and (ii) the amount of Federal Direct Payments deposited or irrevocably committed to be deposited as provided in a Supplemental

Certificate. The Airports Division plans to continue committing Available PFC revenues but does not plan to include PFC revenues as Revenues or receiving Federal Direct Payments.

For purposes of this Report, Debt Service Coverage Ratio is defined as Net Revenues and Taxes, along with the forecast balance in the Funded Coverage Account, divided by the Annual Adjusted Debt Service Coverage. A Debt Service Coverage Ratio of 125 percent implies that the coverage test of the Rate Covenant has been met for the Fiscal Year.

3.2.2 Application of Revenues

So long as any Bonds remain Outstanding, Revenues and Aviation Fuel Taxes must be deposited to the Airport Revenue Fund and applied pursuant to Section 6.01 of the Certificate in the following order, shown in Exhibit 3-34:

1. Payment of the costs of Operation, Maintenance and Repair, including reserves and certain administrative expenses of the Department related to the Airports System;
2. Transfers to the Interest Account, Serial Bond Principal Account, Sinking Fund Account, and Debt Service Reserve Account for the payment of debt service on Bonds;
3. Transfers to the MMRRA to make up any deficiencies in the accounts listed above and to maintain the balance established pursuant to the recommendation of the Consulting Engineer;
4. Transfers to the State General Fund to reimburse the State General Fund for debt service;
5. Betterments and improvements to the Airports System;
6. Any special reserve funds and other special funds created by law; and
7. Any other lawful purpose in connection with the Bonds or the Airports System.

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Exhibit 3-34: Flow of Funds

Priority	Fund / Account	Purpose
	Revenue Fund	Depository for Revenues and Aviation Fuel Taxes
1	**Costs of Operation, Maintenance and Repair**	To pay the Costs of Operation, Maintenance and Repair
2	**Annual Adjusted Debt Service Requirement**	To pay Bond obligations, net of adjustments (a)
	Interest Account	
	Serial Bond Principal Account	
	Sinking Fund Account	
	Debt Service Reserve Account	
3	**Major Maintenance, Renewal and Replacement Account**	To maintain a balance determined by the Department
4	**General Fund Reimbursement**	To reimburse the State for related general obligation bonds
5	**Betterments and Improvements**	To provide for betterments and improvements
6	**Special Reserve and Other Funds**	To provide such special reserve funds and other special funds
7	**Other Purposes**	To be used for any other lawful purposes

(a) Net of Available PFC Revenues, among other exclusions.
Source: The Certificate.

The Certificate does not set a reserve for the Costs of Operation, Maintenance and Repair. Instead, the Airline Agreement requires the Airports Division to reserve cash equaling 25 percent of annual operating and maintenance expenses at the beginning of a Fiscal Year. The Airports Division has established an internal account, referred to as the O&M Reserve Account, to withhold 25 percent of annual appropriation of operating costs, net of debt service. Because the O&M Reserve Account is established under the Airline Agreement rather than the Certificate and is initially funded from internal cash instead of Revenues and Aviation Fuel Taxes, the related deposit requirement is not included in the Application of Revenues as the highest priority. Similarly, the credit to the Funded Coverage Account is not shown separately in the Application of Revenues.

In recent years, the Airports Division has maintained an MMRRA balance of $60 million based on the Consulting Engineer's recommendations. For repair and maintenance, the Airports Division expects to rely primarily on the operating costs or the capital appropriations instead of paying out of the MMRRA.

3.2.3 Additional Bond Test

The proposed 2022 Bonds are to be issued as Additional Bonds under the Certificate. The Certificate sets out the conditions for issuing Additional Bonds if either a historical coverage test or a prospective coverage test is met:

The historical coverage test requires Net Revenues and Taxes, plus certain unencumbered funds, for the most recent Fiscal Year with audited financial statements, to be at least 125 percent of the maximum aggregate Annual Adjusted Debt Service Requirement, taking into consideration the Outstanding Bonds and the proposed bonds, such as the 2022 Bonds. The amount of unencumbered funds is limited to no more than 25 percent of the applicable Annual Adjusted Debt Service Requirement;

The perspective coverage test requires two additional tests:

The Rate Covenant is met for the most recent Fiscal Year for which the audited financial statements are available; and

For each of the three Fiscal Years following the Period of Construction of the project(s) to be financed with the Additional Bonds: the Consulting Engineer estimates that annual Net Revenues and Taxes and certain unencumbered fund balances will be not less than 125 percent of the Annual Adjusted Debt Service Requirement for each of those three Fiscal Years, provided the Rate Covenant is also estimated to be met during each of those three Fiscal Years.

The financial forecasts included in this Report reflect the Airports Division's intention to issue the Future Bonds beyond the 2022 Bonds to fund the CIP. This Report does not demonstrate compliance with the Additional Bond Test under the Certificate. The Airports Division expects to meet the requirements of the Additional Bond Test through a separate certificate.

3.3 The Airline Agreement

The Airline Agreement was initially executed in 1962 and has had multiple subsequent amendments. The Airline Agreement is extended automatically on a quarterly basis unless either the Department or the Signatory Airlines provides 60 days' written notice of termination to the other party. For purposes of this Report, it was assumed that the Airline Agreement exists in its current form throughout the forecast period. Exhibit 3-35 lists Signatory Airlines that have operated in the Hawaii Airports System in FY 2021; they collectively accounted for approximately 92.7 percent of the landing fee revenues in FY 2021. Due to the impact of the COVID-19 pandemic, several international carriers have suspended services during FY 2021 and have not resumed as of December 2021. These carriers include Air New Zealand, AirAsia X Berhad, China Airlines, Jetstar Airways, and Jin Air. Fiji Airways and Qantas Airways have resumed scheduled service in December 2021. Korean Air finalized its merger with Asiana Airlines in June 2021 and resumed scheduled service to Seoul-Incheon in November 2021.

Exhibit 3-35: Signatory Airlines (as of FY 2021)

Aeko Kula Inc.	Federal Express Corp.	Qantas Airways Ltd.
Air Canada	Hawaiian Airlines Inc.	Southwest Airlines, Co.
Alaska Airlines Inc.	Japan Airlines	United Airlines Inc.
All Nippon Airways Co Ltd.	Kalitta Air LLC	United Parcel Service Co.
American Airlines	Mokulele Flight Service Inc.	WestJet
Atlas Air Inc.	Northern Air Cargo	
Delta Air Lines Inc.	Philippine Airlines Inc.	

Source: Airports Division.

3.3.1 Ratemaking Methodology

The 2007 Extension provides hybrid residual ratemaking methodologies for setting airline rates and charges. Costs of Operation, Maintenance and Repair, Annual Adjusted Debt Service Requirements, fund deposits, subordinate obligations, and revenue credits are allocated to each of the following cost centers:

1. Airfield Cost Center, which comprises the airfields of every airport in the Hawaii Airports System
2. Terminal Cost Centers
    a. Honolulu International Airport Terminal Cost Center, which includes Terminal 1 and Terminal 2;
    b. Kahului Airport Terminal Cost Center;
    c. Kona International Airport at Keyhole Terminal Cost Center;
    d. Lihue Airport Terminal Cost Center; and
    e. Hilo International Airport Terminal Cost Center.
3. Remaining costs are related to all other cost centers of the Hawaii Airports System, including parking, rental car, cargo, and maintenance, among other activities; this Report refers to them collectively as the Non-Airline Cost Center

Landing fee rates are calculated on a cost center residual basis and apply to airfields of all airports in the Hawaii Airports System. The Airfield Requirement includes direct and indirect operating expenses, debt service, deposits to the MMRRA, and the O&M Reserve Account. After a credit from the non-signatory landing fee, the Net Airfield Requirement is divided by Total Landed Weight to calculate the landing fee rate, which takes into consideration the Interisland Rate. The Interisland Rate is a discount ratio applied to the landing fee rates and certain terminal user fees for interisland operations, set at 36 percent for FY 2008 and increasing by one percentage point annually until it reaches 100 percent. In FY 2022, the Interisland Rate is 51 percent, resulting in an interisland landing fee rate of $2.40 per 1,000 pounds of landed weight, compared to an overseas landing fee rate of $4.79.

Terminal rental rates are calculated separately for each of the five Primary Airports on a cost center residual basis, except that only 50 percent of the net costs at ITO are recovered unless ITO's enplaned passenger count reaches 2.0 million annually. In FY 2021, ITO's enplaned passenger count was 211,500.

The Terminal Requirement for each terminal cost center includes direct and indirect operating expenses, debt service, deposits to the MMRRA, and the O&M Reserve Account. The Net Terminal Requirement reflects the credit from annual terminal concession revenues; it is divided by airline Leased Space at each terminal cost center to calculate terminal rental rates. Duty-free revenues are credited to the calculation of the HNL terminal rental rate.

The 2007 Extension provides for the calculation of Airports System Support Charges (ASSC), which serves as a residual safety net for the Hawaii Airports System. To the extent that all other airline revenues and non-airline revenues are inadequate to cover all obligations, the ASSC would be implemented to ensure compliance with the Rate Covenant. A net ASSC Requirement less than zero implies that the Airports Division has generated an operating surplus from the operation of the Non-Airline Cost Center, which the Airports Division can use for any lawful purpose, including funding the CIP. The Interisland Rate applies to the calculation of the ASSC Rate.

In addition, the 2007 Extension and subsequent revisions provide the following terminal user fees calculated separately for each of the five Primary Airports. The Interisland Rate applies to all terminal user fees at ITO, LIH, KOA, and OGG, but not at HNL. Due to the impact of the COVID-19 pandemic, the Airports Division has not granted preferential holdrooms in FY 2021 and FY 2022; all holdrooms are on a joint-use basis.

- Joint Use Holdroom Charges are calculated as the product of the Terminal Rental Rate and the square footage of Joint Use Holdrooms, divided by enplaned passengers using the Joint Use Holdroom;
- Joint Use Baggage Charges. Pursuant to a letter agreement between the Department and the Signatory Airlines, the baggage-related charge is further separated into two charges:
    - The previous "Joint Use Baggage Charges" is renamed "Joint Use Baggage Claim Charges" and is calculated as the product of the Terminal Rental Rate and the related square footage, divided by the annual number of bags processed through the Joint Use baggage claim area; and
    - A Joint Use Baggage Makeup Charge is established to accommodate Joint Use baggage makeup operations at the HNL Overseas Terminal. It is applied to the number of bags processed through the Joint Use baggage makeup area;
- International Arrivals Building Charges are calculated as the product of the applicable Terminal Rental Rate and the square footage of the international arrivals area of the Airports System, divided by Deplaned International Passengers who use the international arrivals area. Both HNL and KOA have an international arrivals area;
- Common Use Ticketing Position Charges, which has not been implemented; and
- Common Use Passenger Processing Systems Charges, which has not been implemented.

Rental rates for commuter terminals and other non-terminal buildings or terminal building at Non-Primary airports are established pursuant to the Airports Division Procedures 4.5 through appraisal. The landing fee rate at Non-Primary Airports is the same as the rate at Primary Airports.

3.3.2 Capital Review Process

The 1994 Extension provides the capital review process that remains effective. To submit Additional Capital Improvements to the Signatory Airlines for review and concurrence:

The Department shall submit a report containing a description, justification, financing plan, and impact to Costs of Operation, Maintenance and Repair to the Signatory Airlines;

Within 30 to 60 days after distribution of a report, the Signatory Airlines shall meet with the Department to discuss the Additional Capital Improvement. The Additional Capital Improvement shall be deemed accepted unless, within 60 days after distribution of the report, concurrence is specifically withheld in writing by at least 50 percent of the Signatory Airlines representing at least 50 percent of the total landing fees and ASSCs actually paid in the previous state Fiscal Year;

If the Additional Capital Improvement is not accepted, the Department has the option of convening a second meeting within 120 days after distribution of a report. The Additional Capital Improvement shall be deemed accepted unless, within 30 days after such a meeting, concurrence is specifically withheld as described above; and

Even if concurrence is withheld, the Department may include the cost of such projects in the succeeding State Fiscal Year calculation for airline rates and charges if the Department determines that the project is necessary or prudent to ensure compliance, permit continued operation and maintenance, satisfy judgments, or repair casualty damage to the Hawaii Airports System.

The Department has received bond appropriations and the needed airline concurrence for the projects to be funded by the proceeds of the 2022 Bonds.

3.3.3 Facility Control

The 2007 Extension provides that the holdrooms at the Hawaii Airports System shall be for Joint Use or preferential use. Any Signatory Airline that qualifies for preferential holdrooms at no fewer than six daily turns per holdroom can submit a request annually to the Department. The Department will review the request for preferential holdrooms and approve the request at its discretion. If the usage drops below the utilization threshold, the Department may revoke the Signatory Airlines' preferential holdroom. Due to the impact of the COVID-19 pandemic, the Airports Division has not granted preferential holdrooms in FY 2021 and FY 2022; all holdrooms are on a joint-use basis.

3.3.4 Non-Signatory Airlines

The 2007 Extension requires the Department to set non-Signatory Airline rates and charges at 125 percent of Signatory Airline rates and charges. The Airports Division has established procedure 4.13 to set such rates for non-signatory commercial air carriers according to Hawaii Revised Statutes (HRS) Section 261-7. It continues to set the rate for general aviation users according to Hawaii Administrative Rules (HAR) Chapter 19-16.1. Non-signatory commercial air carriers are defined as non-Signatory Airlines that operate under Federal Aviation Regulations Part 121 or 129, or high-frequency Part 135 operators.

3.3.5 Prepaid Airport Use Charge Fund Agreement

After execution of the 2007 Extension, the Department and the Signatory Airlines entered into a Prepaid Airport Use Charge Fund (PAUCF) Agreement regarding the annual settlement calculation. After a Fiscal Year ends, the Department calculates the airline rates and charges using actual results, including the Costs of Operation, Maintenance and Repair, debt service, non-airline revenues, traffic statistics, and other data. The positive variance between the actual accrued revenues and the re-calculated airline requirement is deposited into the PAUCF. The negative variance can be withdrawn from the PAUCF based on the Signatory Airlines' approval, or directly billed to the Signatory Airlines.

The Department and the Signatory Airlines agree that the PAUCF is the Signatory Airlines' property, although the Airports Division keeps the PAUCF as a restricted internal fund. The Airlines Committee of Hawaii (ACH), which represents a majority of the Signatory Airlines operating at the Hawaii Airports System, may request, and the State may approve, from time to time, the application of funds on deposit in the PAUCF. Historically, and as recently as FY 2016, the funds in the PAUCF have been used to reduce the Annual Adjusted Debt Service Requirement and, therefore, airline rates and charges, referred to as Airline Prepaid Interests. Although not forecast in this Report, the ACH may request similar use of the PAUCF in the future. The ending balance as of June 30, 2021 was $0.3 million.

3.4 Concession Agreements

Other than the Airline Agreement, the Department has entered into agreements with concession operators and other non-airline tenants regarding operations at the Hawaii Airports System. Exhibit 3-36 summarizes key agreements and the earliest expiration dates. The Airports Division has started discussions with the concessionaires to extend the contract term, but has not made final decisions. As of October 2021, all key concessionaires have resumed their operations at the Hawaii Airports System, except the duty-free operation, which depends on the future recovery of international traffic.

Exhibit 3-36: Summary of Key Concession Agreements (as of August 2020)

Type/Airport	***Concessionaire***	***Earliest Expiration Date***
Duty-Free – Statewide	DFS Group, L.P.	May 2027
Food and Beverage		
HNL	Host International, Inc.	April 2029
ITO	Volume Services	Holdover
KOA	Volume Services	Holdover
OGG	Host International, Inc.	September 2022
LIH	Host International, Inc.	September 2023
Parking		
KOA	SP Plus Corporation	Holdover
HNL/ITO/OGG/LIH	ABM Parking Services	June 2026
Rental Car	Varies	Described below
Retail		
HNL	DFS Group, L.P.	March 2026
ITO	Tiare Enterprises, Inc.	August 2025
KOA	Tiare Enterprises, Inc.	August 2025
OGG	DFS Group, L.P.	August 2026
LIH	Travel Traders, Inc.	Holdover
Advertising		
HNL	Inter-Space Services	May 2027
Other Airports	Pacific Radio Group	May 2027

Source: Airports Division.

Unless otherwise specified, the minimum annual guarantee (MAG) is reset annually at 85 percent of prior year payments. Many concession agreements for operation at the Hawaii Airports System include a clause of “relief due to economic emergency,” which has been met due to COVID-19. Under the clause, the Department may modify the terms of the concession agreements at the State’s sole discretion, including waiving all or a portion of the MAGs. The Department has been waiving the MAGs for all participating concessionaires since April 2020 and will review the decision on a month-to-month basis.

3.4.1 Parking

ABM Parking Services (formerly Ampco System Parking) manages public parking services at four Primary Airports other than KOA under a concession agreement expiring June 2026. Under the concession agreements, the Airports Division receives the higher of the MAGs or a percentage fee at each airport, which is 80 percent of gross receipts from parking operations at HNL and OGG, 65 percent from KOA and LIH, and 55 percent from ITO. SP Plus Corporation manages public parking services at KOA in holdover, paying the higher of MAG or 65 percent of gross receipts.

The maximum daily parking rate is $18 for HNL garages, $10 for the HNL economy lot, and $15 for parking at other Primary Airports.

3.4.2 Rental Car

The Department has completed the construction of a ConRAC at OGG and HNL. Four rental car companies (the Signatory RACs) have executed the Statewide Airports Car Rental Facilities Concession Agreement and Facility Lease (the Rental Car Agreement) covering HNL and OGG, including Avis Budget Group, Inc. (Avis Budget), Enterprise Holdings, Inc. (Enterprise), Hertz, and Advantage. Sixt Rent a Car has taken over Advantage's operations at HNL and OGG. Rental car companies are operating at ITO, KOA and LIH on a month-to-month basis. The Signatory RACs pay the higher of the MAGs, if any, or 10 percent of gross receipts to the Airports Division as rental car concession revenues, so long as those Signatory RACs operate on-airport.

As of October 2021, Alamo brand of Enterprise and Dollar and Thrifty brand of Hertz are operating off-airport at HNL. Those off-airport operations, along with other off-airport operators, pay a nominal per-vehicle fee to the Airports Division; they do not pay a concession percentage fee. When those off-airport operations of the Signatory RACs moved on-airport in December 2021 at HNL after the ConRAC opened, the Signatory RACs start topay the higher of MAGs or 10 percent of gross receipts. In addition, the Signatory RACs pay the ground rent related to the ConRAC sites and other space that the Signatory RACs lease from the Department; these are classified as non-aeronautical rentals. The Department does not expect any on-airport rental car operations to move off-airport during the forecast period, or any existing off-airport rental car operations to gain a materially higher share of the rental car market.

CFC revenues or Minimum Annual Requirement Deficiency pursuant to the Rental Car Agreement are not Revenues defined under the Certificate. They are pledged to the special facility bonds debt service payments.

3.4.3 Duty-Free

DFS operates the in-bond duty-free concessions for international air travelers departing from Hawaii. In FY 2020, DFS operated duty-free stores at HNL, KOA and OGG, as well as at off-airport locations at Waikiki. However, it has ceased all operations since April 2020. The DFS contract has the following MAG structure:

- $40 million annually for the two Contract Years from June 1, 2017 to May 31, 2019 (Contract Years 2018 and 2019);
- $47.5 million for the Contract Year 2020;
- 85 percent of the prior year's actual payment (either percentage fee or MAG) in the Contract Year 2021;
- Same MAG in the Contract Year 2022 as in 2021;
- 85 percent of the prior year's actual payment in the Contract Year 2023; and
- Same MAG in the Contract Years 2024 to 2027 as in 2023.

The percentage fees are calculated as 30 percent of gross receipts from on-airport locations and 18 percent of gross receipts from off-airport locations, with duty paid goods at 1.25 percent to 2.5 percent.

3.4.4 Food and Beverage

Host International Inc. (Host) operates food and beverage concessions at HNL, OGG, and LIH, with expiration dates between 2023 and 2029. Host pays to the Airports Division the higher of a MAG or a percentage fee based on sales volume and categories. Volume Services dba Centerplate continues to operate food and beverage concessions at ITO and KOA on a month-to-month basis.

3.4.5 Retail

DFS also operates the non-duty-free retail operations at HNL and OGG, with the earliest expiration date being May 2026, and pays the higher of a MAG or a percentage of gross receipts. Traveler Traders, Inc. operates the retail concession at LIH in holdover. Tiare Enterprise, Inc. operates the retail concession at ITO and KOA, with the earliest expiration date being August 2025.

3.4.6 Other Concession Contracts

In addition, the Department has entered into a wide range of commercial agreements and permits with other terminal concession operators and ground transportation companies, including advertising, Wi-Fi, banking, taxi, shuttle bus, and transportation network companies (TNCs) such as Uber and Lyft, among other commercial operators.

3.4.7 Other Rentals

The Department collects ground rent and building rent for non-terminal buildings from airlines as non-terminal rentals and from other non-airline tenants as non-aeronautical rentals. The rental rates are set pursuant to an appraisal process and published as Airports Division Procedure 4.13, unless provided otherwise under contractual obligations.

3.5 Other Agreements

Other agreements include primarily the subordinate bond document and the special facility bond document.

3.5.1 Subordinate Bond Document

The Airports Division initiated a Statewide Energy Saving Performance Contracting project (the Energy Saving Projects) in 2013, using proceeds of Lease Revenue Certificates of Participation (COPs) issued under the Indenture of Trust between the Department and U.S. Bank National Association as of December 1, 2013, as amended and supplemented (the Subordinate Bond Document). Debt service on the COPs is payable from Revenues and Aviation Fuel Taxes, but is subordinate to the payment of the obligations specified in the Certificate.

The Department financed the first phase of the Energy Saving Projects by issuing $167.74 million in COPs in December 2013 (the 2013 COPs). It amended the contract to add $7 million for HNL underground piping replacement, using $8.1 million of the proceeds of the 2016 COPs. In 2017, the Department issued another series of COPs (the 2017 COPs) of $51.5 million to finance the second phase of the Energy Saving Projects.

3.5.2 Special Facility Bond Document

In August 2014, the Department entered into a loan agreement to borrow up to $76.0 million for rental car related projects, pursuant to an Indenture of Trust between the Department and MUFG Union Bank, N.A. as Trustee dated as of August 1, 2014, as amended and supplemented (the CFC Indenture). Subsequently, the Department issued a series of CFC bonds in August 2017 to borrow $249.8 million for rental car projects and issued another series of CFC Bonds in August 2019 with a par amount of $194.7 million to provide additional funds and refund the 2014 loan. Those obligations issued under the CFC Indenture (the CFC Bonds) are not payable from Revenues and Aviation Fuel Taxes.

In addition, the Airports Division entered into a special facility lease agreement with Continental Airlines, Inc. in 1997 and 2000 and issued a total of $31.9 million in special facility bonds, which are payable solely from rentals related to those special facilities. Those bonds have a final maturity date of 2027.

4. Capital Plan and Sources of Funding

To undertake a capital project at the Hawaii Airports System, the Airports Division must obtain budget appropriation from the Legislature, approval of funding from the Office of the Governor, and concurrence from the Signatory Airlines. As part of the biennium budget, the Airports Division submits a Six-Year capital plan, from which the projects in the first two years are reviewed and approved by the Legislature and by the Governor. The Airports Division adds those projects to the capital improvement program, which includes projects appropriated and concurred in previous years. Completed projects are removed from the capital improvement program.

Due to the impact of the COVID-19 pandemic, the Airports Division prioritized the capital program in 2020 with a total cost estimate of $2.7 billion. Through June 30, 2021, the Airports Division completed projects with a total cost of $236.3 million, deferred projects with a total cost estimate of $396.7 million, and added new projects and adjusted cost estimates totaling $140.7 million to the 2020 capital program. As of June 30, 2021, the current capital improvement program (the CIP) had a total estimated cost of $2.2 billion, with $712 million or 31.7 percent being spent. The CIP provides a snapshot of the Airports Division's intention for future capital projects as of October 2021. Situations may arise that necessitate the acceleration, addition, or deferral of certain projects, some of which may be beyond the control of the Airports Division. The Airports Division has closely collaborated with the Signatory Airlines in formulating the capital program over the last several decades and has received necessary airline concurrence and other required approvals for the project costs to be funded by the proceeds of the 2022 Bonds. The Airports Division will continue to manage the capital program in a financially prudent manner.

The CIP excludes projects in the closeout stages, rental car related capital projects to be funded from CFC-related sources, and deferred projects.

4.1 CIP Status

Exhibit 4-37 presents the project cost by location, with projects at HNL accounting for more than 50 percent of the CIP costs.

Exhibit 4-37: Project Costs by Location (in US$ millions)

	Total CIP			
	Estimated Costs	% of Total	Spent as of 6/30/2021	% Spent
Project by Airport				
HNL	$ 1,266	56.3%	$ 539	42.6%
ITO	42	1.8%	15	36.9%
KOA	200	8.9%	67	33.7%
LIH	102	4.5%	23	22.6%
OGG	408	18.1%	27	6.7%
Other Airports	74	3.3%	3	4.2%
Statewide	157	7.0%	37	23.6%
Total CIP	**$ 2,249**	**100.0%**	**$ 712**	**31.7%**

Source: Airports Division.

Exhibit 4-38 presents the project costs by status. Projects in the construction stage account for 47.8 percent of total costs, with another 40 percent of total costs in the bid/award or design stage.

Exhibit 4-38: Project Costs by Status (in US$ millions)

	Total CIP Estimated Costs	% of Total
Project Status		
Construction	$ 1,119	47.8%
Bid/Award	198	8.8%
Design	741	32.9%
Planning	191	8.5%
Total CIP	**$ 2,249**	**100.0%**

Source: Airports Division.

4.2 CIP Project Details

Exhibit A-1 at the end of this Report presents key project groups and related costs of the CIP. Project details in each group are provided in this section.

4.2.1 HNL

Key projects at HNL include the following:

- **Mauka Concourse Extension Project:** $410.0 million, with $343.9 million spent as of June 30, 2021. The Mauka Concourse Extension Project includes the design and construction of a 280,000-square-foot concourse located at the northwest corner of Terminal 1 and related airfield fieldwork, which was opened in August 2021. Phase 2 of the Taxiway G&L Widening Project has been deferred, and other projects in the Mauka Concourse Program have been completed and excluded from the active CIP.

- **Ticket Lobby Renovation and Baggage Handling System Phase 2:** $173.8 million, with $9.1 million spent as of June 30, 2021. This project is a continuation of the ticket lobby renovations completed for Terminal 2 ticket lobbies 7 and 8, and will renovate ticket lobbies 4, 5, and 6, with work items to improve operations, maintenance, safety, and passenger experience, including improvements to the baggage handling systems in Terminals 1 and 2. This project is in the construction stage with a scheduled completion date in 2024.

- **Runway 8L Widening, Phases 1 and 2:** $156.9 million, with $26.9 million spent as of June 30, 2021. The scope of this project is to widen runway 8L to a minimum of 200 feet to accommodate FAA design group VI aircraft, repave existing shoulder areas to runway standards, and update the associated striping, signage, and lighting where necessary. Phase 2 is in the bid/award stage with a scheduled completion date in 2023.

- **Runway and Taxiway Shoulder Rehabilitation:** $135.9 million, with $2.1 million spent as of June 30, 2021. The project will rehabilitate the runways and taxiways shoulders at HNL, including herbicide, crack sealing, new pavements and painted markings to comply with 14 CFR Part 139. This project is in the design stage with a scheduled completion date in 2024.

- **Restroom Improvements, Phases 1 and 2:** $66.4 million, with $27.7 million spent as of June 30, 2021. This project will include the renovation of restrooms in Terminals 1 and 2, including in the International Arrivals Building. Phases 1 and 2 are in the construction stage with a scheduled completion date of 2022 and 2023, respectively.
- **Improvements to Baggage Handling System Phase 1:** $49.8 million, with $24.4 million spent as of June 30, 2021. This project will provide for the design and construction of baggage handling system and explosive detection system Improvements in Terminal 2 baggage make-up areas to address the deficiencies in the existing outbound baggage make-up units that have reached the end of their useful life and to increase the overall reliability of the sortation subsystems. This project is in the construction stage with a scheduled completion date in 2022.
- **Roadway and Terminal Signage Improvements:** $40.6 million, with $34.2 million spent as of June 30, 2021. The scope of work is to replace signage throughout the terminals and concourses, parking structures, and ground -and second-level roadways to reflect the name change to the gates and baggage claims. This project is in the construction stage with a scheduled completion date in 2022.
- **Replace Parking Structure Pedestrian Bridge:** $40.4 million, with $29.9 million spent as of June 30, 2021. The scope of work involves improvements to the three pedestrian bridge crossings between Terminal 2 and the Terminal 2 Parking Garage. This project has been substatially completed.
- **HNL, Other Projects:** $192.2 million, with $40.9 million spent as of June 30, 2021. This group of projects include the initial planning costs for a future Diamond Head Extension, Terminal 2 roof replacement, third-level airside roadway improvements, fire sprinkler system upgrade, and other miscellaneous projects. These projects are in various stages with scheduled completion dates throughout 2024.

4.2.2 ITO

Projects at ITO have a total cost estimate of $41.6 million, with $15.3 million spent as of June 30, 2021. This group of projects includes restroom improvements, fire sprinkler improvements, drainage and windcone improvements and other miscellaneous projects.

4.2.3 KOA

Key projects at KOA include the following:

- Runway 17-35 Rehabilitation: $70.2 million, with $0.2 million spent as of June 30, 2021. This project will rehabilitate Runway 17-35 at KOA, based on the pavement management system. This project is in the design stage with a scheduled completion date in 2024.
- **Federal Inspection Services Building**: $69.8 million, with $45.8 million spent as of June 30, 2021. The scope of work includes the design and construction of a new International Arrivals Building to meet the latest U.S. Customs and Border Protection Airport Technical Design Standards/Passenger Processing Facilities. This project was completed in October 2021.
- **KOA, Other Projects:** $60.2 million, with $21.4 million spent as of June 30, 2021. This group of projects include south ramp taxiway and ramp improvements, restroom improvements, a USDA inspection building and other miscellaneous projects. This group of projects is in various stages with scheduled completion dates throughout 2023.

4.2.4 LIH

Key projects at LIH include the following:

- **LIH Relocate Runway 3-21:** $46.2 million, with $1.9 million spent as of June 30, 2021. This project will displace Runway 3 take-off threshold to the west 855 feet to provide a standard 1,000-foot RSA on the east end and leave the landing threshold in its existing location. It will also displace the threshold of Runway 21 by 455 feet to provide a standard 600-foot RSA on the east end. This project is in the design stage with a scheduled completion date in 2024.
- **LIH, Other Projects:** $56.0 million, with $21.2 million spent as of June 30, 2021. This group of projects include runway and taxiway rehabilitation, ticket lobby and holdroom improvements and other miscellaneous projects. Except for the holdroom improvements, which are in the design stage, this group of projects is in the construction stage with scheduled completion dates in 2022.

4.2.5 OGG

Key projects at OGG include the following:

- **Holdroom and Gate Improvements:** $49.3 million, with $3.3 million spent as of June 30, 2021. This project will be expanding the seating capacity of the holdrooms by enclosing the exterior walkway and connecting several existing holdroom areas, increasing the number of gates by repositioning and adding loading bridges, and strengthening the second-floor support. This project is in the construction stage with a scheduled completion date in 2025.
- **South TSA Checkpoint:** $34.8 million, with no spending as of June 30, 2021. This project will add a checkpoint, including a bridge over the service road to Holdrooms A and B. This project is in the design stage with a scheduled completion date in 2024.
- **OGG, Other Projects:** $43.9 million, with $23.4 million spent as of June 30, 2021. This group of projects include restroom improvements, inbound baggage system improvements, and other miscellaneous projects. This group of projects is in various stages with scheduled completion dates through 2023.

4.2.6 Other Airports

Projects at other airports of the Hawaii Airports System have a total cost estimate of $74.4 million, with $3.1 million spent as of June 30, 2021. The primary project in this group is the reconstruction and extension of Runway 3-21 at Lanai Airport, LNY, with a total cost estimate of $29.9 million. This group of projects is in various stages with scheduled completion dates throughout 2025.

4.2.7 Statewide

This group of projects include statewide projects such as a wastewater and water treatment system, fire alarm system replacement and upgrade, supporting design, program management, construction management, and planning projects, with a total cost estimate of $156.9 million.

4.3 Funding Sources

As of June 30, 2021, 31.7 percent of the total CIP costs have been expended. Exhibit 4-39 presents the planned funding sources for the remaining $1.5 billion, with each funding source discussed below. The $1.0 billion of bond funding includes $233.0 million of bond proceeds on hand as of June 30, 2021, $247.5 million from the proposed 2022 Bonds, and $543.1 million from the planned Future Bonds.

Exhibit 4-39: Remaining CIP Costs, as of June 30, 2021 (in US$ millions)

	Total CIP	
	Remaining Costs	% of Remaining
Project Funding Sources		
Grants	$ 397	25.8%
PFC Paygo	95	6.2%
Cash	21	1.4%
Bonds	1,024	66.6%
Total CIP	**$ 1,537**	**100.0%**

Source: Airports Division.

4.3.1 AIP Grants and Other Grants

The Airports Division receives federal grants under the Airport Improvement Program (AIP) distributed by the FAA in the form of entitlement grants and discretionary grants. Entitlement grants are determined by a formula based on passenger numbers and total appropriation level, while discretionary grants are determined by the FAA based on the nature of the specific project in comparison to projects at other airports in the FAA region. The AIP grants are used for the federal share of eligibility projects: 75 percent at large and medium-hub airports such as HNL and OGG, and 90 percent at small-hub airports such as ITO, KOA, and LIH, with occasionally 100 percent funding such as that provided under the CARES Act. Eligible projects include projects to enhance safety, security, capacity, and access. Also available are certain other AIP grants, such as military airport program grants, cargo entitlement grants, noise grants, and other discretionary grants.

The Airports Division expects to fund $397.2 million of future CIP costs using the AIP grants, including $112.6 million awarded for HNL Runway 8L Widening, Phase 1 and 2 projects, a placeholder of $187.5 million for the OGG Runway 2-20 Improvements project, and $97.1 million for other projects. If the grant for the OGG Runway 2-20 Improvements is not available, the Airports Division will seek other funding methods, which may include Bonds with eligible debt service to be paid from PFC revenues.

The Airports Division expects to receive approximately $49.3 million of grants in the first year of a 5-year period pursuant to the Infrastructure Investment and Jobs Act, and potentially additional grants for terminal development projects. Those grants have not been reflected in the plan of finance for the CIP.

The Airports Division may also receive other federal, State, or local grants for certain capital projects. The funding sources in this Report do not include potential funding from the current infrastructure bill.

4.3.2 PFC Pay-as-you-go

The Passenger Facility Charge (PFC) is an airport user fee with restricted uses. Before collecting and using PFC revenues, a U.S. airport operator must submit a PFC application to the FAA and receive FAA authorization. Airlines collect PFC revenues from certain enplaned passengers on the airport's behalf, then remit the PFC revenues to the airport operator after deducting an administrative fee of $0.11 per collection. PFC revenues can be used only for the capital costs of the approved eligible projects, with very limited exceptions. Title 49 United States Codes Section 40117 is the PFC statute authorizing PFC collection. CFR Part 158 is the PFC regulation and provides a detailed description of PFC eligibility, application, collection, amendment, and closeout. To be eligible, a project must preserve or enhance the safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among air carriers.

PFC revenues are collected from a majority of revenue enplaned passengers departing for overseas destinations. Among other exclusions, passengers on interisland flights within Hawaii are not subject to PFC collection.

As of June 30, 2021, the Airports Division had a total PFC collection authority of $873.9 million, of which $531.3 million had been collected. The Airports Division has spent $411.7 million on a pay-as-you-go basis and for eligible bond debt service, with an ending cash balance of $119.6 million. The Airports Division plans to use a total of $95.0 million of PFC revenues on a pay-as-you-go basis, including a placeholder of $62.5 million for the OGG Runway 2-20 Improvements project.

The remaining collection authority is $342.6 million, higher than forecast PFC collection through 2027. The Airports Division plans to submit additional PFC applications for capital projects, which has been reflected in the financial forecasts included in this Report.

4.3.3 Internal Cash

The Airports Division expects to use a total of $20.9 million in internal cash, net of the planned reimbursement from the PFC fund for the KOA Federal Inspection Services Building project. The Airports Division recognizes the importance of maintaining a healthy cash position; it continues to evaluate the use of funding sources other than cash.

4.3.4 Bond Proceeds

The Airports Division plans to fund approximately $1.0 billion of the CIP costs from Bond proceeds, including $233.0 million from existing bond proceeds, $247.5 million from the proceeds of the 2022 Bonds, and $543.1 million from the proceeds of future bonds. The Airports Division has been using a cash flow financing approach for the capital program. Under this approach, the proceeds of the 2022 Bonds are expected to fund project costs through June 2023, with the Future Bonds to fund the remaining costs.

4.4 Other Potential Capital Projects

The Airports Division's annual appropriation of operating costs includes a line item of special maintenance to fund major repair and maintenance projects. The annual amount is $30 million for FY 2020 and FY 2021 and $15 million for FY 2022 and FY 2023. A portion of special maintenance costs is capitalized as a capital asset following the GAAP. The remaining amount is included in the GAAP operating expenses; thus, the Costs of Operation, Maintenance and Repair are presented in this Report. The CIP does not include special maintenance projects.

The CIP represents the capital plan that, as of October 2021, the Airports Division intends to implement through FY 2027, subject to further discussion with the Signatory Airlines and other State approvals. The Airports Division will continue evaluating capital needs, to include new projects when deemed necessary, or to defer or cancel projects that are no longer needed or that have been replaced by higher priority projects. In addition, the CIP does not include the following projects :

- **HNL Taxiway A Reconstruction.** Taxiway A is the main taxiway for departing aircraft. According to the pavement management system, the Airports Division may need to undertake a capital project to improve the condition of Taxiway A in the near future. One option is to replace the entire asphaltic concrete pavement with reinforced concrete, estimated to cost approximately $430 million, with an assumed funding plan of bond proceeds, federal grants, and PFC revenues. This project has been deferred and is not included in the CIP.

- **HNL Diamond Head Extension Program.** In July 2017, the Airports Division submitted the eighth concurrence to the Signatory Airlines regarding planning, design, and construction of a new Diamond Head Extension at HNL, including all enabling projects, with an estimated rough-order-of-magnitude (ROM) cost of $1.1 billion. In October 2017, the Signatory Airlines conditionally concurred with the project, requiring the Airports Division to work collaboratively with the Signatory Airlines. The program is in the early planning stage and does not have final scopes, schedules, or cost estimates for the various projects. Projects are not anticipated for completion during the forecast period. Therefore, the Airports Division has included only $35 million for the planning and pre-design work in the CIP.

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5. Financial Forecast

The purpose of this Report is to evaluate the Department's ability to meet the Rate Covenant through FY 2027, taking into consideration the Outstanding Bonds, the proposed 2022 Bonds, and the Future Bonds. The Rate Covenant includes two tests:

- The "flow test" requires that the Department generate adequate Revenues and Aviation Fuel Taxes to pay the Annual Adjusted Debt Service Requirement, the Costs of Operation, Maintenance and Repair, and subordinate debt service obligations such as the debt service on COPs, among other requirements; and
- The "coverage test" requires that the Department generate adequate Revenues and Aviation Fuel Taxes after deducting the Costs of Operation, Maintenance and Repair and including the amount in the Funded Coverage Account, to be at least 125 percent of the Annual Adjusted Debt Service Requirement.

The Department generates non-airline revenues through commercial agreements and permits; it generates airline revenues prescribed in the Airline Agreement. Because the Airline Agreement provides a residual safety net through the ASSC, the Rate Covenant is expected to be met during the forecast period, assuming that the Airline Agreement remains in place and that the Signatory Airlines continue operating in the Hawaii Airports System.

Therefore, this section provides a discussion of the COVID-19 impact and actions taken by the Department and presents the requirements, including the Annual Adjusted Debt Service Requirement, the subordinate debt service, and the Costs of Operation, Maintenance and Repair, followed by a discussion of non-airline revenues and airline revenues, a calculation of CPE, two tests in the Rate Covenant, and a sensitivity test. The financial forecasts are based on historical audited operating results in FY 2019, FY 2020, and FY 2021, and assumptions for FY 2022 through FY 2027 that the Airports Division management reviewed and to which the Airports Division management agreed. The forecasts are subject to uncertainty, which may lead to actual results that are substantially different from the forecasted results in this Report.

5.1 COVID-19 Impact and Department's Actions

Due to the negative impact of COVID-19, the enplaned passenger count at the Hawaii Airports System declined by up to 96 percent in 2020, but gradually recovered in 2021. International traffic remained depressed, with 16,000 in July 2021 and 17,200 in August 2021, compared to 258,800 in July 2019 and 274,600 in August 2019. However, due to higher domestic overseas enplaned passengers, in July 2021 the total enplaned passenger count reached 82 percent of July 2019 level.

Because the number of COVID-19 cases increased again in the summer of 2021 due to the Delta variant, on August 23, 2021 the Governor urged residents and visitors to delay all non-essential travel to Hawaii. The recovery in enplaned passenger count stalled, with October 2021 declining to 69.9 percentage of the October 2019 level. On October 19, 2021, the Governor announced that it is safe for fully vaccinated residents and visitors to resume non-essential travel to and within the State.

5.1.1 Department's Actions

The Department management has taken various financial actions to ensure the financial safety, ease the financial stress of the air carriers and the concessionaires, and maintain a competitive airline rates and charges level, including actions such as:

- Implementing expenses reduction measures including temporarily closing a portion of terminal facilities reduce expenses
- Using COVID-19 related federal relief grants to manage financial positions

- Issuing the 2020 Bonds to continue funding the CIP and restructure debt service in FY 2021 and FY 2022
- Prioritizing capital projects through coordination with the Signatory Airlines
- Deferring rent payments from April through October 2020 to the first half of 2021
- Waiving the MAGs for eligible concessionaires through the date of this Report

The table below summarizes the federal relief grants related to COVID-19 and the Department's plan.

Exhibit 5-40: Federal COVID-19 Relief Grants

Relief Grants	Available Amounts	Intended Uses
The Coronavirus Aid, Relief, and Economic Security Act	$133.3 million	The Airports Division has included $50.0 million in FY 2020 and $83.3 million in FY 2021
The Coronavirus Response and Relief Supplemental Appropriations Act	$46.4 million, including $3.9 million for concession relief	The Airports Division has included $42.3 million in FY 2021 and will complete the reimbursement in 2021
The American Rescue Plan Act	$144.3 million, including $15.5 million for concession relief	The Airports Division plans to use the majority of grants in FY 2022 and to reserve $40.0 million for FY 2023

5.1.2 October 2021 Snapshot

The Airports Division's financial situation in October 2021 is summarized below:

- The total enplaned passenger count was 1,036,500, or 66.9 percent of the October 2019 level. The domestic enplaned passenger count was 1,019,000, or 79.0 percent of the October 2019 level.
- All airport facilities are opened for operation. Key concessionaires have resumed operations statewide, except the duty-free operation, which remains closed due to low international traffic.
- The Department issued the 2020 Bonds and reduced FY 2021 and FY 2022 Annual Adjusted Debt Service Requirements to $38.3 million and $50.6 million respectively, compared to $78.3 million in FY 2020.
- The majority of the deferral rent payments have been collected, with the accounts receivable dropping to the February 2020 level
- The unrestricted cash position, including the balance in the operating reserve and the Funded Coverage Account, declined from $657 million in March 2020 to as low as $547 million in October 2020 and remained between $540 million and $572 million through October 2021. The cash position of $561.8 million as of June 30, 2021 equals to approximately 636 days cash on hand, calculating using the actual Costs of Operation, Maintenance and Repair of $322.3 million in FY 2020.
- The Department has been continuing the MAG waiver through present, although percent rent payments of many concessionaires in October 2021 exceeded the MAG level.
- Rental car gross revenues were $114.6 million in July 2021, $112.2 million in August 2021, $66.8 million in September 2021 and $70.5 million in October 2021, compared to $80.0 million in July 2019, $71.7 million

in August 2019, $46.1 million in September 2019, and $51.1 million in October 2019. The higher gross revenues are driven primarily by higher daily rental rates as a result of rental car shortages.

5.2 Annual Adjusted Debt Service Requirement

As of October 1, 2021, the Airports Division had 12 series of Bonds outstanding, with a total par amount of $1.5 billion, or $82 per enplaned passenger based on the 2019 enplaned passenger count of 18.7 million. Morgan Stanley & Co. LLC, the underwriter for the proposed 2022 Bonds, provided the estimated sources and uses, as well as the debt service schedule for the 2022 Bonds and the Future Bonds, as presented in Exhibits C and D.

5.2.1 Debt Service on the 2022 Bonds and the Future Bonds

To fund a portion of the remaining capital project costs, the Airports Division expects to issue the following Bonds:

- The 2022 Bonds will be issued to fund $247.5 million in project costs, at borrowing rates 50 basis points above the prevailing market rate of October 11, 2021.
- The planned 2023 Bonds will be issued in July 2023 to fund $311.1 million and the planned 2025 Bonds will be issued in January 2025 to fund $232.0 million in project costs. The Future Bonds were assumed to be issued at borrowing rates that are 100 basis points above the prevailing market rate of October 11, 2021, with level annual debt service and a term to final maturity of 30 years

Annual gross debt service net of capitalized interest is expected to increase from $62.3 million in FY 2022 to $149.8 million in FY 2027 before declining below $136.1 million after FY 2036. The Department may decide to use an alternative bond structure, which may reduce the peak debt service.

5.2.2 Available PFC Revenues and Airline Prepaid Interest

As discussed in the previous section, the Airports Division has received FAA approval to use PFC revenues for the project and financing costs of PFC-eligible projects in the CIP. These PFC revenues will be used to pay a portion of eligible debt service on the Outstanding Bonds, the 2022 Bonds, and the Future Bonds. In addition, the Airports Division has submitted the PFC application #9 and plans to submit additional PFC applications in the forecast period to cover other PFC-eligible costs in the CIP.

Those Available PFC Revenues applied to debt service are deducted from the calculation of Annual Adjusted Debt Service Requirements. The Airports Division has used $16.1 million of Available PFC Revenues in FY 2021 and plans to use $11.7 million in FY 2022. During the forecast period, it expects to use up to $30.1 million annually for debt service, reflecting the anticipated submission and approval of future PFC applications.

In historical years and as recently as FY 2016, the Signatory Airlines used a portion of the balance in the PAUCF to reduce the Annual Adjusted Debt Service Requirement and, therefore, the allocated amount to the airline cost centers. The Department also has the option of depositing internal cash to reduce the Annual Adjusted Debt Service Requirement. The financial forecasts in this Report have not reflected such actions during the forecast period.

5.3 Costs of Operation, Maintenance and Repair

An amendment to the Certificate has been effective starting FY 2020 and defined the Costs of Operation, Maintenance and Repair. The Costs of Operation, Maintenance and Repair generally include all expenses of the Department incurred for the operation and maintenance of the Hawaii Airports System, including, among other items, the State Surcharge and reimbursement to State agencies including the DOT, and excluding, among other items, any amount of pension and other post-retirement benefits (OPEB) expenses exceeding the amount that the Department deposits to the State funds for the proportional share related to the Hawaii Airports System.

The exclusion of such non-cash items from FY 2020 forward has been reflected in Exhibit E as a reduction in gross operating expenses.

- In FY 2020, the excluded non-cash pension expenses were $8.5 million
- In FY 2019 and FY 2020, the State required a deposit to the OPEB trust fund equaling 100 percent of the annual required contribution, which included pay-as-you-go pension expenses and pre-funding of estimated liabilities. In FY 2021, the State suspended the OPEB prefunding for FY 2021 through FY 2023. Therefore the non-cash pension and OPEB expenses were $19.7 million in FY 2021. For purposes of this Report, it was assumed that the OPEB prefunding would be reinstated in FY 2024.

Costs of Operation, Maintenance and Repair are forecast to change due to management actions and the higher costs of maintaining existing facilities as well as by incremental expenses required to maintain the planned facilities in the CIP.

5.3.1 Historical Costs of Operation, Maintenance and Repair

Exhibit 5-41 presents historical Costs of Operation, Maintenance and Repair by category. Costs of Operation, Maintenance and Repair increased from $259.2 million in FY 2016 to $322.3 million in FY 2020 – an annual average growth rate of 5.6 percent. Actual Costs of Operation, Maintenance and Repair were $337.9 million in FY 2021, or $315.6 million after excluding one-time $22.4 million expenses related to passenger screening, funded by the State's share of the federal COVID-19 relief grants. The grant of $22.4 million is included in FY 2021 Revenues and Aviation Fuel Taxes.

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Exhibit 5-41: Historical Costs of Operation, Maintenance and Repair (in US$ thousands; Fiscal Years)

	2016	2017	2018	2019	2020	% in 2020	AAG 2016-20
O&M Expenses							
Salary and Wages	$ 92,251	$ 110,722	$ 110,196	$ 116,993	$ 117,938	36.6%	6.3%
Other Personnel Services	58,559	67,426	73,610	80,941	89,338	27.7%	11.1%
Utilities	34,415	33,901	34,558	37,614	34,103	10.6%	-0.2%
Special Maintenance	8,662	9,911	10,145	5,763	6,859	2.1%	-5.7%
Repair and Maintenance	34,031	32,445	34,318	34,700	38,531	12.0%	3.2%
Materials and Supplies	5,477	6,180	6,497	6,527	5,453	1.7%	-0.1%
DOT Administrative Expenses	5,595	5,919	8,444	8,370	7,727	2.4%	8.4%
Other Expenses	7,113	8,108	4,340	5,196	7,940	2.5%	2.8%
Bad Debt	333	455	3,201	4,015	71	0.0%	-32.2%
Subtotal	$246,436	$275,067	$ 285,308	$ 300,118	$307,961	95.5%	5.7%
State Surcharge	12,786	13,576	14,492	14,731	14,384	4.5%	3.0%
O&M Expenses	$259,223	$288,644	$299,800	$ 314,849	$322,345	100.0%	5.6%
Year-over-year % Change							
O&M Expenses							
Salary and Wages		20.0%	-0.5%	6.2%	0.8%		
Other Personnel Services		15.1%	9.2%	10.0%	10.4%		
Utilities		-1.5%	1.9%	8.8%	-9.3%		
Special Maintenance		14.4%	2.4%	-43.2%	19.0%		
Repair and Maintenance		-4.7%	5.8%	1.1%	11.0%		
Materials and Supplies		12.8%	5.1%	0.5%	-16.4%		
DOT Administrative Expenses		5.8%	42.6%	-0.9%	-7.7%		
Other Expenses		14.0%	-46.5%	19.7%	52.8%		
Bad Debt		36.3%	604.2%	25.4%	-98.2%		
Subtotal		11.6%	3.7%	5.2%	2.6%		
State Surcharge		6.2%	6.7%	1.7%	-2.4%		
O&M Expenses		11.3%	3.9%	5.0%	2.4%		

5.3.1.1 Salaries and Wages Expenses

Salaries and wages expenses are personnel expenses for the Airports Division staff, including regular salaries, overtime payments, pension contributions to the Employees' Retirement System of the State of Hawaii (ERS), health plan contributions, and other payments, as well as non-cash accrued liabilities related to pension expenses and OPEB expenses. Salaries and wages expenses increased from $92.3 million in FY 2016 to $117.9 million in FY 2020 (at an average annual growth rate of 6.3 percent) after the exclusion of $8.5 million in non-cash pension expenses. Salaries and wages expenses accounted for 36.6 percent of FY 2020 expenses.

Changes in salaries and wages expenses are driven primarily by changes in:

- The number of employees in the Airports Division. The budgeted positions increased from 1,264 in FY 2016 to 1,396 in FY 2022. As of October 2021, 1,188 positions or 85.1 percent were filled;
- Average salaries and wages, which are further driven by cost-of-living adjustments, merit-based increases, step-based increases due to union contracts, and other discretionary changes; and
- Employee benefits.

Other than the increase in health plan contributions due to higher costs, the State has established a trust fund for OPEB expenses to fund the annual required contribution, and also increased pension contributions. As described above, the State has temporarily suspended the prefunding of the OPEB trust fund.

5.3.1.2 Other Personnel Service Expenses

Other personnel service expenses are paid to the Airports Division's contractors for professional services. Other personnel service expenses increased from $58.6 million in FY 2016 to $89.3 million in FY 2020 (at an average annual growth rate of 11.1 percent) and accounted for 27.7 percent of FY 2020 expenses. Major contractors included:

- Costs of security services throughout the Hawaii Airports System accounted for approximately two-thirds of FY 2020 other personnel service expenses;
- Roberts Hawaii, which provides pre- and post-security shuttle bus services, accounting for more than 10 percent of FY 2020 other personnel service expenses;
- The State Public Safety Division, which provides police functions, accounting for 9 percent of FY 2020 other personnel service expenses; and
- Other miscellaneous contract services.

The increase in other personnel service expenses is attributable primarily to the cost increases related to the security services, which will follow the same COLA adjustments as the Public Safety Division.

5.3.1.3 Utility Expenses

Utility expenses decreased from $34.4 million in FY 2016 to $34.1 million in FY 2020 and accounted for 10.6 percent of FY 2020 expenses. Utility expenses declined from the peak of $50.4 million in FY 2013 due to the implementation of Energy Saving Projects and lower electricity rates. As a result of implementing the Energy Saving Projects, the Airports Division pays the debt service on COPs (which provided the funding for the Energy Saving Projects and amounted to $19.3 million in FY 2020) as well as additional expenses to maintain the equipment that the project provided.

5.3.1.4 Special Maintenance

The Airports Division's annual appropriation of operating costs includes a line item of special maintenance, which is initially paid out of the operating budget. At the end of each Fiscal Year, the auditor reviews the special maintenance spending and classifies a portion of the actual expenditure to capital assets. The remaining amount in the operating expenses decreased from $8.7 million in FY 2016 to $6.9 million in FY 2020, due primarily to lower expenses being expended instead of capitalized.

5.3.1.5 Repair and Maintenance

Repair and maintenance expenses are paid to contractors for maintaining the asset in the Hawaii Airports System. Repair and maintenance expenses increased from $34.0 million in FY 2016 to $38.5 million in FY 2020 (at an average annual growth rate of 3.2 percent) and accounted for 12.0 percent of FY 2020 expenses. The increased spending reflected the Airports Division's higher investment in renovating and rehabilitating the airport facilities.

5.3.1.6 DOT Administrative Expenses

To each operating branch, including the Airports Division, the DOT provides centralized services, such as management, financial control, and human resources, among other services, and allocates a portion of the DOT expenses based on benefits received. DOT administrative expenses increased from $5.6 million in FY 2016 to $7.7 million in FY 2020 (at an average annual growth rate of 8.4 percent) and accounted for 2.4 percent of FY 2020 expenses. The increase is due primarily to implementation of financial and IT systems in recent years and the related cost recovery.

5.3.1.7 Other Airports Division Expenses

Other Airports Division expenses included material and supplies, bad debt, and other miscellaneous expenses. This category accounted for 1.7 percent of FY 2020 expenses.

5.3.1.8 State Surcharge

As discussed in the previous section, the State implements a State Surcharge, calculated as 5 percent of all cash receipts net of debt service payment. The State Surcharge increased from $12.8 million in FY 2016 to $14.4 million in FY 2020 (at an average annual growth rate of 3.0 percent) and accounted for 4.5 percent of FY 2020 expenses. In FY 2019, the calculated State Surcharge using 5 percent of receipts net of debt service was higher than the inflation-adjusted amount pursuant to U.S. Codes Section 47115(f). Although there is no statutory requirement, the Airports Division decided to limit the amount of the State Surcharge in FY 2019 to $14.7 million and plans to follow the limitation during the forecast period.

5.3.2 Forecast Costs of Operation, Maintenance and Repair

Exhibit E presents the forecast Costs of Operation, Maintenance and Repair through FY 2027, including Costs of Operation, Maintenance and Repair to maintain existing assets, as well as incremental changes due to the implementation of capital projects.

The forecast Costs of Operation, Maintenance and Repair required to maintain existing facilities are based on the following assumptions:

1. Salaries and wages expenses are estimated to increase by 1.8 percent in FY 2022 due to incremental expenses to maintain the Mauka Concourse that was completed in August 2021, among other cost drivers. Those expenses are forecast to increase by 6.0 percent annually starting FY 2023;
2. Other personnel service expenses are estimated to increase by 11.5 percent in FY 2022 due to incremental expenses to maintain the Mauka Concourse, among other cost drivers. Those expenses are forecast to increase by 6.0 percent annually starting FY 2023;
3. Utility expenses are estimated to increase by 29.5 percent in FY 2022 due to (a) full operation of all facilities including the Mauka Concourse, (b) anticipated higher electricity consumption due to a preconditioned air and 400HZ project completed in FY 2021, and (c) higher electricity rates driven by higher crude oil prices. The utility expenses are forecast to increase by 6.0 percent annually starting FY 2023.
4. Other categories of expenses are generally forecast to increase by 5.0 percent starting FY 2023. Repair and maintenance expenses increased in FY 2021 due to additional works undertaken during the traffic downturn, but are expected to revert to the historical level in FY 2022.

The forecast Costs of Operation, Maintenance and Repair for future facilities to be implemented are shown as “Incremental Expenses” on Exhibit E, including $1.0 million in annual expenses for the international arrival facility at KOA. Other capital projects are not expected to cause a material increase in operating expenses.

Total gross operating expenses are forecast to increase to $354.2 million in FY 2022 and $470.3 million in FY 2027, at an average annual growth rate of 5.1 percent from 2020 to 2027. Approximately two-thirds of the Costs of Operation, Maintenance and Repair are expected to be allocated to the airline cost centers in FY 2027. Under the hybrid residual ratemaking methodology, all airline cost center expenses are recovered through airline rates and charges, except for a minor adjustment for the ITO terminal cost center.

5.4 Subordinate Obligations

In addition to the Bonds issued under the Certificate, the Airports Division issued Certificate of Participation notes to fund the Energy Saving Projects in 2013, 2016 (bank direct purchase), and 2017 (bank direct purchase). As of October 2021, $186.4 million of COPs principal amount is outstanding, or $10 per enplaned passenger based on the FY 2019 enplaned passenger count of 18.7 million. The Signatory Airlines have concurred with the Energy Saving Projects and the inclusion of the COPs debt service in the calculation of airline rates and charges.

Annual COPs debt service is $21.7 million in FY 2022 and is designed to match the expected savings from the Energy Saving Projects. The annual debt service will peak at $29.8 million in FY 2029 and decline to less than $6 million annually before expiring in FY 2034.

Johnson Controls, the contractor for the Energy Saving Projects, provided a guaranteed amount of electricity consumption savings measured in kilowatt-hours (KWHs). If actual performance, adjusting for traffic increase and other factors, does not provide the guaranteed savings in KWHs, Johnson Controls must make an additional payment to the Airports Division. For purposes of this Report, it was assumed that no such payment would be necessary.

5.5 Concession Revenues

The Airports Division generates concession revenues from terminal concession operations, parking, rental car, and ground transportation operations, which are directly impacted by changes in enplaned passengers.

Exhibit 5-42 presents historical concession revenues from FY 2016 to FY 2020. Concession revenues increased from $145.5 million in FY 2016 to $183.3 million in FY 2019, but declined to $151.0 million in FY 2020 due to the COVID-19 pandemic and to $59.2 million in FY 2021.

Exhibit 5-42: Historical Concession Revenues (in US$ thousands; Fiscal Years)

	2016	2017	2018	2019	2020	% in 2020	AAG 2016-20
Concession Revenues							
Duty Free	$ 32,300	$ 32,942	$ 40,000	$ 40,601	$ 35,625	23.6%	2.5%
Food and Beverage	8,881	10,141	11,132	11,430	8,654	5.7%	-0.6%
Retail	14,668	16,037	17,231	17,176	12,849	8.5%	-3.3%
Other Terminal Concessions	7,816	7,659	9,097	11,375	9,940	6.6%	6.2%
Parking	24,935	26,996	27,142	27,152	22,394	14.8%	-2.7%
Rental Car	53,687	64,445	73,238	72,354	58,876	39.0%	2.3%
Ground Transportation	3,243	3,006	3,886	3,187	2,685	1.8%	-4.6%
Total Concession Revenues	$ 145,530	$ 161,227	$ 181,726	$ 183,275	$ 151,025	100.0%	0.9%
Year-over-year % Change							
Duty Free		2.0%	21.4%	1.5%	-12.3%		
Food and Beverage		14.2%	9.8%	2.7%	-24.3%		
Retail		9.3%	7.4%	-0.3%	-25.2%		
Other Terminal Concessions		-2.0%	18.8%	25.0%	-12.6%		
Parking		8.3%	0.5%	0.0%	-17.5%		
Rental Car		20.0%	13.6%	-1.2%	-18.6%		
Ground Transportation		-7.3%	29.3%	-18.0%	-15.7%		
Total Concession Revenues		10.8%	12.7%	0.9%	-17.6%		

Source: Airports Division.

Exhibit 5-43 presents the distribution of FY 2020 concession revenues across airports, with HNL accounting for 58.6 percent of total concession revenues.

Exhibit 5-43: FY 2020 Concession Revenues by Airport (in US$ thousands; Fiscal Years)

	HNL	ITO	KOA	OGG	LIH	Others	Total
Concession Revenues							
Duty Free	$ 35,625	$ –	$ –	$ –	$ –	$ –	$35,625
Food and Beverage	5,417	77	616	1,869	661	15	8,654
Retail	8,813	44	819	2,796	378	–	12,849
Other Terminal Concessions	7,805	101	448	1,121	457	9	9,940
Parking	14,529	859	2,065	3,474	1,467	–	22,394
Rental Car	14,318	1,668	11,111	21,611	9,946	222	58,876
Ground Transportation	1,962	31	194	363	101	34	2,685
Total Concession Revenues	$ 88,468	$ 2,779	$ 15,254	$ 31,233	$ 13,010	$ 279	$151,025
% of Statewide Total							
Duty Free	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Food and Beverage	62.6%	0.9%	7.1%	21.6%	7.6%	0.2%	100.0%
Retail	68.6%	0.3%	6.4%	21.8%	2.9%	0.0%	100.0%
Other Terminal Concessions	78.5%	1.0%	4.5%	11.3%	4.6%	0.1%	100.0%
Parking	64.9%	3.8%	9.2%	15.5%	6.6%	0.0%	100.0%
Rental Car	24.3%	2.8%	18.9%	36.7%	16.9%	0.4%	100.0%
Ground Transportation	73.1%	1.2%	7.2%	13.5%	3.8%	1.3%	100.0%
Total Concession Revenues	58.6%	1.8%	10.1%	20.7%	8.6%	0.2%	100.0%

Source: Airports Division.

Total concession revenues are estimated to increase to $137.7 million in FY 2022, due primarily to forecast increases in enplaned passenger count and higher rental car revenues. Exhibit F presents the forecast concession revenues to $185.9 million in FY 2027, or $9.38 per enplaned passenger, compared to $9.79 per enplaned passenger in FY 2019, with lower duty-free revenues partially offset by higher rental car revenues. For purposes of this Report, it was assumed that payments to the Department during the forecast period would equal the percentage fee payments. The Department may reinstate the MAGs at its sole discretion.

5.5.1 Duty-Free

DFS operates duty-free stores at HNL, KOA, and OGG, as well as T Galleria and other off-airport stores located at Waikiki. Approximately one-quarter of duty-free gross sales are generated at on-airport locations, while three-quarters are generated from the Waikiki store. Changes in duty-free sales are driven by passenger volume changes, passenger mix, product mix and pricing, the currency exchange rate, and the pricing gap between the U.S. and the destination countries, among other factors.

Duty-free annual gross sales declined to below $110 million starting from the contract year ending May 31, 2016. In 2017, as a condition of the lease term extension, DFS completed renovations of the Central Concourse concession facilities but the annual gross sales remained below $110 million through the contract year 2019. The loss of direct flights to China has also contributed to the decline in gross sales in the contract year 2020, totaling $78 million.

DFS is contractually obliged to pay the higher of MAG or the percentage fee, which is calculated as 30 percent of on-airport gross sales and 18 percent of off-airport gross sales, but has received a MAG waiver similar to other eligible concessionaires. Without the MAG requirements, the percentage fee payments would have been $22.0 million and $16.4 million for FY 2019 and FY 2020, respectively, compared to the actual MAG payments of $40.6 million and $35.6 million respectively.

DFS has not resumed its duty-free operation as of October 2021. It remains uncertain whether T Galleria in downtown Waikiki will be permanently closed. For purposes of this Report, it was assumed that duty free revenues to the Airports Division would equal the percentage rent payments. Such payments are forecast to be $0.5 million in FY 2022, to recover to $4.8 million in FY 2023, and to increase driven by assumed higher international passenger count and inflation adjustments.

5.5.2 Food and Beverage

Food and beverage gross sales are driven by passenger volume, product mix and pricing, and facility location. Food and beverage revenues to the Airports Division increased from $8.9 million in FY 2016 to $11.4 million in FY 2019 and declined to $8.7 million in FY 2020 and $2.4 million in FY 2021. Approximately two-thirds of food and beverage revenues are generated from HNL, with one-fifth from OGG and the rest mainly from other Primary Airports.

Food and beverage revenues to the Department are forecast to be $8.4 million in FY 2022, and to increase driven by assumed higher enplaned passenger count and inflation adjustments.

5.5.3 Retail

Retail gross sales are driven by passenger volume, product mix and pricing, and facility location. Retail revenues to the Airports Division increased from $14.7 million in FY 2016 to $17.2 million in FY 2019 and declined to $12.8 million in FY 2020 and $1.5 million in FY 2021. Approximately three-quarters of retail revenues are generated from HNL, with one-sixth from OGG and the rest mainly from other Primary Airports.

Retail revenues to the Department are forecast be $11.8 million in FY 2022 and to increase driven by assumed higher enplaned passenger count and inflation adjustments.

5.5.4 Other Terminal Concessions

Other terminal concessions include advertising, news vending, wireless internet, foreign exchange, florists, in-flight catering, smart-carte, merchandise delivery, and other miscellaneous revenues. In FY 2019, in-flight catering accounted for more than half of this revenue category. Other terminal concession revenues to the Airports Division increased from $7.8 million in FY 2016 to $11.4 million in FY 2019, due primarily to higher advertising revenues, and declined to $9.9 million in FY 2020 and $3.9 million in FY 2021.

Other terminal concession revenues are forecast to be $9.0 million in FY 2022 and to increase driven by assumed higher enplaned passenger count and inflation adjustments.

5.5.5 Parking

Parking revenues are driven by the number of residents traveling, ground transportation method, length of trip, and parking rate, among other factors. Because Hawaii is a global tourist attraction, resident travelers were estimated to account for less than one-fifth of total O&D enplaned passengers. Therefore, at the Hawaii Airports System, parking revenues are lower than rental car revenues – a situation unlike what most U.S. airports experience. The maximum daily parking rates are $18 at the HNL garage, $10 at the HNL surface parking lot, and $15 at other Primary Airports. Approximately two-thirds of parking revenues come from HNL, with one-sixth from OGG, and the rest mainly from other Primary Airports.

During holidays prior to COVID-19, the parking garage at HNL was near capacity. After completion of the HNL ConRAC in December 2021, the Aviation Department will convert the east side of the Overseas Parking Garage from the interim rental car facility to public parking.

Parking revenues increased from $24.9 million in FY 2016 to $27.2 million in FY 2019, and declined to $22.4 million in FY 2020 and $11.8 million in FY 2021. For purposes of this Report, it was assumed that in FY 2026 the daily maximum parking rate would increase to $20 for HNL garages and $16 for other Primary Airports. As a result, parking revenues are forecast to increase from $18.4 million in FY 2022 to $28.0 million in FY 2027, compared to $27.2 million in FY 2019.

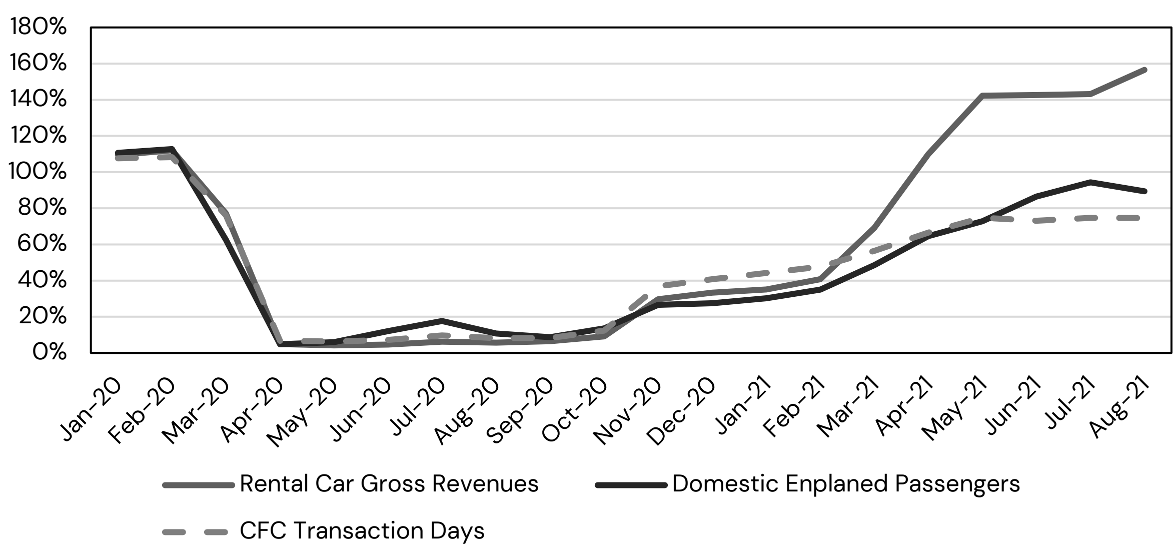
5.5.6 Rental Car

Rental car revenues are driven by the number of visitors traveling, choice of ground transportation method, length of rental car transaction, rental car mix and pricing, and rental car operation location, among other factors. Rental car revenues increased from $53.7 million in FY 2016 to $72.4 million in FY 2019 and declined to $58.9 million in FY 2020 and $38.3 million in FY 2021. The distribution of rental car revenues across airports is different from the distribution of all other revenues. In FY 2020, rental car revenues were generated from OGG (37 percent), HNL (24 percent), KOA (19 percent), LIH (17 percent), ITO (3 percent), and other airports (0.4 percent). Rental car concession revenues are pledged to the payment of Bonds debt service, but not the CFC Bonds.

In FY 2015, the Airports Division executed the ConRAC Agreement with major rental car companies, including Avis Budget, Enterprise, Hertz, and Advantage. The Signatory RACs started operating from OGG ConRAC in May 2019 and will relocate all rental car operations at HNL to the HNL ConRAC upon completion in December 2021. Therefore, the relocation of Alamo's, Dollar's, and Thrifty's HNL operations to the on-airport ConRAC will bring additional rental car concession revenues to the Airports Division. The Airports Division collects the higher of MAGs or 10 percent of rental car gross receipts as a percentage fee for all on-airport rental car operations, but charges only a nominal fee per vehicle for off-airport operations.

The daily car rental rate increased in FY 2021 due to the rental car shortage in Hawaii, and continued into FY 2022. In August 2021, the domestic enplaned passenger count reached 89.4 percent of the August 2019 level, but CFC transaction days recovered only to 74.6 percent because rental cars were not available on certain days. August 2021 rental car gross revenues were $112.2 million, or 156.5 percent of the August 2019 level, implying that the daily car rental rate nearly doubled. The higher daily car rental rate may decline through FY 2022, but online rental car booking sites continue to show a rental car shortage in the winter 2022 holiday season. Selected rental car related statistics are presented in the exhibit below, shown as the percentage compared to the same month in calendar year 2019.

Exhibit 5-44: Rental Car Gross Revenues (% compared to the same month in calendar year 2019)



Source: Airports Division.

For purposes of this Report, it was assumed that (a) HNL rental car revenues would increase by 15 percent in FY 2022 and by an additional 15 percent in FY 2023 due to the relocation of off-airport operations, (b) average rental car revenue per enplaned passenger would increase by 40 percent in FY 2022, and to decline by 15 percent and 10 percent, respectively, in FY 2023 and FY 2024, and (c) rental car revenues would otherwise be driven by an increase in enplaned passengers. Rental car revenues to the Department are forecast to increase to $87.0 million in FY 2022 and $88.5 million in FY 2027. Rental car revenue per enplaned passenger is forecast to be $4.46 in FY 2027 compared to $3.86 in FY 2019, due to incremental revenues at HNL and inflation adjustments, among other factors.

5.5.7 Ground Transportation

Ground transportation revenues include revenues from airport shuttle bus services, taxi services, TNCs, and other miscellaneous ground transportation permittees. TNCs pay 7 percent of gross revenues to the Airports Division, similar to taxi operators. Ground transportation revenues are forecast to increase to $2.7 million in FY 2022 and to increase driven by assumed higher enplaned passenger count and inflation adjustments.

5.6 Non-Terminal Rentals and Fees

The Airports Division generates non-terminal rentals and fees from the Signatory Airlines and non-signatory airlines, such as cargo or maintenance hangar rentals, non-airline tenants such as rental car ground rentals, and miscellaneous revenues, which are not directly impacted by changes in enplaned passengers.

Those revenues increased from $47.8 million in FY 2016 to $63.6 million in FY 2019, declined to $58.4 million in FY 2020 due to a $4.2 million rental adjustment, and recovered to $65.5 million in FY 2021. The increase was driven by higher land and building rentals from new buildings, such as maintenance hangars and ConRAC, and higher rental rates due to appraisals. Those revenues are assumed to increase one percent annually, with an assumed $1.0 million in incremental annual land rentals from HNL ConRAC.

5.7 Non-Operating Revenues

Non-operating revenues include the federal operating grant, COVID-19 relief grants, and interest incomes. As discussed previously, the Department included $50.0 million in federal COVID-19 relief grants in FY 2020 and $147.9 million in FY 2021, and plans to use $60.6 million in FY 2022 and $43.2 million in FY 2023. The relief grants related to concessionaires have not been included in non-operating revenues.

5.8 Airline Rates and Charges Revenues

Airline rates and charges revenues are paid by the Signatory Airlines and non-signatory airlines for the use of airfield and terminal buildings, including landing fees, terminal rentals, and terminal user fees. Airline rates and charges are initially calculated prior to the start of a Fiscal Year based on forecast inputs, with non-signatory commercial carriers paying 125 percent of the rates paid by the Signatory Airlines and smaller non-signatory air operators paying separate rates. As part of the year-end closing, the Airports Division will recalculate airline rates and charges based on actual results, settle with the Signatory Airlines, and collect additional amounts if needed to ensure compliance with the Rate Covenant. Non-signatory airlines are not subject to year-end reconciliation.

In the initial calculation, the Airports Division generally follows the procedure below:

- Determine the cost requirements, such as Costs of Operation, Maintenance and Repair, Annual Adjusted Debt Service Requirement, COPs debt service, and other fund deposits.
- Allocate the cost requirements to the system-wide Airfield Cost Center, Terminal Cost Centers for five Primary Airports (together with Airfield Cost Center, the Airlines Cost Centers), and a cost center of other areas.
    - Approximately two-thirds of the Costs of Operation, Maintenance and Repair are allocated to the Airline Cost Centers.

  - The Annual Adjusted Debt Service Requirement is allocated based on the projects funded. Because the CIP does not include any major parking or rental car related projects, the majority of related debt service is allocable to Airline Cost Centers.
  - Fund deposits are allocated based on the purposes of the funds.

- Credit certain revenues as provided in the Airline Agreement, including non-signatory landing fee and grant reimbursement to the calculation of landing fee rate, and grant reimbursements and terminal concession revenues to the calculation of respective terminal rental rates of the five Primary Airports.
- The landing fee rate and the terminal rental rates are then calculated using a residual ratemaking methodology, except for a minor portion related to the ITO terminal. Terminal user fees are calculated based on terminal rental rates, space square footage, and user counts.
- If needed, an ASSC would be collected based on landed weight to ensure compliance with the Rate Covenant.

Total Signatory Airlines payments were $185.7 million in FY 2019, declined to $166.3 million in FY 2020 due partially to the inclusion of COVID-19 relief grants, and to $152.9 million in FY 2021 due partially to the inclusion of COVID-19 relief grants and debt service restructuring. Total Signatory Airline payments are forecast to increase to $202.1 million in FY 2022 and to $347.4 million in FY 2027, accounting for 56.3 percent of Revenues and Aviation Fuel Taxes. Non-signatory revenues are forecast to increase from $5.0 million in FY 2021 to $7.7 million in FY 2027.

5.9 Forecast Financial Results

This section discusses Rate Covenant compliance, CPEs, liquidity, and the results of a sensitivity test.

5.9.1 Rate Covenant Compliance

Exhibit G presents the calculation of Rate Covenant compliance, including the flow test and the coverage test.

- In the flow test, the Department is expected to generate adequate Revenues and Aviation Fuel Taxes to meet the obligations required by the Certificate.
- In the coverage test, the Department is expected to generate a debt service coverage ratio of 3.38x in FY 2021 and 3.36x in FY 2022, higher than 2.06x in FY 2020, due partially to debt service restructuring for FY 2021 and FY 2022. Debt service coverage ratios are expected to decline in future years but to stay above 1.60x, because the Airline Agreement provides for the recovery of COPs debt service and other fund deposits, which serves as additional coverage above the mandated 1.25x. The Airports Division plans to fund the Funded Coverage Account at 25 percent of gross debt service, which equals 31.3 percent of the Annual Adjusted Debt Service Requirement in FY 2027.

5.9.2 CPEs

Exhibit H provides key statistics, including a forecast of CPEs. The average CPE at the Hawaii Airports System was $9.75 in FY 2019. This increased to $11.19 in FY 2020 and $23.80 in FY 2021 due primarily to lower enplaned passenger count. The average CPE is expected to decline to $13.66 in FY 2022 and increase to $16.78 in FY 2027.

5.9.3 Liquidity

The unrestricted cash position, including the balance in the operating reserve and the Fund Coverage Account, declined from $657 million in March 2020 to as low as $547 million in October 2020, and remained between $540 million and $572 million through October 2021. As of June 30, 2021, the Airports Division had $562 million in unrestricted cash, which equals to 636 days cash on hand, based on $322.3 million in Costs of Operation, Maintenance and Repair in FY 2020. An additional $60 million is available from the Major Maintenance, Renewal and Replacement Account for debt service if needed.

The Airports Division will start reimbursement requests for the grants under the American Rescue Plan Act in FY 2022 and expects future unrestricted cash positions to be close to the present level.

5.9.4 Sensitivity Test

Exhibit I provides the key financial metrics under a hypothetical downside traffic scenario, which assumes that the enplaned passenger count would be 12.0 million in FY 2022, 15 percent lower than the traffic forecast presented in this Report (the Base Case). The passenger traffic is assumed to recover to 19.0 million in FY 2027, or 4.2 percent below the level in the Base Case.

Under the hypothetical scenario, debt service coverage ratios would decline to 3.04x in FY 2022 and 1.89x in FY 2023, compared to 3.36x and 2.07x under the Base Case, respectively. The debt service coverage ratios for future years are expected to be similar to the ratios under the Base Case due to the residual safety net. CPEs are expected to be higher than the CPEs in the Base Case, rising to $17.94 in FY 2027, compared to $16.78 in the Base Case.

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Exhibit A: Total CIP Project Cost and Sources of Funding
Hawaii Airports System (in thousands)

		Remaining Costs as of June 30, 2021									
Project Title	Status	Prior Bonds	Proposed 2022 Bonds	Future Bonds	Total Bonds	Grants	PFC Paygo	Cash	Subtotal	Spent as of 6/30/2021	Current Working Estimates
CIP BY PROJECT											
HNL, Mauka Concourse Extension	4-Design	$ 66,181	$ -	$ 0	$ 66,181	$ -	$ -	$ -	$ 66,181	$ 343,850	$ 410,032
HNL, Ticket Lobby Renovation	2-Construction	14,204	87,705	62,733	164,641	-	-	-	164,641	9,143	173,785
HNL, Runway 8L Widening	2-Construction	1,940	9,367	5,172	16,479	112,600	-	850	129,929	26,927	156,855
HNL, Runway and Taxiway Shoulder Rehabilitation	4-Design	1,394	18,716	83,765	103,874	30,000	-	-	133,874	2,072	135,946
HNL, Restroom Improvements	2-Construction	16,760	11,704	2,762	31,226	1	(0)	7,475	38,702	27,674	66,376
HNL, Improvements to Baggage Handling Systems	2-Construction	12,592	9,419	3,427	25,438	-	-	-	25,438	24,389	49,827
HNL, Roadway Terminal Signage Improvements	2-Construction	3,470	2,898	(0)	6,368	-	-	-	6,368	34,205	40,574
HNL, Replace Prkg Structure Pedestrian Bridge	2-Construction	10,448	-	-	10,448	-	(0)	-	10,448	29,902	40,350
HNL, Other Projects	Varies	24,499	37,546	87,987	150,032	118	-	1,077	151,227	40,948	192,175
Subtotal		$ 151,488	$ 177,355	$ 245,846	$ 574,689	$ 142,719	$ (0)	$ 9,401	$ 726,809	$ 539,111	$ 1,265,920
ITO Projects	Varies	5,694	3,879	16,701	26,274	-	-	-	26,274	15,333	41,606
KOA, Runway 17-35 Rehabilitation	4-Design	$ 1,123	$ 2,480	$ 66,388	$ 69,991	$ -	$ -	$ -	$ 69,991	$ 209	$ 70,200
KOA, Federal Inspection Services Building (a)	2-Construction	150	-	0	150	2,500	27,823	(6,485)	23,988	45,835	69,823
KOA, Other Projects	Varies	11,633	8,451	8,906	28,990	7,323	2,244	218	38,775	21,397	60,172
Subtotal		$ 12,906	$ 10,931	$ 75,293	$ 99,130	$ 9,823	$ 30,067	$ (6,267)	$ 132,754	$ 67,442	$ 200,195
LIH, Relocate Runway 3-21	4-Design	$ 249	$ 3,540	$ 38,633	$ 42,422	$ -	$ 1,802	$ (0)	$ 44,224	$ 1,943	$ 46,167
LIH, Other Projects	Various	8,773	1,335	19,876	29,984	2,506	-	2,328	34,817	21,201	56,019
LIH Projects	Various	$ 9,022	$ 4,875	$ 58,509	$ 72,405	$ 2,506	$ 1,802	$ 2,328	$ 79,041	$ 23,145	$ 102,186
OGG, Runway 2-20 Improvements	4-Design	$ 509	$ 509	$ 28,440	$ 29,457	$ 187,500	$ 62,500	$ -	$ 279,457	$ 543	$ 280,000
OGG Holdroom and Gate Improvements	2-Construction	4,509	18,453	23,087	46,049	-	-	-	46,049	3,253	49,302
OGG, South TSA Checkpoint	4-Design	1,014	725	33,042	34,781	-	-	-	34,781	-	34,781
OGG, Other Projects	Varies	13,920	1,464	4,749	20,133	91	-	257	20,481	23,376	43,857
Subtotal		$ 19,952	$ 21,150	$ 89,318	$ 130,420	$ 187,591	$ 62,500	$ 257	$ 380,768	$ 27,172	$ 407,940
Other Airports' Projects	Varies	2,480	9,794	11,732	24,006	46,869	-	390	71,265	3,091	74,355
Statewide Projects	Varies	31,502	19,556	45,685	96,743	7,716	614	14,829	119,902	37,040	156,942
TOTAL CIP		**$233,045**	**$247,539**	**$ 543,083**	**$1,023,667**	**$397,224**	**$ 94,983**	**$20,938**	**$1,536,812**	**$ 712,332**	**$ 2,249,144**

Note: (a) The Airports Division expects to reimburse cash using PFC revenues after receiving an approval from the FAA and, therefore, shows a negative cash spending.
Source: Airports Division.

Exhibit B: Historical and Forecast of PFC Revenues

State of Hawaii, Department of Transportation, Airports Division, (for Fiscal Years ending June 30; numbers in thousands)

			Historical	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
PFC Collections									
Enplaned Overseas Passengers (a)	11,658	8,746	3,762	8,609	9,442	11,085	12,017	12,385	12,676
Percent of PFC Eligible Passengers (b)	87.1%	80.1%	114.9%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
PFC Eligible Enplaned Passengers	10,154	7,002	4,321	7,318	8,025	9,422	10,214	10,527	10,775
PFC Level	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50	$ 4.50
less: PFC Airline Collection Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC Level	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
Annual PFC Collections	$ 44,578	$ 30,739	$ 18,969	$ 32,124	$ 35,232	$ 41,363	$ 44,840	$ 46,214	$ 47,300
Cumulative PFC Collections with Interest Earnings	$ 482,191	$ 516,615	$ 536,495	$ 569,212	$ 605,056	$ 647,120	$ 692,719	$ 739,671	$ 787,686
PFC Cashflow									
PFC Fund - Beginning Balance	$ 192,561	$ 187,849	$ 124,842	$ 124,793	$ 113,148	$ 132,252	$ 148,928	$ 155,251	$ 140,952
Deposits:									
Annual PFC Collections	$ 44,578	$ 30,739	$ 18,969	$ 32,124	$ 35,232	$ 41,363	$ 44,840	$ 46,214	$ 47,300
Interest Earnings	4,549	3,685	910	593	612	701	759	739	715
Annual PFC Revenues with Interest Earnings	$ 49,127	$ 34,424	$ 19,879	$ 32,718	$ 35,844	$ 42,064	$ 45,599	$ 46,952	$ 48,015
Annual Use of PFC Revenues									
Available PFC Revenues									
Existing Applications	$ (8,717)	$ (18,114)	$ (16,083)	$ (11,712)	$ (11,558)	$ (13,458)	$ (13,586)	$ (13,729)	$ (13,741)
Future Applications	-	-	-	-	(2,565)	(9,571)	(13,240)	(16,340)	(16,379)
Subtotal	$ (8,717)	$ (18,114)	$ (16,083)	$ (11,712)	$ (14,123)	$ (23,028)	$ (26,825)	$ (30,069)	$ (30,120)
Pay-as-you-go	(45,122)	(79,316)	(3,846)	(32,651)	(2,616)	(2,360)	(12,451)	(31,182)	(13,172)
Total Annual Use of PFC Revenues	$ (53,839)	$ (97,430)	$ (19,929)	$ (44,363)	$ (16,739)	$ (25,388)	$ (39,276)	$ (61,251)	$ (43,292)
PFC Fund - Ending Balance	**$187,849**	**$124,842**	**$ 124,793**	**$ 113,148**	**$ 132,252**	**$148,928**	**$155,251**	**$140,952**	**$145,675**

Notes: *(a) Interisland enplaned passengers are not subject to the PFC collection.*
(b) High ratio in FY 2021 was due to collection of delayed amounts in FY 2020.
Source: *Historical - Airports Division; Forecasts - ICF.*

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airports Division management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecasts, and the variations could be material.

Exhibit C: Sources and Uses of Bond Funds

State of Hawaii, Department of Transportation, Airports Division (numbers in thousands)

	2022 Bonds	2023 Bonds	2025 Bonds	Other Sources	Grand Total
Sources of Funds					
Bond Proceeds	$ 253,930	$ 311,430	$ 231,390	$ -	$ 796,750
Premium/(Discount)	25,721	26,624	20,649	-	72,994
Other Sources (a)	-	-	-	746,190	746,190
Total Sources	$ 279,651	$ 338,054	$ 252,039	$ 746,190	$ 1,615,934
Use of Funds					
Project Costs	$ 247,539	$ 311,058	$ 232,025	$ 746,190	$ 1,536,812
Costs of Issuance	1,640	1,802	1,525	-	4,968
Deposit to Debt Service Reserve Account	10,157	18,584	13,583	-	42,324
Deposit for Capitalized Interest	20,314	6,610	4,906	-	31,830
Total Uses of Funds	$ 279,651	$ 338,054	$ 252,039	$ 746,190	$ 1,615,934

Note: (a) Other sources include grant, PFC paygo, cash, and the proceeds from prior Bonds.
Source: Morgan Stanley, October 2021.

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airports Division management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecasts, and the variations could be material.

Exhibit D: Annual Adjusted Debt Service Requirement and Subordinate Obligations

State of Hawaii, Department of Transportation, Airports Division (for Fiscal Years ending June 30; numbers in thousands)

			Historical	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Annual Adjusted Debt Service Requirement									
Outstanding Bonds									
2010 Refunding	$ 25,733	$ 31,564	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2010 New Money	23,011	20,909	3,466	-	-	-	-	-	-
2011 Refunding	28,500	22,669	2,746	2,746	37,676	22,684	-	-	-
2015A New Money	11,150	11,742	11,742	11,742	11,742	11,742	11,742	11,742	11,742
2015B New Money	365	365	365	365	365	365	365	365	365
2018A New Money	1,212	6,141	17,050	19,428	19,428	19,428	19,428	19,428	19,428
2018B New Money	38	613	1,056	1,276	1,276	1,276	9,581	9,579	9,576
2018C Refunding	-	778	3,766	3,765	3,769	21,103	19,455	21,063	19,463
2018D Refunding	-	1,658	7,108	7,108	7,108	7,108	7,108	7,108	7,108
2020A New Money	-	-	256	2,789	4,024	5,292	5,292	5,292	5,292
2020B New Money	-	-	279	3,046	4,395	5,779	5,779	5,779	5,779
2020C New Money	-	-	22	639	975	1,015	1,015	1,015	1,015
2020D Refunding	-	-	5,219	7,515	7,515	7,515	7,515	7,515	9,240
2020E Refunding	-	-	1,302	1,875	1,875	1,875	20,175	18,571	18,452
Subtotal Outstanding	$ 90,008	$ 96,441	$ 54,377	$ 62,293	$ 100,148	$ 105,182	$ 107,455	$ 107,457	$ 107,459
Proposed 2022 Bonds	-	-	-	-	3,611	7,223	10,157	10,157	10,157
Future Bonds	-	-	-	-	-	6,610	18,584	32,000	32,166
Debt Service Requirement	$ 90,008	$ 96,441	$ 54,377	$ 62,293	$ 103,759	$ 119,015	$ 136,197	$ 149,614	$ 149,782
Available PFC Revenues (a)	(8,717)	(18,114)	(16,083)	(11,712)	(14,123)	(23,028)	(26,825)	(30,069)	(30,120)
Annual Adjusted Debt Service Requirement	**$ 81,291**	**$ 78,327**	**$ 38,294**	**$ 50,581**	**$ 89,636**	**$ 95,987**	**$ 109,371**	**$ 119,544**	**$ 119,663**
Subordinate Obligations									
2013 Certificate of Participation (COPs)	$ 14,277	$ 15,155	$ 16,272	$ 17,122	$ 17,705	$ 18,774	$ 20,222	$ 21,249	$ 22,069
2016 COPs	966	1,013	1,062	1,113	1,168	1,224	1,284	78	-
2017 COPs	-	3,173	3,332	3,499	3,674	3,858	4,052	4,255	4,468
Total Subordinate	**$ 15,243**	**$ 19,341**	**$ 20,666**	**$ 21,735**	**$ 22,547**	**$ 23,857**	**$ 25,558**	**$ 25,581**	**$ 26,537**

Note: *(a) Includes amount under approved PFC applications, and forecast amounts for other eligible projects to be requested in future PFC applications.*
Source: *Historical - Airports Division; Forecasts - ICF.*

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airports Division management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecasts, and the variations could be material.

Exhibit E: Costs of Operation, Maintenance and Repair

State of Hawaii, Department of Transportation, Airports Division (for Fiscal Years ending June 30; numbers in thousands)

			Historical	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Costs of Operation, Maintenance and Repair									
Salary and Wages	$ 116,993	$ 126,441	$ 131,907	$ 134,242	$ 142,296	$ 150,834	$ 159,884	$ 169,477	$ 179,646
Other Personnel Services	80,941	89,338	87,726	97,833	103,703	109,925	116,521	123,512	130,923
Utilities	37,614	34,103	30,765	39,837	42,227	44,760	47,446	50,293	53,310
Special Maintenance	5,763	6,859	9,485	7,540	7,917	8,313	8,729	9,165	9,623
Repair and Maintenance	34,700	38,531	48,093	40,222	42,233	44,345	46,562	48,890	51,335
Materials and Supplies	6,527	5,453	5,051	5,904	6,200	6,510	6,835	7,177	7,536
DOT Administrative Expenses	8,370	7,727	6,102	9,346	9,814	10,304	10,819	11,360	11,928
Other Expenses	5,196	7,940	8,007	5,231	5,493	5,768	6,056	6,359	6,677
Bad Debt	4,015	71	97	-	-	-	-	-	-
Base Expenses net of Surcharge	$ 300,118	$ 316,464	$ 327,233	$ 340,156	$ 359,883	$ 380,759	$ 402,853	$ 426,234	$ 450,978
Incremental Expenses	-	-	-	-	1,000	1,050	1,103	1,158	1,216
State Surcharge	14,731	14,384	8,042	14,025	16,417	16,827	17,248	17,679	18,121
Gross Operating Expenses	$ 314,849	$ 330,848	$ 335,276	$ 354,181	$ 377,300	$ 398,636	$ 421,203	$ 445,070	$ 470,315
One-Time Expenses for Passenger Screening	-	-	22,350	-	-	-	-	-	-
Excluding Non-Cash Expenses (a)	-	(8,503)	(19,713)	(20,698)	(21,940)	(13,637)	(14,456)	(15,323)	(16,242)
Costs of Operation, Maintenance and Repair	**$314,849**	**$322,345**	**$ 337,914**	**$333,483**	**$355,360**	**$384,999**	**$406,747**	**$429,747**	**$454,072**
% Change of Gross Operating Expenses	5.0%	5.1%	1.3%	5.6%	6.5%	5.7%	5.7%	5.7%	5.7%

Note: *(a)* *The amendment to the Certificate to exclude non-cash expenses has been effective since FY 2020.*
Source: *Historical - Airports Division; Forecasts - ICF.*

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airports Division management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecasts, and the variations could be material.

Exhibit F: Revenues and Aviation Fuel Taxes

State of Hawaii, Department of Transportation, Airports Division (for Fiscal Years ending June 30; numbers in thousands)

			Historical	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenues and Aviation Fuel Taxes									
Airline Rates and Charges									
Signatory Airlines	$ 185,749	$ 166,314	$ 152,871	$ 202,144	$ 247,057	$ 284,125	$ 304,723	$ 329,780	$ 347,381
Non-signatory Airlines	8,212	7,224	5,047	4,830	5,403	6,090	6,746	7,249	7,660
Subtotal	$ 193,961	$ 173,538	$ 157,918	$ 206,974	$ 252,460	$ 290,215	$ 311,469	$ 337,030	$ 355,041
Concession Revenues (a)									
Duty Free	$ 40,601	$ 35,625	$ -	$ 407	$ 4,773	$ 12,515	$ 16,473	$ 17,501	$ 18,202
Food and Beverage	11,430	8,654	2,355	8,422	9,792	11,902	13,157	13,796	14,339
Retail	17,176	12,849	1,532	11,840	13,833	16,275	17,510	18,133	18,669
Other Terminal Concessions	11,375	9,940	3,863	9,008	10,244	12,108	13,040	13,508	13,906
Parking	27,152	22,394	11,826	18,354	20,525	23,697	25,128	27,451	27,963
Rental Car	72,354	58,876	38,250	86,974	82,988	82,220	85,503	87,075	88,475
Ground Transportation	3,187	2,685	1,354	2,727	3,130	3,736	4,040	4,191	4,317
Subtotal	$ 183,275	$ 151,025	$ 59,180	$ 137,732	$ 145,286	$ 162,453	$ 174,851	$ 181,653	$ 185,870
Non-Terminal Rentals and Fees									
Signatory Airline Non-Terminal Rentals	$ 14,919	$ 14,816	$ 16,514	$ 14,620	$ 14,766	$ 14,914	$ 15,063	$ 15,213	$ 15,365
Non-signatory Airline Non-Terminal Rentals (b)	17,067	13,172	19,001	18,079	18,260	18,442	18,627	18,813	19,001
Nonaeronautical Rentals	22,169	22,784	21,853	23,261	24,624	24,870	25,119	25,370	25,624
Miscellaneous Operating Revenues	9,411	7,623	8,155	8,291	8,374	8,458	8,542	8,628	8,714
Subtotal	$ 63,566	$ 58,395	$ 65,524	$ 64,251	$ 66,024	$ 66,684	$ 67,351	$ 68,024	$ 68,705
Operating Revenues	$ 440,802	$ 382,957	$ 282,622	$ 408,957	$ 463,769	$ 519,353	$ 553,671	$ 586,707	$ 609,615
Federal Grant Reimbursements	1,616	1,506	4,236	2,000	2,000	2,000	2,000	2,000	2,000
COVID-19 Relief Grants	-	50,000	147,955	60,590	43,210	-	-	-	-
Interest Incomes									
Operating Funds and Reserves	19,443	16,526	5,287	3,921	4,050	4,103	4,141	4,089	4,039
Construction Fund	6,674	7,530	418	1,525	1,692	1,567	1,846	1,750	1,750
Revenues and Aviation Fuel Taxes	**$ 468,534**	**$ 458,519**	**$ 440,519**	**$ 476,993**	**$ 514,721**	**$ 527,022**	**$ 561,658**	**$ 594,547**	**$ 617,404**
Signatory Airline Rates and Charges as % of Total	39.6%	36.3%	34.7%	42.4%	48.0%	53.9%	54.3%	55.5%	56.3%

Notes: *(a) Assuming that concessionaires would pay percentage fee instead of minimum annual guarantee during the forecast period.*
(b) Decline in FY 2020 is due to a one-time $4.2 million rental adjustment.
Source: *Historical - Airports Division; Forecasts - ICF.*

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airports Division management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecasts, and the variations could be material.

Exhibit G: Rate Covenant

State of Hawaii, Department of Transportation, Airports Division (for Fiscal Years ending June 30; numbers in thousands)

			Historical	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Application of Revenues and Aviation Fuel Taxes									
Costs of Operation, Maintenance and Repair	$ 314,849	$322,345	$ 337,914	$333,483	$355,360	$384,999	$406,747	$429,747	$454,072
Annual Adjusted Debt Service Requirement									
Gross Debt Service	90,008	96,441	54,377	62,293	103,759	119,015	136,197	149,614	149,782
Available PFC Revenues	(8,717)	(18,114)	(16,083)	(11,712)	(14,123)	(23,028)	(26,825)	(30,069)	(30,120)
Deposit to Major Maintenance, Renewal and Replacement	-	2,334	-	500	500	500	500	500	500
Reimbursement of General Fund of the State	-	-	-	-	-	-	-	-	-
Other Purposes									
Subordinate Obligations	15,243	19,341	20,666	21,735	22,547	23,857	25,558	25,581	26,537
Funds Remaining (a)	57,151	36,172	43,645	70,694	46,679	21,680	19,482	19,174	16,632
Application of Revenues and Aviation Fuel Taxes	$ 468,534	$ 458,519	$ 440,519	$476,993	$ 514,721	$527,022	$ 561,658	$594,547	$ 617,404
Debt Service Coverage									
Revenues and Aviation Fuel Taxes	$ 468,534	$ 458,519	$ 440,519	$476,993	$ 514,721	$527,022	$ 561,658	$594,547	$ 617,404
Costs of Operation, Maintenance and Repair	(314,849)	(322,345)	(337,914)	(333,483)	(355,360)	(384,999)	(406,747)	(429,747)	(454,072)
Deposit to Debt Service Reserve Account	-	-	-	-	-	-	-	-	-
Deposit to Maintenance, Renewal and Replacement Acco	-	(2,334)	-	(500)	(500)	(500)	(500)	(500)	(500)
Reimbursement of General Fund of the State	-	-	-	-	-	-	-	-	-
Net Revenues and Taxes	$ 153,685	$ 133,840	$102,605	$ 143,010	$ 158,862	$ 141,523	$ 154,411	$164,300	$ 162,832
Funded Coverage Account Balance (b)	26,780	27,598	26,865	26,865	26,865	29,754	34,049	37,403	37,446
Adjusted Net Revenues and Taxes	$ 180,465	$ 161,438	$ 129,470	$ 169,875	$ 185,727	$ 171,277	$ 188,460	$ 201,703	$200,277
Gross Debt Service	$ 90,008	$ 96,441	$ 54,377	$ 62,293	$ 103,759	$ 119,015	$ 136,197	$ 149,614	$ 149,782
Airline Prepaid Interests	-	-	-	-	-	-	-	-	-
Available PFC Revenues	(8,717)	(18,114)	(16,083)	(11,712)	(14,123)	(23,028)	(26,825)	(30,069)	(30,120)
Annual Adjusted Debt Service Requirement	$ 81,291	$ 78,327	$ 38,294	$ 50,581	$ 89,636	$ 95,987	$ 109,371	$ 119,544	$ 119,663
Debt Service Coverage (Must Be No Less Than 1.25)	**2.22**	**2.06**	**3.38**	**3.36**	**2.07**	**1.78**	**1.72**	**1.69**	**1.67**

Notes: *(a) Funds remaining are used for other legal purposes, such as deposit to the Funded Coverage Account and the O&M reserve account.*
(b) Indicates the amount of unencumbered funds certified by the Airports Division for the purpose of the Rate Covenant.
Source: *Historical - Airports Division; Forecasts - ICF.*

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airports Division management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecasts, and the variations could be material.

Exhibit H: Summary of Financial Forecasts

State of Hawaii, Department of Transportation, Airports Division (for Fiscal Years ending June 30; numbers in thousands)

			Historical	Forecast					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Enplaned Passengers	18,727	14,392	6,069	14,164	15,779	18,015	19,029	19,470	19,825
% Change vs. Prior Year	-0.4%	-23.2%	-57.8%	133.4%	11.4%	14.2%	5.6%	2.3%	1.8%
% Change vs. FY 2019		-23.2%	-67.6%	-24.4%	-15.7%	-3.8%	1.6%	4.0%	5.9%
Debt Service Coverage Calculation									
Net Revenues and Taxes	$153,685	$133,840	$102,605	$143,010	$158,862	$ 141,523	$ 154,411	$164,300	$ 162,832
Funded Coverage Account Balance	26,780	27,598	26,865	26,865	26,865	29,754	34,049	37,403	37,446
Adjusted Net Revenues and Taxes	$180,465	$ 161,438	$ 129,470	$169,875	$ 185,727	$ 171,277	$188,460	$ 201,703	$200,277
Annual Adjusted Debt Service Requirement	81,291	78,327	38,294	50,581	89,636	95,987	109,371	119,544	119,663
Debt Service Coverage	2.22	2.06	3.38	3.36	2.07	1.78	1.72	1.69	1.67
Passenger Airline Payments per e.p.	9.75	11.19	23.80	13.66	15.02	15.08	15.33	16.21	16.78
Concession Revenues									
Concession Revenues	$ 183,275	$ 151,025	$ 59,180	$ 137,732	$145,286	$162,453	$ 174,851	$ 181,653	$ 185,870
Per Enplaned Passenger	$ 9.79	$ 10.49	$ 9.75	$ 9.72	$ 9.21	$ 9.02	$ 9.19	$ 9.33	$ 9.38
Percentage Change per Enplaned Passenger	1.3%	7.2%	-7.1%	-0.3%	-5.3%	-2.1%	1.9%	1.5%	0.5%
Rental Car Revenues	$ 72,354	$ 58,876	$ 38,250	$ 86,974	$ 82,988	$ 82,220	$ 85,503	$ 87,075	$ 88,475
Per Enplaned Passenger	$ 3.86	$ 4.09	$ 6.30	$ 6.14	$ 5.26	$ 4.56	$ 4.49	$ 4.47	$ 4.46
Percentage Change per Enplaned Passenger	-0.8%	5.9%	54.1%	-2.6%	-14.3%	-13.2%	-1.5%	-0.5%	-0.2%

Source: Historical - Airports Division; Forecasts - ICF.

Exhibit I: Summary of Financial Forecasts - Sensitivity Test

State of Hawaii, Department of Transportation, Airports Division (for Fiscal Years ending June 30; numbers in thousands)

	2019	2020	Historical 2021	Forecast 2022	2023	2024	2025	2026	2027
Enplaned Passengers	18,727	14,392	6,069	12,040	13,412	16,285	18,234	18,657	18,997
% Change vs. Prior Year	-0.4%	-23.2%	-57.8%	98.4%	11.4%	21.4%	12.0%	2.3%	1.8%
% Change vs. FY 2019		-23.2%	-67.6%	-35.7%	-28.4%	-13.0%	-2.6%	-0.4%	1.4%
Debt Service Coverage Calculation									
Net Revenues and Taxes	$153,685	$133,840	$102,605	$126,969	$ 142,944	$140,390	$ 154,411	$164,300	$ 162,832
Funded Coverage Account Balance	26,780	27,598	26,865	26,865	26,865	29,754	34,049	37,403	37,446
Adjusted Net Revenues and Taxes	$180,465	$ 161,438	$ 129,470	$ 153,834	$169,809	$ 170,143	$188,460	$201,703	$200,277
Annual Adjusted Debt Service Requirement	81,291	78,327	38,294	50,581	89,636	95,987	109,371	119,544	119,663
Debt Service Coverage	2.22	2.06	3.38	3.04	1.89	1.77	1.72	1.69	1.67
Passenger Airline Payments per e.p.	9.75	11.19	23.80	16.44	18.10	17.59	16.42	17.35	17.94
Concession Revenues									
Concession Revenues	$ 183,275	$ 151,025	$ 59,180	$ 117,259	$ 123,689	$ 146,598	$167,280	$ 173,785	$ 177,819
Per Enplaned Passenger	$ 9.79	$ 10.49	$ 9.75	$ 9.74	$ 9.22	$ 9.00	$ 9.17	$ 9.31	$ 9.36
Percentage Change per Enplaned Passenger	1.3%	7.2%	-7.1%	-0.1%	-5.3%	-2.4%	1.9%	1.5%	0.5%
Rental Car Revenues	$ 72,354	$ 58,876	$ 38,250	$ 74,115	$ 70,727	$ 74,443	$ 81,986	$ 83,490	$ 84,832
Per Enplaned Passenger	$ 3.86	$ 4.09	$ 6.30	$ 6.16	$ 5.27	$ 4.57	$ 4.50	$ 4.48	$ 4.47
Percentage Change per Enplaned Passenger	-0.8%	5.9%	54.1%	-2.3%	-14.3%	-13.3%	-1.6%	-0.5%	-0.2%

Source: Historical – Airports Division; Projection – ICF.

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APPENDIX B

Audited Financial Statements

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

Submitted by

THE AUDITOR
STATE OF HAWAII

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII

(An Enterprise Fund of the State of Hawaii)

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KPMG LLP
Suite 2210
1003 Bishop Street
Honolulu, HI 96813-6400

Independent Auditors' Report

The Auditor
State of Hawaii
Honolulu, Hawaii:

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Transportation, Airports Division, State of Hawaii (an enterprise fund of the State of Hawaii) (the Airports Division), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Airports Division's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Transportation, Airports Division, State of Hawaii as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matters

As discussed in note 1, the financial statements of the Airports Division present only the Airports Division enterprise fund and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airports Division's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 23, 2021, on our consideration of the Airports Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airports Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airports Division's internal control over financial reporting and compliance.

KPMG LLP

Honolulu, Hawaii
December 23, 2021

The following Management's Discussion and Analysis of the Airports Division, Department of Transportation, State of Hawaii (the Airports Division) activities and financial performance provides the reader with an introduction and overview of the financial statements of the Airports Division for the fiscal years ended June 30, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Airports Division operates and maintains 15 airports at various locations within the State of Hawaii (the State) as a single integrated system for management and financial purposes. Daniel K. Inouye International Airport on the Island of Oahu is the principal airport in the airports system providing facilities for interisland flights, domestic overseas flights, and international flights to destinations in the Pacific Rim. It has four runways, two of which (12,000 and 12,300 feet long) are among the nation's longest. In addition, it has the only reef runway in the nation (12,000 feet long by 200 feet wide). Kahului Airport on the Island of Maui, Hilo International Airport and Ellison Onizuka Kona International Airport at Keahole, both on the Island of Hawaii, and Lihue Airport on the Island of Kauai are the other major airports in the airports system, all of which provide facilities for interisland flights. Kahului Airport and Ellison Onizuka Kona International Airport at Keahole also provide facilities for direct domestic overseas flights and flights to and from Canada. Lihue Airport and Hilo International Airport also provide facilities for domestic overseas flights. Ellison Onizuka Kona International Airport at Keahole also provides facilities for international flights to and from Japan. The Daniel K. Inouye International Airport accommodated 51.5% and 55.7% of total passenger traffic in the airports system during fiscal years 2021 and 2020, respectively. The other four principal airports accommodated 47.1% and 43.0% of the total passenger traffic for fiscal years 2021 and 2020, respectively.

The other airports in the airports system are Port Allen on the Island of Kauai, Dillingham Airfield (currently leased from the U.S. military) and Kalaeloa Airport on the Island of Oahu, Kapalua and Hana airports on the Island of Maui, Waimea-Kohala and Upolu airports on the Island of Hawaii, Lanai Airport on the Island of Lanai, and Molokai and Kalaupapa airports on the Island of Molokai. These facilities are utilized by air carriers, general aviation, and by the military, with the exception of the Upolu and Port Allen airports, which are used exclusively by general aviation. The Airports Division assumed operations of Kalaeloa Airport (formerly, Barbers Point Naval Air Station) on the Island of Oahu as a general reliever airport for the Daniel K. Inouye International Airport on July 1, 1999. The other airports in the airports system accommodated 1.4% and 1.3% of the total passenger traffic for fiscal years 2021 and 2020, respectively.

The Airports Division is self-sustaining. The Department of Transportation (DOT) is authorized to impose and collect rates and charges for the airports system services and properties to generate revenue to fund operating expenses. The Capital Improvements Program is primarily funded by airports system revenue bonds and lease revenue certificates of participation issued by the Airports Division, federal grants, passenger facility charges (PFCs), customer facility charges (CFCs), and the Airports Division's revenues.

Impacts of COVID-19

COVID-19 is a highly contagious upper respiratory tract illness caused by a novel strain of coronavirus. COVID-19 has significant adverse health and financial impacts throughout the world and the State. There have been significant disruptions to domestic and international air travel, including both passenger and cargo operations. The World Health Organization declared the outbreak of COVID-19 to be a pandemic on March 11,

(Continued)

2020. The Secretary of Health, Education and Welfare of the United States and Governor David Y. Ige have each declared States of Emergency. Many state and local governments in the United States have issued “stay at home” or “shelter in place” orders, which severely restrict movement and limit businesses and activities to essential functions. A number of nations have effectively closed their borders by restricting entry and exit to only essential travel. This requires travelers to self-isolate for up to 14 days, further depressing demand for passenger air travel. Starting October 15, 2020, the Safe Travels Program was officially launched. Travelers are allowed to bypass the State’s 14-day mandatory quarantine if they provide a negative COVID-19 result. Starting on July 8, 2021, Governor David Y. Ige eliminated pre-travel testing/quarantine requirements for domestic travelers to Hawaii who have been fully vaccinated in the United States. On August 23, 2021, Governor David Y. Ige urged residents and visitors to delay all non-essential travel through the end of October 2021 due to the recent, accelerated surge in COVID-19 cases and due to the State’s health care facilities and resources reaching capacity. Starting November 1, 2021, Governor David Y. Ige opened Hawaii to vaccinated residents and visitors who are traveling domestically and between islands for business. Starting November 8, 2021, International travelers are subject to new federal requirements. Air carriers will be responsible for screening passengers prior to departure.

Airports in the United States, including the Hawaii Airports System, have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdown resulting from the COVID-19 outbreak. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines, including those operating out of the Airports System, have reported unprecedented reductions in passenger volumes and expect these reductions to continue. In response, airlines have reduced flights in an attempt to match capacity to the modified demand for air travel.

Selected information regarding COVID-19 through June 30, 2021 includes:

1. The Airports Division received a Coronavirus Aid, Relief, and Economic (CARES) Act grant from the Federal Aviation Administration (FAA) for $133,334,924, of which the Airports Division has sought reimbursement of $83 million for fiscal year 2021.

2. The Airports Division received an Airport Coronavirus Response Grant Program (ACRGP/CRRSA) grant from the Federal Aviation Administration (FAA) for $46,378,231, including $3,865,953 for concession relief. The Airports Division has sought $41 million for the fiscal year 2021.

3. The Airports Division received an Airport Rescue Plan Act (ARPA) grant from the Federal Aviation Administration (FAA) for $144,330,100, including $15,463,813 for concession relief.

4. The Airports Division received a Coronavirus Relief Fund (CRF) sub-award consistent with the requirements of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) from the State of Hawaii for $64,053,480. The CRF sub-award is for the purchase and installation of thermal scanners with facial imaging, including monitoring equipment, at the five major airports. The Airports Division has sought $60 million for the fiscal year 2021.

5. The Airports Division has taken actions to control operating expenses including temporarily closing a portion of gates, among other actions. The Airports Division has also put certain capital projects on hold.

6. The Airports Division has waived the Minimum Annual Guarantee (MAG) requirements for certain eligible concessionaires through December 2021 and will continue with the waiver in the future. Also, deferred rental and other payments for eligible tenants had been deferred from April 2020 to October 2020 of which the balance was to be paid over six equal installments starting January 2021 to June 2021.

7. The Airports Division issued Airports System Revenue Bonds, Series 2020A-E, in October 2020 (the 2020 Bonds) to realize refunding savings, restructure debt portfolio, and to provide additional fund for capital projects.

In the United States, thus far, COVID-19 cases have exceeded 49 million and COVID-19 deaths have exceeded 790,000. In Hawaii, thus far, COVID-19 cases have exceeded 88,000 and COVID-19 deaths have exceeded 1,000. The Airports Division cannot predict (i) the duration or extent of the COVID-19 outbreak or another outbreak or pandemic; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at the Airports System on whether airlines will cease operations at the Airports System or shut down in response to such restrictions or warnings; (iii) what effect any COVID-19 or other outbreak or pandemic-related restrictions or warnings may have on air travel, including to and from the Airports System, the retail and services provided by Airports System concessionaires, Airports System costs or Airports System revenues; (iv) whether and to what extent COVID-19 or another outbreak or pandemic may disrupt the local, state, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airports System related construction, the cost, sources of funds, schedule or implementation of the Airports System's CIP, or other Airport System operations; (v) the extent to which the COVID-19 outbreak or another outbreak or pandemic, or the resultant disruption to the local, state, national or global economy, may result in changes in demand for air travel, including long-term changes in consumer behavior, or may have an impact on the airlines or concessionaires serving the Airports System, or the airline and travel industry, generally; (vi) whether or to what extent the Airports Division may provide additional deferrals, forbearances, adjustments or other changes to the Airports Division's arrangements with its tenants and concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airports System. Future outbreaks, pandemics or events outside the Airports Division's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airports System and declines in Airports System Revenues.

Airline Signatory Rates and Charges

Lease Agreement with Signatory Airlines

The DOT entered into an airport-airline lease agreement with the signatory airlines to provide those airlines with the nonexclusive right to use the airports system facilities, equipment improvements, and services, in addition to occupying certain exclusive-use premises and facilities. These leases were set to expire in 1992 but were extended under various short-term agreements.

In June 1994, the DOT and the signatory airlines executed a lease extension agreement to extend the airport-airline lease agreement, effective July 1, 1994 to June 30, 1997. Under the terms of the lease extension agreement, the signatory airlines would continue to operate under the terms of the airport-airline lease agreement, with an adjustment for terms and provisions relating to airports system rates and charges. The lease extension agreement's residual rate-setting methodology provided for a final year-end reconciliation containing actual airports system cost data to determine whether airports system charges assessed to the signatory airlines were sufficient to recover airports system costs, including debt service requirements. Annual settlements based on this final reconciliation were made in accordance with the terms of the lease extension agreement and various agreements between the DOT and airlines since June 30, 1997.

In October 2007, the Airports Division and a majority of the signatory airlines executed the First Amended Lease Extension Agreement, effective January 1, 2008. The terms and conditions of the airport-airline lease agreement were amended to reflect a rate-making methodology that recovers costs of specific airports system facilities from the signatory airlines that directly use them. An airports system support charge cost center is set up to serve as the residual cost center to ensure airports system operating revenue is sufficient to cover airports system operating costs.

The Airports Division is in the process of implementing a modernization program that will include significant capital improvements for several of the major airports in the State using a variety of sources including cash, federal grants, PFCs, and revenue bonds. Due to the impacts of COVID-19, the Airports Division has determined to proceed with a portion of capital projects and put other projects temporarily on hold.

The DOT and the signatory airlines have mutually agreed to continue to operate under the terms of the First Amended Lease Extension Agreement, which provides for an automatic extension on a quarterly basis unless either party provides 60 days' written notice of termination to the other party.

Overview of the Financial Statements

The Airports Division is accounted for as a proprietary fund and utilizes the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. The proprietary fund includes the enterprise fund type, which is used to account for the acquisition, operation, and maintenance of government facilities and services that are entirely or predominantly supported by user charges.

The Airports Division's financial report includes three financial statements: the statements of net position, the statements of revenue, expenses, and changes in net position, and the statements of cash flows. The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

Airports Division Activities and Highlights

The Airports Division ended fiscal year 2021 with decreases in total passengers, revenue landed weights, revenue passenger landings and deplaning international passengers using international arriving facilities of 56.9%, 28.7%, 31.3%, and 96.5%, respectively, as compared to fiscal year 2020. The decline is primarily attributable to lower traffic activities since March 2020 as a result of COVID-19 impacts. The Airports Division ended fiscal year 2020 with decreases in total passengers, revenue landed weights, revenue passenger landings and deplaning international passengers using international arriving facilities of 23.53%, 16.21%, 16.50%, and 29.52%, respectively, as compared to fiscal year 2019. The decline is primarily attributable to lower traffic activities since March 2020 as a result of COVID-19 impacts.

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The Daniel K. Inouye International Airport continues to be the dominant airport, although a portion of the market share shifted to the Kahului Airport, Ellison Onizuka Kona International Airport at Keahole, and Lihue Airport as a result of increased direct flights to such destinations. The majority of the operating revenue at the Airports Division is activity based and directly relates to the number of passengers and aircraft operations.

For fiscal year 2021, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 28.8% and 10.5% of the total landed weights, respectively. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 17.7%, 17.4%, and 8.7% of the overseas landed weights, respectively. Hawaiian Airlines, Inc., Southwest Airlines, Co. and Aeko Kula, Inc. accounted for 45.9%, 24.0%, and 11.4% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 17.5% and Japan Airlines International Company, Ltd. accounted for 6.6% of the deplaned international passengers using international arrival facilities.

For fiscal year 2020, Hawaiian Airlines, Inc. and United Airlines, Inc. accounted for 37.3% and 10.2% of the total landed weights, respectively. Hawaiian Airlines, Inc., United Airlines, Inc., and Delta Airlines, Inc. accounted for 20.8%, 16.4%, and 8.5% of the overseas landed weights, respectively. Hawaiian Airlines, Inc., Southwest Airlines, Co. and Aeko Kula, Inc. accounted for 64.9%, 11.3%, and 9.6% of the interisland landed weights, respectively. Hawaiian Airlines, Inc. accounted for 25.8% and Japan Airlines International Company, Ltd. accounted for 17.1% of the deplaned international passengers using international arrival facilities.

The following airlines served the State with scheduled or charter overseas passenger flights in fiscal year 2021: Air Canada, Air New Zealand, Ltd., Air Pacific, Ltd., Air Transport International LLC, AirAsia X Berhad, Alaska Airlines, Inc., Asiana Airlines, Inc., All Nippon Airways Co., Ltd., American Airlines, Inc., China Airlines, Ltd., China Eastern, Inc., Continental Airlines, Inc., Continental Micronesia, Inc., Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Company, Ltd., Jetstar Airways PTY Ltd., Jin Air Co. Ltd., Korean Airlines Company, Ltd., Omni Air International, Inc., Philippine Airlines, Inc., Qantas Airways Limited, Southwest Airlines Co., Sun Country, Inc., United Airlines, Inc., and WestJet. The principal airlines providing interisland passenger flight services are Hawaiian Airlines, Inc., Southwest Airlines Co., and Mokulele Flight Service, Inc. As discussed above, some major airlines have temporarily suspended services in Hawaii such as Air New Zealand Ltd., Air Pacific, Ltd., Jetstar Airways PTY Ltd., and International Air Carriers such as Berhad, Asiana Airlines, Inc., Korean Airlines Co., Ltd., and China Airlines, Ltd.

The following airlines served the State with scheduled or charter overseas passenger flights in fiscal year 2020: Air Canada, Air China Ltd., Air New Zealand, Ltd., Air Pacific, Ltd., Air Transport International LLC, AirAsia X Berhad, Alaska Airlines, Inc., Asiana Airlines, Inc., All Nippon Airways Co., Ltd., American Airlines, Inc., China Airlines, Ltd., China Eastern, Inc., Continental Airlines, Inc., Continental Micronesia, Inc., Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Company, Ltd., Jetstar Airways PTY Ltd., Jin Air Co. Ltd., Korean Airlines Company, Ltd., Omni Air International, Inc., Philippine Airlines, Inc., Qantas Airways Limited, Southwest Airlines Co., Sun Country, Inc., United Airlines, Inc., and WestJet. The principal airlines providing interisland passenger flight services are Hawaiian Airlines, Inc., Southwest Airlines Co., and Mokulele Flight Service, Inc. As discussed above, some airlines have temporarily suspended services of all or some routes serving Hawaii as a result of COVID-19 impacts. Air China Ltd. and China Eastern, Inc. have ceased services at Hawaii without near-term plan to resume services.

Activity for the airports system for the fiscal years ended June 30, 2021, 2020, and 2019 is as follows:

	2021	2020	2019	Percentage increase (decrease) from 2020
Passengers (enplaning and deplaning passengers activity):				
Daniel K. Inouye International Airport	6,352,152	15,955,100	20,940,215	(60.19)%
Kahului Airport	3,049,864	5,826,920	7,620,203	(47.66)
Ellison Onizuka Kona International Airport at Keahole	1,487,566	3,061,760	3,799,383	(51.41)
Lihue Airport	839,405	2,472,726	3,381,564	(66.05)
Hilo International Airport	424,411	956,836	1,207,778	(55.64)
All others	170,378	357,940	491,856	(52.40)
Total passengers	12,323,776	28,631,282	37,440,999	(56.96)
Revenue landed weights (1,000-pound units):				
Daniel K. Inouye International Airport	9,516,987	14,166,377	16,783,072	(32.82)%
Kahului Airport	3,058,851	3,897,458	4,681,943	(21.52)
Ellison Onizuka Kona International Airport at Keahole	1,668,224	2,208,499	2,560,083	(24.46)
Lihue Airport	1,004,587	1,711,070	1,990,208	(41.29)
Hilo International Airport	610,606	756,186	856,693	(19.25)
All others	100,585	236,750	291,170	(57.51)
Total signatory airlines	15,959,840	22,976,340	27,163,169	(30.54)
Nonsignatory airlines	1,514,126	1,538,817	2,094,509	(1.60)
Total revenue landed weights	17,473,966	24,515,157	29,257,678	(28.72)

(Continued)

	2021	2020	2019	Percentage increase (decrease) from 2020
Revenue passenger landings:				
Daniel K. Inouye International Airport	46,796	70,002	83,569	(33.15)%
Kahului Airport	23,893	32,774	39,936	(27.10)
Ellison Onizuka Kona International Airport at Keahole	12,854	18,662	21,824	(31.12)
Lihue Airport	7,167	13,023	15,244	(44.97)
Hilo International Airport	5,296	6,848	7,756	(22.66)
All others	11,275	14,585	18,296	(22.69)
Total signatory airlines	107,281	155,894	186,625	(31.18)
Nonsignatory airlines	207	626	814	(66.93)
Total revenue passenger landings	107,488	156,520	187,439	(31.33)
Deplaning international passengers:				
Daniel K. Inouye International Airport	70,092	1,890,573	2,600,046	(96.29)%
Ellison Onizuka Kona International Airport at Keahole	—	71,691	87,223	(100.00)
Total signatory airlines	70,092	1,962,264	2,687,269	(96.43)
Nonsignatory airlines	290	42,830	157,492	(99.32)
Total deplaning international passengers	70,382	2,005,094	2,844,761	(96.49)

Financial Operations Highlights

Revenues

A summary of revenues for the years ended June 30, 2021, 2020, and 2019 and the amount and percentage of change in relation to prior year amounts is as follows:

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Operating revenues:										
Concession fees:										
Duty free	$ —	— %	35,625,000	6.3 %	40,601,148	7.1 %	(35,625,000)	(100.0)%	(4,976,148)	(12.3)%
Retail	600,925	0.1	9,137,719	1.6	12,228,442	2.1	(8,536,794)	(93.4)	(3,090,723)	(25.3)
Airport parking	11,826,288	2.2	22,394,316	3.9	27,151,837	4.8	(10,568,028)	(47.2)	(4,757,521)	(17.5)
Car rental	38,250,117	7.1	58,875,627	10.3	72,353,825	12.7	(20,625,510)	(35.0)	(13,478,198)	(18.6)
Food and beverage	2,354,519	0.5	8,654,430	1.5	11,429,500	2.0	(6,299,911)	(72.8)	(2,775,070)	(24.3)
Other concessions	6,148,201	1.1	16,337,440	2.9	19,510,085	3.4	(10,189,239)	(62.4)	(3,172,645)	(16.3)
Total concession fees	59,180,050		151,024,532		183,274,837		(91,844,482)	(60.8)	(32,250,305)	(17.6)
Airport landing fees, net	61,735,345	11.4	74,356,874	13.1	82,988,322	14.6	(12,621,529)	(17.0)	(8,631,448)	(10.4)
Aeronautical rentals:						—				
Nonexclusive joint-use premise charges	65,711,488	12.2	64,136,977	11.3	79,559,743	14.0	1,574,511	2.5	(15,422,766)	(19.4)
Exclusive-use premise charges	64,344,732	11.9	60,841,089	10.7	60,790,404	10.7	3,503,643	5.8	50,685	0.1
Nonaeronautical rentals	21,853,443	4.0	22,783,601	4.0	22,168,965	3.9	(930,158)	(4.1)	614,636	2.8
Other	9,796,667	1.8	9,814,237	1.7	12,019,328	2.1	(17,570)	(0.2)	(2,205,091)	(18.3)
Total operating revenues	282,621,725	52.3	382,957,310	67.3	440,801,599	77.4	(100,335,585)	(26.2)	(57,844,289)	(13.1)

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Nonoperating revenues:										
Interest income:										
Investments	$ 5,684,477	1.1 %	22,720,329	4.0 %	25,608,210	4.0	(17,035,852)	(75.0)%	(2,887,881)	(11.3)%
Direct financing leases	1,222,031	0.2	1,222,031	0.2	1,222,031	0.2	—	—	—	—
Other loans and investment	20,990	—	1,335,193	0.2	508,362	0.1	(1,314,203)	(98.4)	826,831	162.6
Federal operating grants	152,191,434	28.2	51,506,397	9.0	1,616,030	0.3	100,685,037	195.5	49,890,367	3,087.2
Passenger facility charges	19,879,320	3.7	34,424,068	6.0	49,126,913	7.6	(14,544,748)	(42.3)	(14,702,845)	(29.9)
Rental car customer facility charges	29,570,866	5.5	59,466,498	10.4	76,523,216	11.9	(29,895,632)	(50.3)	(17,056,718)	(22.3)
Other	53,838	—	—	—	—	—	53,838	100.0	—	—
Total nonoperating revenues	208,622,956	38.7	170,674,516	30.0	154,604,762	23.9	37,948,440	22.2	16,069,754	10.4
Capital contributions:										
Federal capital grants and state capital contributions	48,636,125	9.0	15,676,572	2.8	50,126,892	7.8	32,959,553	210.2	(34,450,320)	(68.7)
Total capital contributions	48,636,125	9.0	15,676,572	2.8	50,126,892	7.8	32,959,553	210.2	(34,450,320)	(68.7)
Total revenues	$ 539,880,806	100.0 %	569,308,398	100.0 %	645,533,253	100.0 %	(29,427,592)	(5.2)	(76,224,855)	(11.8)

	2021						
	Concession fees						
	Duty Free	Retail	Airport parking	Car rental	Food and beverage	Other concessions	Total
Daniel K. Inouye International Airport	$ —	276,017	7,090,774	10,363,495	1,013,891	3,656,787	22,400,964
Hilo International Airport	—	—	488,859	1,026,595	35,794	(154,403)	1,396,845
Ellison Onizuka Kona International Airport at Keahole	—	—	1,324,196	6,910,194	270,157	723,218	9,227,765
Kahului Airport	—	324,908	2,143,624	15,451,078	888,732	1,549,177	20,357,519
Lihue Airport	—	—	778,835	4,357,943	145,345	323,590	5,605,713
All others	—	—	—	140,812	600	49,832	191,244
Total concession fees	$ —	600,925	11,826,288	38,250,117	2,354,519	6,148,201	59,180,050

	2020						
	Concession fees						
	Duty Free	Retail	Airport parking	Car rental	Food and beverage	Other concessions	Total
Daniel K. Inouye International Airport	$ 35,625,000	8,812,811	14,529,083	14,317,537	5,416,519	9,804,068	88,505,018
Hilo International Airport	—	—	858,635	1,667,969	76,689	175,977	2,779,270
Ellison Onizuka Kona International Airport at Keahole	—	—	2,065,417	11,111,430	616,341	1,461,103	15,254,291
Kahului Airport	—	324,908	3,473,691	21,610,504	1,869,146	3,954,842	31,233,091
Lihue Airport	—	—	1,467,490	9,946,489	660,901	935,549	13,010,429
Statewide	—	—	—	—	—	(36,918)	(36,918)
All others	—	—	—	221,698	14,834	42,819	279,351
Total concession fees	$ 35,625,000	9,137,719	22,394,316	58,875,627	8,654,430	16,337,440	151,024,532

2021/2020

The financial results for fiscal years 2021 and 2020 reflected loss before capital contributions of $113.1 million and $7.5 million, respectively. Operating revenues decreased by $100.3 million, or 26.2%, resulting from decreased revenue from concessions revenue, airport landing fees, and nonaeronautical rentals. The decline is primarily attributable to lower traffic activities since March 2020 as a result of COVID-19 impacts. Total nonoperating revenues increased by $37.9 million, or 22.2%, mainly due to an increase in federal operating

(Continued)

grants offset by decreases in interest income, rental car customer facility charges, and passenger facility charges.

2020/2019

The financial results for fiscal years 2020 and 2019 reflected (loss) income before capital contributions of ($7.5) million and $122.1 million, respectively. Operating revenues decreased by $57.8 million, or 13.1%, resulting from decreased revenue from concessions revenue, airport landing fees, and aeronautical rentals. The decline is primarily attributable to lower traffic activities since March 2020 as a result of COVID-19 impacts. Total nonoperating revenues increased by $16.1 million, or 10.4%, mainly due to an increase in federal operating grants offset by decreases in rental car customer facility charges and passenger facility charges.

Expenses

A summary of expenses for the years ended June 30, 2021 and 2020 and the amount and percentage of change in relation to prior year amounts is as follows:

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Operating expenses:										
Salaries and wages	$ 131,907,339	21.8 %	126,440,931	22.5 %	116,992,509	24.7 %	$ 5,466,408	4.3 %	9,448,422	8.1 %
Other personnel services	114,234,346	18.9 %	92,696,750	16.5	82,616,141	17.5	21,537,596	23.2	10,080,609	12.2
Repairs and maintenance	48,483,867	8.0 %	38,531,409	6.9	34,699,525	7.3	9,952,458	25.8	3,831,884	11.0
Utilities	32,223,234	5.3 %	36,533,207	6.5	37,995,358	8.0	(4,309,973)	(11.8)	(1,462,151)	(3.8)
Special maintenance	9,485,059	1.6 %	8,463,599	1.5	5,762,874	1.2	1,021,460	12.1	2,700,725	46.9
State of Hawaii surcharge on gross				—		—				
receipts	8,042,464	1.3 %	14,383,786	2.6	14,731,128	3.1	(6,341,322)	(44.1)	(347,342)	(2.4)
Department of transportation general				—		—				
administration expenses	6,102,003	1.0 %	7,727,347	1.4	8,370,126	1.8	(1,625,344)	(21.0)	(642,779)	(7.7)
Materials and supplies	5,744,770	1.0 %	6,254,715	1.1	6,526,776	1.4	(509,945)	(8.2)	(272,061)	(4.2)
Claims	3,000,866	0.5 %	2,928,599	0.5	1,744,507	0.4	72,267	2.5	1,184,092	100.0
Insurance	2,502,691	0.4 %	2,402,184	0.4	2,190,468	0.5	100,507	4.2	211,716	9.7
Bad debt expense	96,622	— %	70,549	—	4,015,215	0.8	26,073	37.0	(3,944,666)	(98.2)
Other	2,615,236	0.5 %	2,609,684	0.5	1,260,792	0.3	5,552	0.2	1,348,892	107.0
Total operating expenses				—		—				
before depreciation	364,438,497	60.3	339,042,760	60.4	316,905,419	67.0	25,395,737	7.5	22,137,341	7.0
Depreciation	158,337,699	26.2	135,992,383	24.2	121,992,342	25.8	22,345,316	16.4	14,000,041	11.5
Total operating expenses	522,776,196	86.5	475,035,143	84.7	438,897,761	92.7	47,741,053	10.1	36,137,382	8.2

	2021		2020		2019		Increase (decrease) 2021 from 2020		Increase (decrease) 2020 from 2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage	Amount	Percentage
Nonoperating expenses:										
Interest expense:										
Revenue bonds:										
Airports system	$ 54,881,634	9.1 %	61,172,837	10.9 %	21,149,068	4.5 %	(6,291,203)	(10.3)%	40,023,769	189.2 %
Special facility	1,222,031	0.2	1,222,031	0.2	1,222,031	0.3	—	—	—	—
Lease revenue certificates				—		—				
of participation	7,873,882	1.3	8,277,596	1.5	6,911,833	1.5	(403,714)	(4.9)	1,365,763	19.8
Other	14,113,874	2.3	13,665,510	2.4	1,140,000	0.2	448,364	3.3	12,525,510	1,098.7
Bond issue costs	2,921,334	0.5	1,717,826	0.3	2,313,360	0.5	1,203,508	70.1	(595,534)	(25.7)
Loss on disposal of capital assets	575,733	0.1	967	—	1,665,588	0.4	574,766	100.0	(1,664,621)	100.0
Other	—	—	65,850	—	35,791	—	(65,850)	(100.0)	30,059	84.0
Total nonoperating				—		—				
expenses	81,588,488	13.5	86,122,617	15.3	34,437,671	7.3	(4,534,129)	(5.3)	51,684,946	150.1
Total expenses	$ 604,364,685	100.0	$ 561,157,760	100.0	$ 473,335,432	100.0	43,206,925	7.7	87,822,328	18.6

2021/2020

Operating expenses before depreciation for fiscal year 2021 increased by 7.5%, or $25.4 million, as compared to fiscal year 2020 mainly due to increases in salaries and wages, other personnel services, and repairs and maintenance expenses.

Total nonoperating expenses for fiscal year 2021 decreased by 5.3%, or $4.5 million, as compared to fiscal year 2020 mainly due to decreases in interest expense on Airports System Revenue Bonds offset by an increase in bond issue costs due to issuing Airports Systems Revenue Bonds Series 2020 ABC and Refunding Series 2020 D & E during the fiscal year.

2020/2019

Operating expenses before depreciation for fiscal year 2020 increased by 7%, or $22.1 million, as compared to fiscal year 2019 mainly due to increases in salaries and wages, other personnel services, repairs and maintenance expenses, and other expenses.

Total nonoperating expenses for fiscal year 2020 increased by 150.1%, or $51.7 million, as compared to fiscal year 2019 mainly due to increases in interest expense on Airports System Revenue Bonds with the adoption of GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The Airports Division implemented this statement during fiscal year 2020 and recognized all interest costs incurred before the end of a construction period as an expense in the period in which the cost was incurred.

A summary of revenues, expenses and changes in net position for the years ended June 30, 2021, 2020, and 2019 follows:

	2021	2020	2019
Operating revenues	$ 282,621,725	382,957,310	440,801,599
Operating expenses, excluding depreciation	(364,438,497)	(339,042,760)	(316,905,419)
Operating (loss) income before depreciation	(81,816,772)	43,914,550	123,896,180
Depreciation	(158,337,699)	(135,992,383)	(121,992,342)
Operating (loss) income	(240,154,471)	(92,077,833)	1,903,838
Nonoperating revenues – net	127,034,468	84,551,899	120,167,091
(Loss) income before capital contributions	(113,120,003)	(7,525,934)	122,070,929
Capital contributions	48,636,125	15,676,572	50,126,892
(Decrease) increase in net position	$ (64,483,878)	8,150,638	172,197,821

2021/2020

As a result of the above fluctuations in revenues and expenses, net position for the Airports Division decreased $64.5 million during 2021.

In summary, in fiscal year 2021, the Airports Division generated operating losses before depreciation, as well as negative cash flows from operating activities due to the impacts of COVID-19 on Airport operations. The Airports Division continues to obtain its revenue from a diverse mix of sources. The Airports Division continues to monitor signatory airline requirements and adjust rates and charges, accordingly, to assure financial stability and bond certificate requirements are met on a semiannual and annual basis.

- Operating revenues decreased by 26.2%, or $100.3 million, due to a $91.8 million decrease in concessions revenue and a $12.6 million decrease in airport landing fees. The decreases in operating revenues are due to an overall decrease in airport activity.
- Operating expenses excluding depreciation increased by 7.5% or $25.4 million from $339.0 million in fiscal year 2020 to $364.4 million in fiscal year 2021. The increase in operating expenses is primarily due to increases in salaries and wages of $5.5 million due to pay increases from fiscal year 2020, other personnel services of $21.5 million due to an increase in third party security services in fiscal year 2021, and repairs and maintenance of $10.0 million. Depreciation expense increased by 16.4% or $22.3 million, due to capital asset additions in fiscal year 2021.
- The net results of the above resulted in operating loss before depreciation of $81.8 million and operating income before depreciation of $43.9 million in fiscal years 2021 and 2020, respectively. Operating income before depreciation for fiscal year 2021 decreased by 286.3%, or $125.7 million.

- Nonoperating revenues, net, increased by 50.2%, or $42.5 million, in fiscal year 2021, primarily due to an increase in federal operating grants of $100.7 million due to the receipt of CARES Act grant funds in fiscal year 2021 offset by a decrease in passenger facility charges of $14.5 million, a decrease in rental car customer facility charges of $29.9 million, and a decrease in interest income of $18.4 million.
- Loss before capital contributions for fiscal year 2021 of $113.1 million as compared to loss before capital contributions of $7.5 million for fiscal year 2020 was a result of a decrease in operating revenue and an increase in operating expenses as noted above.
- Capital contributions increased by 210.2%, or $33.0 million, in fiscal year 2021, due to an increase in federal capital grant revenue in fiscal year 2021.

2020/2019

As a result of the above fluctuations in revenues and expenses, net position for the Airports Division increased $8.2 million during 2020.

In summary, the Airports Division continues to generate operating income before depreciation, as well as positive cash flows from operating activities. The Airports Division continues to obtain its revenue from a diverse mix of sources. The Airports Division continues to monitor signatory airline requirements and adjust rates and charges, accordingly, to assure financial stability and bond certificate requirements are met on a semiannual and annual basis.

- Operating revenues decreased by 13.1%, or $57.8 million, due to a $32.3 million decrease in concessions revenue, $15.3 million decrease in aeronautical revenue, and a $8.6 million decrease in airport landing fees. The decreases in operating revenues are due to an overall decrease in airport activity.
- Operating expenses excluding depreciation increased by 7.0% or $22.1 million from $316.9 million in fiscal year 2019 to $339.0 million in fiscal year 2020. The increase in operating expenses is primarily due to increases in salaries and wages of $9.4 million due to pay increases from fiscal year 2019, other personnel services of $10.1 million due to an increase in third party security services in fiscal year 2020, and repairs and maintenance of $3.8 million. Depreciation expense increased by 11.5% or $14.0 million, due to capital asset additions in fiscal year 2020.
- The net results of the above resulted in operating income before depreciation of $43.9 million and $123.9 million in fiscal years 2020 and 2019, respectively. Operating income before depreciation for fiscal year 2020 decreased by 64.6%, or $80.0 million.
- Nonoperating revenues, net, decreased by 29.6%, or $35.6 million, in fiscal year 2020, primarily due to a decrease in passenger facility charges of $14.7 million, a decrease in rental car customer facility charges of $17.1 million, and an increase in interest expense for airports system revenue bonds of $40.0 million due to the issuance of bonds in fiscal year 2020 and adoption of GASB Statement No. 89 offset by an increase in federal operating grants of $49.9 million due to the receipt of CARES Act grant funds in fiscal year 2020.
- Loss before capital contributions for fiscal year 2020 of $7.5 million as compared to income before capital contributions of $122.1 million for fiscal year 2019 was a result of decreases in operating revenue and nonoperating revenue, net, and an increase in operating expenses as noted above.

- Capital contributions decreased by 68.7%, or $34.5 million, in fiscal year 2020, due to a decrease in federal capital grant revenue in fiscal year 2020.

The change in net position is an indicator of whether the overall fiscal condition of the Airports Division has improved or worsened during the year. The change in net position may serve over time as a useful indicator of the Airports Division's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,533.0 million at June 30, 2021, representing a decrease of $64.5 million from June 30, 2020.

Passenger Facility Charges

The Passenger Facility Charge (PFC) program consists of six Federal Aviation Administration (FAA) approved applications. All projects in PFC Application No. 1 have been completed and the application was closed on February 24, 2014. PFC Application No. 3 was "blended" with PFC Application No. 2. PFC Application No. 3 was closed on September 23, 2016. The PFC collection for PFC Application No. 4 was completed on February 1, 2014. However, one project in PFC Application No. 4 is still ongoing and therefore, this application remains open. On November 22, 2013, the FAA issued the Final Agency Decision (FAD) for PFC Application No. 5 giving approval for PFC collection during the period from February 1, 2014 through July 1, 2026. On August 30, 2016, the FAA issued the FAD for PFC Application No. 6 giving approval to use PFC revenue in the amount of $14,725,000 for the Kahului Airport (OGG) Land Acquisition project approved in PFC Application No. 5 for collection only. The OGG Land Acquisition project was completed on August 31, 2012. On September 28, 2018, the FAA issued the FAD for PFC Application No. 7 giving approval for PFC collection during the period July 1, 2026 to July 1, 2032. On May 10, 2019, the FAA approved an amendment to PFC Application No. 5 to remove two projects and reduce the PFC collection and revise the PFC collection period from February 1, 2014 through January 1, 2020. As a result, the PFC collection period for PFC Application No. 7 was modified to a period from January 1, 2020 through July 1, 2025. On July 19, 2019, the FAA issued the FAD for PFC Application No. 8 giving approval for PFC collection during the period from July 1, 2025 through July 1, 2029.

Since the inception of the PFC program through June 30, 2021, the FAA has approved PFC collections for impose and use totaling $873.9 million with collections currently scheduled through 2029. The total PFC collected amount through June 30, 2021, including interest earned, and expenditures were $536.5 million and $411.7 million, respectively.

Rental Car Customer Facility Charges

On July 8, 2008, State Legislative Senate Bill 2365 became law as Act 226 Session Law of Hawaii 2008, authorizing the Airports Division to impose a Customer Facility Charge (CFC) of $1 per day on all u-drive rentals at a state airport, effective September 1, 2008. Monies collected through the CFC are deposited into a restricted fund to be used for enhancement, renovation, operation, and maintenance of existing rental motor vehicle customer facilities and the development of new rental motor vehicle customer facilities and related services at state airports to better serve Hawaii's visitors and residents. The consolidated rental car facilities will provide a single location for travelers to rent a car of their choice and eliminate the need for multiple pickup and delivery vans from individual rental car companies.

On July 7, 2010, State Legislature Senate Bill 2461 became law as Act 204, Session Laws of Hawaii 2010, authorizing the Airports Division to increase the CFC surcharge to $4.50 per day, effective September 1, 2010.

A summary of rental car customer facility charges for the years ended June 30, 2021, 2020, and 2019 is as follows:

		2021	2020	2019
Rental car customer facility charges:				
Daniel K. Inouye International	$	9,291,087	16,614,035	21,656,592
Hilo International		852,854	1,705,680	1,806,512
Ellison Onizuka Kona International at Keahole		5,732,415	10,136,880	12,049,965
Kahului		10,431,950	18,293,108	24,206,886
Lihue		3,099,654	9,285,647	12,486,069
All others		79,699	138,648	172,516
Rental car customer facility charges		29,487,659	56,173,998	72,378,540
Interest income		83,207	3,292,500	4,144,676
Total rental car customer facility charges income	$	29,570,866	59,466,498	76,523,216

Since September 1, 2008 through June 30, 2021, the total CFC related revenue, including interest earned, and CFC related expenditures were $624.0 million and $792.5 million, respectively.

Financial Position Summary

A condensed summary of the Airports Division's net position at June 30, 2021, 2020, and 2019 is shown below:

	2021	2020	2019
Assets and Deferred Outflows of Resources			
Current assets:			
Unrestricted assets	$ 512,042,440	574,519,640	577,313,945
Restricted assets	249,457,334	238,926,871	258,320,410
Noncurrent assets:			
Capital assets	3,972,321,543	3,662,326,829	3,434,732,825
Restricted assets	660,936,199	670,455,807	825,571,313
Total assets	5,394,757,516	5,146,229,147	5,095,938,493
Deferred outflows of resources	53,356,330	51,973,044	53,817,709
Total assets and deferred outflows of resources	$ 5,448,113,846	5,198,202,191	5,149,756,202
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Payable from unrestricted assets	$ 92,349,168	71,915,316	72,032,586
Payable from restricted assets	160,496,616	187,159,883	277,350,376
Noncurrent liabilities:			
Payable from unrestricted assets	376,592,197	370,325,017	359,630,623
Payable from restricted assets	2,269,650,792	1,966,829,962	1,844,486,869
Total liabilities	2,899,088,773	2,596,230,178	2,553,500,454
Deferred inflows of resources	16,036,081	4,499,143	6,933,516
Total liabilities and deferred inflows of resources	$ 2,915,124,854	2,600,729,321	2,560,433,970
Net Position			
Net investment in capital assets	$ 1,943,324,203	1,891,248,987	1,791,655,568
Restricted	563,873,270	657,897,749	658,048,725
Unrestricted	25,791,519	48,326,134	139,617,939
Total net position	$ 2,532,988,992	2,597,472,870	2,589,322,232

(Continued)

The largest portion of the Airports Division's net position (76.7%, 72.8%, and 69.2% at June 30, 2021, 2020, and 2019 respectively) represents its investment in capital assets (e.g., land, buildings and improvements, and equipment), less related indebtedness outstanding to acquire those capital assets. The Airports Division uses these capital assets to provide services to its passengers and visitors using the airports system; consequently, these assets are not available for future spending. Although the Airports Division's investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay such liabilities.

The restricted portion of the Airports Division's net position (22.3%, 25.3%, and 25.4% at June 30, 2021, 2020, and 2019 respectively) represents bond reserve funds that are subject to external restrictions on how they can be used under the *Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds* (the Certificate), as well as PFCs and CFCs that can only be used for specific projects.

The largest portion of the Airports Division's unrestricted net position represents unrestricted cash and cash equivalents in the amount of $432.7 million, $494.7 million, and $503.3 million at June 30, 2021, 2020, and 2019 , respectively. The unrestricted cash balance provides the Airports Division with substantial flexibility, as such unrestricted assets may be used to meet any of the Airports Division's ongoing operations and to fund the CIP projects.

Capital Acquisitions and Construction Activities

As of June 30, 2021, 2020, and 2019 the Airports Division had capital assets of approximately $3,972.3 million, $3,662.3 million, and $3,434.7 million, respectively. These amounts are net of accumulated depreciation of approximately $2,724.4 million, $2,568.0 million, and $2,432.6 million, respectively.

In fiscal year 2021, there were 3 construction bid openings totaling an estimated $46.5 million in construction contracts. The projects include Reconstruct Runway 3-21 at Lanai Airport, Repave Runway 17-35 and Taxiway E at Molokai Airport, and Mobile Airport Medical Facility, Statewide.

There were also many ongoing construction projects that were initiated prior to fiscal year 2021, which were under construction during the fiscal year. Major projects include Consolidated Car Rental Facility, Mauka Extension, and Replacement of Parking Structure Pedestrian Bridges at Daniel K. Inouye International Airport, South Ramp Taxiway and Ramp Improvements and Federal Inspection Services Building at Ellison Onizuka Kona International Airport at Keahole, and Mobile Airport Medical Facility, Statewide.

Finally, there were 4 projects that were substantially completed in fiscal year 2021 that involved construction projects at large, medium, and small hub airports statewide to preserve, maintain, and modernize facilities. These projects include Emergency Power Facility at Daniel K. Inouye International Airport, Taxiway A/C Intersection Reconstruction at Kahului Airport, South Ramp Taxiway and Ramp Improvements at Ellison Onizuka Kona International Airport at Keahole, and Mobile Airport Medical Facility, Statewide.

The Airports Division continues its mission to modernize airport facilities for safety and efficiency and enhance the passenger experience. In fiscal year 2022, several projects will be advertised for construction that improve safety and preserve terminal infrastructure. Major projects include Runways and Taxiways Shoulder Rehabilitation, and Overseas Terminal Roof Replacement at Daniel K. Inouye International Airport, Perimeter

Fence Replacement at Ellison Onizuka Kona International Airport at Keahole, Taxiway and Runway Lighting Replacement, and Drainage and Wind Cone Improvements at Hilo International Airport, and Navigational Aid and Windcone Replacement at Lihue Airport.

Additional information on the Airports Division's capital assets can be found in note 4 of this report.

Indebtedness

Airports System Revenue Bonds

As of June 30, 2021, $1,661.0 million of airports system revenue bonds were outstanding as compared to $1,377.5 million and $1,425.0 million as of June 30, 2020 and 2019, respectively.

At June 30, 2021, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,256.7 million.

Lease Revenue Certificates of Participation

Section 36-41 of Hawaii Revised Statutes authorizes the DOT to enter into multiyear energy performance contracts, including financing agreements, in order to implement energy conservation or alternate energy measures in state facilities. The Airports Division released an invitation for proposal to procure the energy saving projects (the ESCO Project) in May 2011, and selected Johnson Controls, Inc. (JCI) in January 2012. The Airports Division executed a contract with JCI, and issued Series 2013 Lease Revenue Certificates of Participation (COPs) with a par value of $167.7 million in December 2013. The Airports Division is using the net proceeds of COPs, totaling $150.2 million, to implement the ESCO Project. JCI has agreed in the contract to guarantee utility savings at approximately 91.7% of expected annual savings, which are expected to exceed annual debt service on COPs.

On April 13, 2016, the Airports Division issued Series 2016 Lease Revenue Certificates of Participation financing which provided an additional $8.1 million for the ESCO Project.

On March 31, 2017, the Airports Division issued Series 2017 Lease Revenue Certificates of Participation to provide an additional $51.5 million for the ESCO Project.

As of June 30, 2021, $187.3 million of COPs were outstanding as compared to $199.8 million and $210.7 million as of June 30, 2020 and 2019, respectively.

Special Facility Revenue Bonds

The State Legislature has authorized $200,000,000 of special facility revenue bonds pursuant to Section 261-52 of the Hawaii Revised Statutes. As of June 30, 2021, there were outstanding bond obligations of $21.7 million. The DOT expects to finance additional special facility projects from time to time for qualified entities. All special facility revenue bonds are payable solely from the revenue derived from the leasing of special facilities financed with the proceeds of special facility revenue bonds.

Additional information regarding the Airports Division's indebtedness can be found in notes 5, 6, 7, and 8 of this report.

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Customer Facility Charge Revenue Bonds

In July 2017, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2017A (the 2017 CFC Bonds) with a par amount of $249,805,000 to provide $250 million of construction funds for certain rental car related projects at Hawaii Airports System. The 2017 CFC Bonds are special facility bonds issued pursuant to the Indenture of Trust between the State and MUFG Union Bank, N.A., on parity with the EB-5 loan. In August 2019, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2019A (the 2019 CFC Bonds) with a par amount of $194,710,000 to refund EB-5 loan and to provide an additional $105 million of construction funds for certain rental car related projects at Hawaii Airports System. The 2019 CFC Bonds are special facility bonds issued pursuant to the Indenture of Trust between the State and MUFG Union Bank, N.A., on parity with the 2017 CFC Bonds. In August 2019, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2019A (the 2019 CFC Bonds) with a par amount of $194,710,000 to refund EB-5 loan and to provide an additional $105 million of construction funds for certain rental car related projects at Hawaii Airports System. The 2019 CFC Bonds are special facility bonds issued pursuant to the Indenture of Trust between the State and MUFG Union Bank, N.A., on parity with the 2017 CFC Bonds. At June 30, 2021, $424.2 million of customer facility charge revenue bonds were outstanding as compared to $434.4 million and $244.8 million as of June 30, 2020 and 2019, respectively.

Credit Rating and Bond Insurance

As of June 30, 2021, there were 12 series of airports system revenue bonds outstanding in the principal amount of $1,661.0 million. Payment of principal and interest on the bonds was insured by bond insurance policies issued by Federal Guaranty Insurance Company (FGIC) at the time of issuance of the bonds. The airports system revenue bonds are rated as follows:

Standard & Poor's Corporation	A+
Moody's Investors Service	A1
Fitch IBCA, Inc.	A+

Upon the issuance of the 2020 bonds in October 2020, Standard & Poor's Corporation downgraded ratings from AA- to A+.

Request for Information

This financial report is designed to provide a general overview of the Airports Division's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Ross Higashi, Deputy Director, State of Hawaii, Department of Transportation, Airports Division, 400 Rodgers Boulevard, Suite 700, Honolulu, Hawaii 96819-1880, or by e-mail to *airadministrator@hawaii.gov*.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2021 and 2020

Assets		2021	2020
Current assets:			
Unrestricted assets:			
Cash and cash equivalents – unrestricted	$	432,727,077	494,687,328
Receivables:			
Accounts, net of allowance of $8,544,327 and $8,458,433 for uncollectible accounts		45,015,910	31,768,504
Interest		4,289,103	4,460,202
Claims – federal grants		27,920,698	40,261,112
Due from state of Hawaii agencies		1,619,406	3,097,923
Aviation fuel tax		266,163	45,562
Total receivables		79,111,280	79,633,303
Inventories of materials and supplies at cost		204,083	199,009
Total unrestricted current assets		512,042,440	574,519,640
Restricted assets:			
Cash and cash equivalents:			
Revenue bond debt service		34,168,370	73,503,139
Debt extinguishment		8,305,679	2,598,105
Security deposits		11,015,166	10,542,161
Prepaid airport use charge fund		311,934	311,934
Operations and maintenance		104,711,164	104,711,164
Funded coverage		26,864,977	27,597,646
Funds restricted for construction		—	836,991
Total cash and cash equivalents – restricted		185,377,290	220,101,140
Investments – customer facility charge debt service reserve		17,406,937	17,297,616
Passenger facility charges receivable		6,639,656	1,011,561
Rental car customer facility charges receivable		4,492,563	516,554
Prepaid airport use charge fund receivable		35,540,888	—
Total restricted current assets		249,457,334	238,926,871
Total current assets	$	761,499,774	813,446,511

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2021 and 2020

		2021	2020
Noncurrent assets:			
Unrestricted assets:			
Capital assets, net of accumulated depreciation of $2,724,449,320 and $2,568,036,722	$	3,972,321,543	3,662,326,829
Total unrestricted noncurrent assets		3,972,321,543	3,662,326,829
Restricted assets:			
Cash and cash equivalents:			
Major maintenance, renewal, and replacement account		56,671,140	60,000,000
Passenger facility charges		119,587,583	125,057,872
Rental car customer facility charges		1,916,700	1,905,766
Unspent loan proceeds		974	974
Unspent Coronavirus relief fund		4,409,078	—
Bond construction proceeds		238,420,946	140,291,900
Total cash and cash equivalents – restricted		421,006,421	327,256,512
Investments – revenue bond debt service reserve		107,459,907	102,470,832
Investments – held by certificate of participation funds trustee		16,786,716	17,106,372
Investments – certificate of participation debt service reserve held by trustee		2,453,754	2,623,353
Investments – certificate of participation debt extinguishment held by trustee		41,066	40,985
Investments – customer facility charge debt service reserve		30,159,741	31,250,978
Investments – held by customer facility charge trustee		56,111,496	68,298,127
Investments – unspent customer facility charge bond proceeds		5,039,344	99,530,894
Net investments in direct financing leases		21,877,754	21,877,754
Total restricted noncurrent assets		660,936,199	670,455,807
Total noncurrent assets		4,633,257,742	4,332,782,636
Total assets	$	5,394,757,516	5,146,229,147
Deferred Outflows of Resources			
Deferred loss on refunding	$	7,238,665	353,345
Differences between expected and actual experience – pension		2,358,126	3,189,414
Changes of assumptions – pension		2,615,380	10,442,469
Changes in proportion and differences between Airports Division contributions and proportionate share of contributions – pension		1,207,315	379,694
Net difference between projected and actual earnings on pension plan investments		7,764,291	—
Airports Division contributions subsequent to the measurement date – pension		20,244,297	17,834,519
Net difference between projected and actual earnings on OPEB plan investments		2,182,987	408,425
Changes of assumptions – OPEB		1,927,651	2,565,297
Airports Division contributions subsequent to the measurement date – OPEB		7,817,618	16,799,881
Total deferred outflows of resources	$	53,356,330	51,973,044

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2021 and 2020

Liabilities		2021	2020
Current liabilities:			
Payable from unrestricted assets:			
Vouchers payable	$	30,723,089	14,261,703
Contracts payable, including retainage of $5,494,400 and $4,251,255		34,252,386	32,981,375
Current portion of workers' compensation		2,208,826	2,142,860
Current portion of compensated absences		3,664,147	4,114,740
Accrued wages		10,140,153	11,267,981
Other		11,360,567	7,146,657
Total payable from unrestricted assets		92,349,168	71,915,316
Payable from restricted assets:			
Contracts payable, including retainage of $30,214,614 and $25,051,929		74,368,672	68,288,673
Current portion of airports system revenue bonds		430,000	44,690,000
Accrued interest		44,736,601	40,156,514
Current portion of lease revenue certificates of participation		13,752,812	12,115,573
Current portion of customer facility charge revenue bonds		10,350,000	10,140,000
Security deposits		11,015,166	10,542,161
Other		5,843,365	1,226,962
Total payable from restricted assets		160,496,616	187,159,883
Total current liabilities		252,845,784	259,075,199
Long-term liabilities – net of current portion:			
Payable from unrestricted assets:			
Workers' compensation		4,726,136	3,422,032
Compensated absences		11,225,761	8,936,282
Net other postemployment benefit (OPEB) liability		168,547,416	180,997,867
Net pension liability		192,092,884	176,968,836
Total payable from unrestricted assets		376,592,197	370,325,017
Payable from restricted assets:			
Airports system revenue bonds		1,660,525,781	1,332,857,867
Special facility revenue bonds		21,725,000	21,725,000
Lease revenue certificates of participation		173,525,011	187,710,161
Customer facility charge revenue bonds		413,875,000	424,225,000
Prepaid airport use charge fund		—	311,934
Total payable from restricted assets		2,269,650,792	1,966,829,962
Total long-term liabilities – net of current portion		2,646,242,989	2,337,154,979
Total liabilities	$	2,899,088,773	2,596,230,178

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Net Position

June 30, 2021 and 2020

Deferred Inflows of Resources		2021	2020
Differences between expected and actual experience – pension	$	—	147,981
Changes in assumption – pension		2,891	3,219
Changes in proportion – pension		584,027	967,869
Net difference between projected and actual earnings on pension plan investments		—	689,321
Differences between expected and actual experience – OPEB		14,427,770	2,690,753
Changes in assumption – OPEB		1,021,393	—
Total deferred inflows of resources	$	16,036,081	4,499,143
Net Position			
Net investment in capital assets	$	1,943,324,203	1,891,248,987
Restricted for:			
Revenue debt service payment		10,779,999	59,034,417
Revenue debt service reserve account		107,459,907	102,470,832
Revenue debt extinguishment		8,305,679	73,503,139
Certificate of participation debt service reserve account		15,451,931	15,696,718
Certificate of participation debt extinguishment		41,066	40,985
Funded coverage		26,864,977	27,597,646
Operations and maintenance		104,711,164	104,711,164
Major maintenance, renewal, and replacement		56,671,140	60,000,000
Construction to be funded by PFCs		124,568,497	123,066,672
Construction to be funded by CFCs		73,166,088	91,776,176
Prepaid airport use charge fund		35,852,822	—
Total restricted		563,873,270	657,897,749
Unrestricted		25,791,519	48,326,134
Total net position	$	2,532,988,992	2,597,472,870

See accompanying notes to financial statements.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2021 and 2020

		2021	2020
Operating revenues:			
Concession fees	$	59,180,050	151,024,532
Airport landing fees, net		61,735,345	74,356,874
Aeronautical rentals:			
Nonexclusive joint-use premise charges		65,711,488	64,136,977
Exclusive-use premise charges		64,344,732	60,841,089
Nonaeronautical rentals		21,853,443	22,783,601
Aviation fuel tax		1,641,902	2,191,270
Miscellaneous		8,154,765	7,622,967
Operating revenues		282,621,725	382,957,310
Operating expenses:			
Salaries, wages and benefits		131,907,339	126,440,931
Depreciation		158,337,699	135,992,383
Other personnel services		114,234,346	92,696,750
Repairs and maintenance		48,483,867	38,531,409
Utilities		32,223,234	36,533,207
Special maintenance		9,485,059	8,463,599
State of Hawaii surcharge on gross receipts		8,042,464	14,383,786
Department of Transportation general administration expenses		6,102,003	7,727,347
Materials and supplies		5,744,770	6,254,715
Claims		3,000,866	2,928,599
Insurance		2,502,691	2,402,184
Bad debt expense		96,622	70,549
Miscellaneous		2,615,236	2,609,684
Total operating expenses		522,776,196	475,035,143
Operating loss	$	(240,154,471)	(92,077,833)

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2021 and 2020

	2021	2020
Nonoperating revenues (expenses):		
Interest income	$ 5,705,467	24,055,522
Interest income - investments in direct financing leases	1,222,031	1,222,031
Interest expense:		
Revenue bonds:		
Airports system	(54,881,634)	(61,172,837)
Special facility	(1,222,031)	(1,222,031)
Lease revenue certificates of participation	(7,873,882)	(8,277,596)
Other	(14,113,874)	(13,665,510)
Federal operating grants	4,236,282	1,506,397
Federal operating grants - COVID	147,955,152	50,000,000
Passenger facility charges	19,879,320	34,424,068
Rental car customer facility charges	29,570,866	59,466,498
Bond issue costs	(2,921,334)	(1,717,826)
Loss on disposal of capital assets	(575,733)	(967)
Other	53,838	(65,850)
Total nonoperating revenues, net	127,034,468	84,551,899
Loss before capital contributions	(113,120,003)	(7,525,934)
Capital contributions:		
Federal capital grants	48,248,880	15,676,572
State capital contributions	387,245	—
Total capital contributions	48,636,125	15,676,572
(Decrease) increase in net position	(64,483,878)	8,150,638
Total net position, beginning of year	2,597,472,870	2,589,322,232
Total net position, end of year	$ 2,532,988,992	2,597,472,870

See accompanying notes to financial statements.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from providing services	$ 242,396,890	379,859,470
Cash paid to suppliers	(211,903,087)	(208,951,722)
Cash paid to employees	(110,113,642)	(114,596,079)
Net cash (used in) provided by operating activities	(79,619,839)	56,311,669
Cash flows from noncapital financing activity:		
Proceeds from federal operating grants	164,551,208	14,548,266
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(464,250,379)	(386,313,248)
Proceeds from federal and other capital grants and contributions	48,616,765	25,341,980
Proceeds from airports system revenue bonds	327,245,289	6,460,954
Principal paid on airports system revenue bonds	(44,690,000)	(42,585,000)
Payments to refund airports system revenue bonds	—	(6,313,763)
Bond issue costs paid	(2,921,334)	(1,717,826)
Principal paid on lease revenue certificates of participation	(12,115,573)	(10,300,960)
Interest paid on outstanding debt	(78,754,336)	(91,282,387)
Proceeds from passenger facility charges program	14,458,550	45,611,335
Proceeds from rental car customer facility charges	25,594,857	65,946,892
Proceeds from customer facility charge revenue bonds	—	194,710,000
Principal paid on customer facility charge revenue bonds	(10,140,000)	(5,120,000)
Principal paid on loan payable	—	(76,000,000)
Receipts (disbursements) – other	53,838	(65,850)
Net cash used in capital and related financing activities	(196,902,323)	(281,627,873)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	362,779,999	401,697,826
Interest received on investments	5,876,566	44,124,336
Purchases of investments	(259,619,803)	(448,856,297)
Net cash provided by (used in) investing activities	109,036,762	(3,034,135)
Net decrease in cash and cash equivalents	(2,934,192)	(213,802,073)
Cash and cash equivalents, beginning of year	1,042,044,980	1,255,847,053
Cash and cash equivalents, end of year (note 3)	$ 1,039,110,788	1,042,044,980

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating loss	$	(240,154,471)	(92,077,833)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:			
Depreciation		158,337,699	135,992,383
Bad debt expense		96,622	70,549
Underpayment of airport system charges		(35,852,822)	—
Changes in operating assets and liabilities:			
Accounts receivable		(13,344,028)	971,313
Aviation fuel tax receivable		(220,601)	193,111
Due from State of Hawaii		1,478,517	198,136
Inventory		(5,074)	9,849
Deferred outflows of resources – pensions		(2,343,313)	3,405,813
Deferred outflows of resources – OPEB		7,845,347	(2,052,366)
Vouchers payable		16,461,386	(1,340,008)
Contracts payable		2,693,243	4,782,130
Accrued wages		242,242	2,857,974
Compensated absences		1,838,886	483,794
Net other postemployment benefit (OPEB) liability		(12,450,451)	224,269
Net pension liability		15,124,048	9,359,741
Security deposits		473,005	(56,749)
Other current liabilities		8,622,988	(4,276,064)
Deferred inflows of resources – pensions		(1,221,472)	(1,601,878)
Deferred inflows of resources – OPEB		12,758,410	(832,495)
Net cash (used in) provided by operating activities	$	(79,619,839)	56,311,669
Supplemental information:			
Noncash investing, capital and financing activities:			
The Airports Divisions noncash capital and financing activities related to bonds payable included the following:			
Interest payments on special facility revenue bonds by trustee	$	1,222,031	1,222,031
Amortization of revenue bond premium		(7,067,180)	(5,013,018)
Amortization of revenue bond discount		(4,983)	1,192
Amortization of certificates of participation premium		432,338	(556,699)
Amortization of deferred loss on refunding revenue bonds		(1,029,502)	491,218
Payments to refund airports system revenue bonds		(301,354,795)	(241,180,583)
Proceeds from issuance of refunding airports system revenue bonds		309,269,617	247,641,537
Contract payable included for acquisition of capital assets		87,699,156	83,041,389
Net book value of capital assets written off		575,733	967

See accompanying notes to financial statements.

(1) Reporting Entity

The Department of Transportation, Airports Division, State of Hawaii (the Airports Division) was established on July 1, 1961 to succeed the Hawaii Aeronautics Commission under the provisions of Act 1, Hawaii State Government Reorganization Act of 1959, Second Special Session Laws of Hawaii. The Airports Division has jurisdiction over and control of all State of Hawaii (the State) airports and air navigation facilities and general supervision of aeronautics within the State. The Airports Division currently operates and maintains 15 airports located throughout the State.

The accompanying financial statements present only the activities of the Airports Division and are not intended to present fairly the financial position of the State, the changes in its financial position or, where applicable, its cash flows in conformity with U.S. generally accepted accounting principles.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

An enterprise fund is established to account for an activity that is financed with debt secured solely by a pledge of net revenues from fees and charges of the activity or when laws and regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges rather than with taxes or similar revenues. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). As an enterprise fund, the Airport uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as incurred (flow of economic resources measurement focus).

(b) Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Airports Division classifies its investments in the State's investment pool (Pool) as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Airports Division can withdraw amounts from the Pool without penalty or notice. All other highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased are considered to be cash equivalents.

(Continued)

(d) Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on collection history and current information regarding the creditworthiness of the tenants and others doing business with the Airports Division. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

An aging of the accounts receivable at June 30, 2021 was as follows: current – $38,524,189; 30 days – $1,258,880; 60 days – $365,253; and over 90 days – $13,411,915.

An aging of the accounts receivable at June 30, 2020 was as follows: current – $21,297,029; 30 days – $15,656,821; 60 days – ($85,354); and over 90 days – $3,358,441.

(e) Restricted Assets

Restricted assets consist of monies and other resources, the use of which is limited because of an externally enforceable constraint. Certain proceeds of the airports system revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because they are maintained separately and the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to make debt service payments, unspent bond proceeds, amounts restricted for bond reserve requirements, unspent PFCs, unspent CFCs, security deposits, customer advances, and the prepaid airport use charge fund.

When both restricted and unrestricted resources are available for use, it is the policy of the Airports Division to use restricted resources first and then unrestricted resources as they are needed.

(f) Capital Assets

Capital assets acquired by purchase or construction are recorded at cost. Contributed property is recorded at acquisition value as of the date of contribution. Buildings, improvements, and machinery and equipment are depreciated by the straight-line method over their estimated useful lives as follows:

Class of assets	Estimated useful lives	Capitalization threshold
Land improvements	10 to 20 years	$ 100,000
Buildings	45 years	100,000
Building improvements	20 years	100,000
Machinery and equipment	10 years	5,000

Disposals of assets are recorded by removing the costs and related accumulated depreciation from the accounts with a resulting gain or loss.

Repairs and maintenance, minor replacements, renewals, and betterments are charged against operations for the year. Major replacements, renewals, and betterments are capitalized in the year incurred.

(g) Investments

Investments held outside of the State Treasury pool consist of certificates of deposit, U.S. Treasury bills and repurchase agreements. The certificates of deposit and repurchase agreements are reported at amortized cost due to the nonparticipating nature of these securities. U.S. Treasury bills are measured at fair value within the fair value hierarchy established by generally accepted accounting principles and are based on quoted prices or other observable inputs, including pricing matrices.

(h) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources is a consumption of net position by the Airports Division that is applicable to a future reporting period, while deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources consist of deferred losses on refunding and items related to pension items and OPEB items. Deferred inflows of resources consist of items related to the pension items and OPEB items.

(i) Deferred Loss on Refundings

Deferred loss on refundings are amortized using the effective-interest method over the shorter of the remaining term of the original or refunded debt. The deferred loss on refundings are reflected in the deferred outflows of resources on the statements of net position.

(j) Compensated Absences Payable

The Airports Division accrues all vacation and compensatory pay at current salary rates, including additional amounts for certain salary-related expenses associated with the payment of compensated absences (such as employer payroll taxes and fringe benefits), in accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation is earned at the rate of 168 or 240 hours per calendar year, depending upon job classification. Accumulation of such vacation credits is limited to 720 or 1,056 hours at calendar year-end and is convertible to pay upon termination of employment.

(k) Employees Retirement System

The Airports Division contributions to the Employees Retirement System of the State of Hawaii (ERS) are based on the current contribution rate determined by the State Department of Budget and Finance. The Airports Division policy is to fund its required contribution annually.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Pension investments are reported at their fair value.

(l) Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

(m) Bond Original Issue Discount or Premium

Original issue discounts or premiums are amortized using the effective-interest method over the terms of the respective debt issues and are added to, or offset against, the long-term debt in the statements of net position.

(n) Bond Issue Costs

Bond issue costs, with the exception of bond insurance, are recognized as outflows of resources (expense) in the period when the debt is issued. Bond insurance is capitalized and amortized over the lives of the related debt issues using the effective-interest method.

(o) Operating Revenues and Expenses

Revenue from airlines, concessions, rental cars (excluding customer facility charges), and parking are reported as operating revenue. Transactions that are capital, financing, or investing related are reported as nonoperating revenue. All expenses related to operating the Airports Division are reported as operating expenses. Generally, interest expense and financing costs are reported as nonoperating expenses. Revenue from capital contributions are reported separately, after nonoperating revenues and expenses.

(p) Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airports Division to impose a Passenger Facility Charge (PFC) of $4.50 per passenger effective September 1, 2010. The net receipts from PFCs are restricted to be used for funding FAA-approved capital projects. PFC revenue, along with the related interest income, is reported as nonoperating revenue in the statements of revenue, expenses, and changes in net position.

(q) Rental Car Customer Facility Charge

The State Legislature authorized the Airports Division to impose a Customer Facility Charge (CFC) of $4.50 a day on all u-drive rentals at a state airport. The net receipts from CFCs are restricted to be used for funding approved rental car facility capital projects. CFC revenue, along with the related interest income, is reported as nonoperating revenue in the statements of revenue, expenses and changes in net position.

(r) Capital Contributions

The Airports Division receives federal grants from the FAA and other federal agencies. Grant revenue is considered earned as the related allowable expenditures are incurred. Grants for the acquisition and construction of land, property, and certain types of equipment are reported in the statements of revenue, expenses and changes in net position as capital contributions.

Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

(s) Risk Management

The Airports Division is exposed to various risks of loss from torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. The Airports Division is self-insured for workers' compensation claims as discussed later in these notes. Liabilities related to these losses are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

(t) Recently Issued Accounting Standards

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by GASB Statement No. 95 for eighteen months. The Airports Division has not yet determined the effect this Statement will have on its financial statements.

(3) Cash and Cash Equivalents and Investments

The State has an established policy whereby all unrestricted and certain restricted cash is required to be invested in the State's Treasury (the investment pool) in accordance with Section 36-21, of the Hawaii Revised Statutes.

The State Director of Finance (the State Director) is responsible for the safekeeping of all monies paid into the investment pool. The State Director may invest any monies of the State, which, in the State Director's judgment, are in excess of amounts necessary for meeting the immediate requirements of the State. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally insured financial institutions.

Information relating to the State's investment pool at June 30, 2021 will be included in the annual comprehensive financial report of the State when issued.

At June 30, 2021 and 2020, the amount reported as amounts held in State Treasury reflects the Airports Division's relative position in the State's investment pool and amounted to $1,147,823,650 and $1,258,418,326, respectively.

(Continued)

Airports Division's cash and cash equivalents and investments as of June 30, 2021 and 2020 consisted of the following:

		2021	2020
Petty cash	$	4,765	4,765
Amounts held in State Treasury		1,147,823,650	1,258,418,326
Certificates of deposit		25,304,712	75,153,802
U.S. government securities		82,155,086	27,316,534
Money market mutual funds		19,281,536	19,770,710
	$	1,274,569,749	1,380,664,137

Such amounts are reflected in the statements of net position as of June 30, 2021 and 2020 as follows:

		2021	2020
Cash and cash equivalents			
Unrestricted	$	432,727,077	494,687,328
Restricted		606,383,711	547,357,652
Total cash and cash equivalents		1,039,110,788	1,042,044,980
Investments – restricted		216,177,425	318,848,447
Investments – held by certificate of participation funds – trustee		19,281,536	19,770,710
Total cash and cash equivalents and investments	$	1,274,569,749	1,380,664,137

(a) Deposits

Information relating to individual bank balances, insurance, and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Information regarding the carrying amount and corresponding bank balances of the State's investment pool and collateralization of those balances is included in the comprehensive annual financial report of the State.

A portion of the bank balances is covered by federal deposit insurance, or by collateral held by the State Treasury, or by the State's fiscal agents in the name of the State. Other bank balances are held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations.

Accordingly, these deposits are exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

(b) Investments

At June 30, 2021 and 2020, the investments held by the Airports Division consisted of money market mutual funds, nonnegotiable certificates of deposit, and U.S. Treasury bills. Such investments were insured or collateralized with securities held by the State Treasury or by the State's fiscal agent in the name of the State.

The Airports Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Such securities are classified as Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, the fair values of securities are estimated using significant unobservable inputs and are therefore classified within Level 3 of the hierarchy. The fair value of U.S. government securities, which are comprised of U.S. Treasury bills held by the Airports Division are measured using Level 1 inputs.

Certain investments, such as the Airports Division's interest in the State investment pool, are measured using the net asset value per share (or its equivalent) practical expedient and are not required to be classified in the fair value hierarchy. The Airports Division has no unfunded commitments or restrictions on redemptions with regard to its investment in the State investment pool.

The nonnegotiable certificates of deposit and money market mutual funds are measured at amortized cost and therefore are not categorized within the fair value hierarchy.

(i) Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from interest rates, the Airports Division follows the State's policy of limiting maturities on investments to generally not more than five years from the date of investment. The Airports Division's U.S. Treasury bills have maturities that range from six months to one year.

(ii) Credit Risk

The Airports Division follows the State's policy of limiting its investments as authorized in the Hawaii Revised Statutes.

At June 30, 2021 and 2020, the Airports Divisions investments were rated by Moody's as follows:

	Fair value		Ratings
	2021	2020	Moody's
Money market mutual funds:			
U.S. Bank – Federated government obligations fund	$ 2,494,820	$ 2,664,338	Aaa-mf
U.S. Treasury bill	16,786,716	17,106,372	Aaa-mf
	$ 19,281,536	$ 19,770,710	

(iii) *Custodial Risk*

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Airports Division or the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Airports Division and the State's investments are held at broker-dealer firms that are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess SIPC coverage is provided by the firm's insurance policies. The Airports Division and the State require the institutions to set aside, in safekeeping, certain types of securities to collateralize repurchase agreements. The Airports Division and the State monitor the market value of these securities and obtain additional collateral when appropriate.

(iv) *Concentration of Credit Risk*

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument. At June 30, 2021 and 2020, the Airports Division did not hold any investments with one issuer that represent more than 5% of total investments.

(4) Capital Assets

Capital assets activity for the years ended June 30, 2021 and 2020 consists of the following:

		Balance, June 30, 2020	Increases	Decreases	Transfers	Balance, June 30, 2021
Capital assets not being depreciated:						
Land	$	324,937,876	—	—	—	324,937,876
Land improvements		53,404,849	—	—	5,175,441	58,580,290
Construction in progress		1,497,314,920	449,206,686	(575,733)	(417,375,651)	1,528,570,222
Total capital assets not being depreciated		1,875,657,645	449,206,686	(575,733)	(412,200,210)	1,912,088,388
Capital assets being depreciated:						
Land improvements		1,618,841,932	—	—	177,250,362	1,796,092,294
Buildings and improvements		2,403,049,481	—	—	203,999,040	2,607,048,521
Machinery and equipment		332,814,493	19,701,460	(1,993,964)	31,019,671	381,541,660
Total capital assets being depreciated		4,354,705,906	19,701,460	(1,993,964)	412,269,073	4,784,682,475
Less accumulated depreciation:						
Land improvements		(940,793,955)	(72,586,263)	—	—	(1,013,380,218)
Buildings and improvements		(1,349,567,849)	(73,225,019)	—	—	(1,422,792,868)
Machinery and equipment		(277,674,918)	(12,526,417)	1,993,964	(68,863)	(288,276,234)
Total depreciation		(2,568,036,722)	(158,337,699)	1,993,964	(68,863)	(2,724,449,320)
Capital assets being depreciated, net		1,786,669,184	(138,636,239)	—	412,200,210	2,060,233,155
Total capital assets	$	3,662,326,829	310,570,447	(575,733)	—	3,972,321,543

	Balance, June 30, 2019	Increases	Decreases	Transfers	Balance, June 30, 2020
Capital assets not being depreciated:					
Land	$ 324,937,876	—	—	—	324,937,876
Land improvements	53,305,795	—	—	99,054	53,404,849
Construction in progress	1,303,765,905	361,794,285	(372,657)	(167,872,613)	1,497,314,920
Total capital assets not being depreciated	1,682,009,576	361,794,285	(372,657)	(167,773,559)	1,875,657,645
Capital assets being depreciated:					
Land improvements	1,579,671,721	—	—	39,170,211	1,618,841,932
Buildings and improvements	2,283,304,211	—	—	119,745,270	2,403,049,481
Machinery and equipment	322,343,977	2,478,436	(865,998)	8,858,078	332,814,493
Total capital assets being depreciated	4,185,319,909	2,478,436	(865,998)	167,773,559	4,354,705,906
Less accumulated depreciation:					
Land improvements	(887,980,846)	(52,813,109)	—	—	(940,793,955)
Buildings and improvements	(1,276,751,301)	(72,816,548)	—	—	(1,349,567,849)
Machinery and equipment	(267,864,513)	(10,362,726)	552,321	—	(277,674,918)
Total depreciation	(2,432,596,660)	(135,992,383)	552,321	—	(2,568,036,722)
Capital assets being depreciated, net	1,752,723,249	(133,513,947)	(313,677)	167,773,559	1,786,669,184
Total capital assets	$ 3,434,732,825	228,280,338	(686,334)	—	3,662,326,829

(5) Long-term Liabilities

A summary of the long-term liabilities changes during fiscal years 2021 and 2020 is as follows:

	Balance, June 30, 2020	Increases	Decreases	Balance, June 30, 2021	Current	Noncurrent
Workers' compensation (note 17)	$ 5,564,892	3,030,318	(1,660,248)	6,934,962	2,208,826	4,726,136
Compensated absences	13,051,022	6,699,031	(4,860,145)	14,889,908	3,664,147	11,225,761
Prepaid airport use charge fund (notes 10 and 19)	311,934	—	(311,934)	—	—	—
Net postemployment liability (note 14)	180,997,867	4,349,430	(16,799,881)	168,547,416	—	168,547,416
Net pension liability (note 13)	176,968,836	32,958,567	(17,834,519)	192,092,884	—	192,092,884
Airports system revenue bonds (note 6)	1,297,110,000	582,490,000	(346,225,000)	1,533,375,000	430,000	1,532,945,000
Airports system revenue bonds premiums (note 6)	82,199,760	54,040,865	(8,600,650)	127,639,975	—	127,639,975
Airports system revenue bonds discounts (note 6)	(1,761,893)	1,718,639	(15,940)	(59,194)	—	(59,194)
Airports system customer facility charge revenue bonds (note 8)	434,365,000	—	(10,140,000)	424,225,000	10,350,000	413,875,000
Lease revenue certificates of participation (note 7)	198,546,908	—	(12,115,573)	186,431,335	13,752,812	172,678,523
Lease revenue certificates of participation premiums (note 7)	1,278,826	—	(432,338)	846,488	—	846,488
Special facility revenue bonds (note 10)	21,725,000	—	—	21,725,000	—	21,725,000
	$ 2,410,358,152	685,286,850	(418,996,228)	2,676,648,774	30,405,785	2,646,242,989

	Balance, June 30, 2019	Increases	Decreases	Balance, June 30, 2020	Current	Noncurrent
Workers' compensation (note 17)	$ 4,261,532	2,966,805	(1,663,445)	5,564,892	2,142,860	3,422,032
Compensated absences	12,567,228	6,493,179	(6,009,385)	13,051,022	4,114,740	8,936,282
Prepaid airport use charge fund (notes 10 and 19)	311,934	—	—	311,934	—	311,934
Net postemployment liability (note 14)	180,773,598	15,959,240	(15,734,971)	180,997,867	—	180,997,867
Net pension liability (note 13)	167,609,095	23,784,945	(14,425,204)	176,968,836		176,968,836
Airports system revenue bonds (note 6)	1,349,755,000	235,325,000	(287,970,000)	1,297,110,000	44,690,000	1,252,420,000
Airports system revenue bonds premiums (note 6)	75,291,929	12,316,537	(5,408,706)	82,199,760	—	82,199,760
Airports system revenue bonds discounts (note 6)	(49,427)	(2,109,345)	396,879	(1,761,893)	—	(1,761,893)
Airports system customer facility charge revenue bonds (note 8)	244,775,000	194,710,000	(5,120,000)	434,365,000	10,140,000	424,225,000
Lease revenue certificates of participation (note 7)	208,847,868	—	(10,300,960)	198,546,908	12,115,573	186,431,335
Lease revenue certificates of participation premiums (note 7)	1,835,525	—	(556,699)	1,278,826	—	1,278,826
Special facility revenue bonds (note 10)	21,725,000	—	—	21,725,000	—	21,725,000
	$ 2,267,704,282	489,446,361	(346,792,491)	2,410,358,152	73,203,173	2,337,154,979

(6) Airports System Revenue Bonds

In 1969, the Director issued the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds (the Certificate) under which $40,000,000 of revenue bonds were initially authorized for issuance. Subsequent issues of revenue bonds were covered by First through Thirty-first supplemental certificates to the original 1969 Certificate.

Certain amendments to the Certificate contained in the Twenty-Sixth Supplemental Certificate took effect contemporaneously with the Twenty-Seventh Supplemental Certificate and delivery of the Airports System Revenue Bonds, Refunding Series of 2001. Other amendments, which required the consent of 100% of the bondholders, took effect as of June 30, 2004 with the issuance of the Airports System Revenue Bonds, Refunding Series of 2003.

These revenue bonds are payable solely from and are collateralized solely by the revenue generated by the Airports Division including all aviation fuel taxes levied. The amended Certificate established an order of priority for the appropriation, application, or expenditure of these revenue as follows:

a. To pay or provide for the payment of the costs of operation, maintenance, and repair of airport properties

b. To pay when due all bonds and interest. Payment shall be provided from the following accounts:

   1. Interest account
   2. Serial bond principal account
   3. Sinking fund account
   4. Debt service reserve account

c. To fund the major maintenance, renewal, and replacement account

d. To reimburse the State General Fund for general obligation bond requirements

e. To provide for betterments and improvements to the airports

f. To provide such special reserve funds and other special funds as created by law

g. To provide for any other purpose connected with or pertaining to the bonds or the airports authorized by law

The amended Certificate requires that the Airports Division impose, prescribe, and collect revenue that, together with unencumbered funds, will yield net revenue and taxes at least equal to 1.25 times the total interest, principal, and sinking fund requirements for the ensuing 12 months. The Airports Division is also required to maintain adequate insurance on its properties.

The outstanding airports system revenue bonds contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues and taxes during the year are less than 125 percent of debt service coverage due in the following year and (2) a provision that if the Airports Division is unable to make payment, outstanding amounts are due immediately. The outstanding airports system revenue bonds contain a subjective acceleration clause that allows the bondholders to accelerate payment of the entire principal amount to become immediately due if the bondholders determines that a material adverse change occurs.

At June 30, 2021 and 2020, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2021 and 2020, the revenue bond debt service reserve accounts (reported as restricted assets in the accompanying statements of net position) consisted of the following:

		2021	2020
Debt service reserve account	$	107,459,907	102,470,832
Major maintenance, renewal and replacement account		56,671,140	60,000,000
		164,131,047	162,470,832
Principal and interest due July 1		34,168,370	73,503,139
	$	198,299,417	235,973,971

At June 30, 2021 and 2020, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,256,743,914 and $1,122,500,159, respectively.

The revenue bonds are subject to redemption at the option of the Department of Transportation (the DOT) and the State during specific years at prices ranging from 102% to 100% of principal.

The following is a summary of airports system revenue bonds issued and outstanding at June 30, 2021:

Series	Interest rate	Final maturity date (July 1)	Original amount of issue	Outstanding amount
2011, refunding	2.00%–5.00%	2024	300,885,000	56,615,000
2015A, nonrefunding	4.125%–5.00%	2045	235,135,000	235,135,000
2015B, nonrefunding	4.00%	2045	9,125,000	9,125,000
2018A, nonrefunding	5.00%	2048	388,560,000	388,560,000
2018B, nonrefunding	3.00%–5.00%	2027	26,125,000	26,125,000
2018C, refunding	3.58%	2028	93,175,000	93,175,000
2018D, refunding	5.00%	2034	142,150,000	142,150,000
2020A, nonrefunding	4.00%–5.00%	2045	113,140,000	113,140,000
2020B, nonrefunding	3.48%	2050	165,885,000	165,885,000
2020C, nonrefunding	5.00%	2050	20,295,000	20,295,000
2020D, refunding	4.00%–5.00%	2039	184,855,000	184,855,000
2020E, refunding	1.392%–2.330%	2030	98,315,000	98,315,000
			$ 1,777,645,000	1,533,375,000
Add unamortized premium				127,639,975
Less unamortized discount				(59,194)
Less current portion				(430,000)
Noncurrent portion				$ 1,660,525,781

The following is a summary of airports system revenue bonds issued and outstanding at June 30, 2020:

Series	Interest rate	Final maturity date (July 1)	Original amount of issue	Outstanding amount
2010A, refunding	2.00%–5.25%	2039	$ 478,980,000	230,790,000
2010B, refunding	3.00%–5.00%	2020	166,000,000	21,650,000
2011, refunding	2.00%–5.00%	2024	300,885,000	150,400,000
2015A, nonrefunding	4.125%–5.00%	2045	235,135,000	235,135,000
2015B, nonrefunding	4.00%	2045	9,125,000	9,125,000
2018A, nonrefunding	5.00%	2048	388,560,000	388,560,000
2018B, nonrefunding	3.00%–5.00%	2027	26,125,000	26,125,000
2018C, refunding	3.58%	2028	93,175,000	93,175,000
2018D, refunding	5.00%	2034	142,150,000	142,150,000
			$ 1,840,135,000	1,297,110,000
Add unamortized premium				82,199,760
Less unamortized discount				(1,761,893)
Less current portion				(44,690,000)
Noncurrent portion				$ 1,332,857,867

Annual debt service requirements to maturity for airports system revenue bonds are as follows:

	Principal	Interest	Total
Years ending June 30:			
2022	$ 430,000	67,469,045	67,899,045
2023	445,000	67,453,382	67,898,382
2024	35,395,000	66,563,843	101,958,843
2025	39,500,000	64,863,825	104,363,825
2026	43,410,000	63,421,027	106,831,027
2027–2031	238,680,000	294,244,671	532,924,671
2032–2036	295,040,000	235,133,931	530,173,931
2037–2041	257,705,000	172,390,780	430,095,780
2042–2046	324,080,000	103,694,781	427,774,781
2047–2051	298,690,000	30,890,966	329,580,966
	$ 1,533,375,000	1,166,126,251	2,699,501,251

In August 2018, the Airports Division executed two forward delivery bond purchase contracts relating to its $93,175,000 Airports System Revenue Bonds, Refunding Series 2018C and $142,150,000 Airports System Revenue Bonds, Refunding Series 2018D. Subject to the terms of such contracts, the Airports Division expects to issue and deliver the Series 2018C Bonds and the Series 2018D Bonds in April 2020 to refund $245,385,000 of outstanding Series 2010A Bonds on July 1, 2020.

The Airports Division entered into these agreements with the respective purchasers for the purpose of effecting a refunding of an outstanding issue that cannot be advance refunded.

On August 9, 2018, the purchaser agreed to purchase the Series 2018C Bonds in the principal amount of $93,175,000 for the amount of $93,175,000. The Series 2018C Bonds will bear an interest rate of 3.58% and maturity dates ranging from 2021 – 2028.

On August 9, 2018, the purchaser agreed to purchase the Series 2018D Bonds in the principal amount of $142,150,000 at a price of $154,466,536. The Series 2018D Bonds will bear an interest rate of 5.00% with maturity dates ranging from 2029 – 2034.

On April 7, 2020, the Airports Division issued the Series 2018C and Series 2018D Bonds to refund a portion of its outstanding Series 2010A Bonds. Of the net proceeds of $247,641,537 (after payment of $154,328 in underwriting fees, insurance, and other costs), along with an additional $4,204,417 from the debt service reserve account, $251,691,625 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2010A bonds on July 1, 2020. As a result, the refunded portion of the Refunding Series 2010A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $7,137 (deferred gain on refunding of $1,309,991 for Series 2018C Bonds and deferred loss on refunding of $1,302,854 for Series 2018D Bonds). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the next 8 to 14 years.

On October 21, 2020, the Airports Division issued $113,140,000, $165,885,000, $20,295,000, $184,855,000, and $98,315,000 of Airports System Revenue Bonds (Series 2020A, Series 2020B, Series 2020C, Series 2020D, and Series 2020E, respectively) at interest rates ranging from 1.392% to 5.00% to be used to pay costs of capital improvement projects at certain facilities of the State's airports system, for deposit of capitalized interest on the Series 2020 Bonds, for a deposit into the Debt Service Account, and to pay for certain costs of issuance relating to the Series 2020 Bonds. The Series 2020D and 2020E Bonds were issued to refund the remaining outstanding Series 2010A Bonds and a portion of the outstanding Series 2011 Bond. Of the net proceeds of $309,640,992 (after payment of $1,410,349 in underwriting fees, insurance, and other costs), along with an additional $1,038,974 from the debt service reserve account, $309,269,617 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2010A bonds and the Refunding Series 2011 bond on November 6, 2020. As a result, the refunded portion of the Refunding Series 2010A bonds and the Refunding Series 2011 bond are considered to be defeased and the liability for those bonds has been removed from the financial statements.

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The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $7,914,822 (deferred loss on refunding of $5,177,695 for Series 2020D Bond and deferred loss on refunding of $2,737,127 for Series 2020E Bond). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the next 4 to 19 years.

(7) Lease Revenue Certificates of Participation

The Airports Division entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the Energy Performance Contract between Airports Division and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports Division in the amount of $167,740,000 at interest rates ranging from 3.00% to 5.25%, payable annually with a final maturity date of 2029.

On April 13, 2016, the Airports Division entered into another lease agreement with Johnson Controls, Inc., amending the Energy Performance Contract dated December 19, 2013, to finance improvements to Daniel K. Inouye International Airport’s cooling infrastructure. The costs relating to the lease and installation of certain equipment to implement the third amendment to the Energy Performance Contract between Airports Division and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports Division in the amount of $8,056,521 at an interest rate of 1.74%, payable annually with a final maturity date of 2026.

On March 31, 2017, the Airport Division entered into another lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to the lighting infrastructure at multiple airports. The costs relating to the purchase and installation of certain equipment to implement the fourth amendment to the Energy Performance Contract between Airports Division and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports Division in the amount of $51,473,427 at an interest rate of 2.87%, payable annually with a final maturity date of 2034.

The lease revenue certificates of participation are payable from revenue derived by the Airports Division from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State of Hawaii. The certificates of participation represent participations in equipment lease rent payments to be made by the Department. Lease rent payments to holders of the certificates of participation are payable from Revenues and Aviation Fuel Taxes, subordinate in right of payment to the payments of debt service on bonds.

The outstanding lease revenue certificates of participation contains a provision that if the Airports Division is unable to make payment, outstanding amounts are due immediately. The lease revenue certificates of participation contains a subjective acceleration clause that allows the holders to accelerate payment of the entire principal amount to become immediately due if the holders determines that a material adverse change occurs.

At June 30, 2021, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $186,431,335 and $846,488, respectively.

At June 30, 2020, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are $198,546,908 and $1,278,826, respectively.

The schedule of lease rent payments for the lease revenue certificates of participation are as follows:

		Principal	Interest	Total
Years ending June 30:				
2022	$	13,752,812	7,981,791	21,734,603
2023		15,203,667	7,343,039	22,546,706
2024		17,224,180	6,632,805	23,856,985
2025		19,760,449	5,797,450	25,557,899
2026		20,754,604	4,826,606	25,581,210
2027 - 2031		86,115,344	8,874,308	94,989,652
2032 - 2034		13,620,279	602,277	14,222,556
	$	186,431,335	42,058,276	228,489,611

(8) Customer Facility Charge Revenue Bonds

In July 2017, the Airports Division issued $249,805,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2017A) at interest rates ranging from 1.70% to 4.14%. The Series 2017 Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2017 Bonds and to pay certain costs of issuance relating to the Series 2017 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports System. At June 30, 2021 and 2020, the outstanding balance of the Series 2017A Bonds is $234,430,000 and $239,655,000, respectively, with a maturity of July 1, 2047.

At June 30, 2019, the amount credited to the revenue bond debt service reserve accounts was in accordance with the applicable provisions of the official statement.

In August 2019, the Airports Division issued $194,710,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2019A) at interest rates ranging from 1.819% to 2.733%. The Series 2019A Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2019 Bonds and to pay certain costs of issuance relating to the Series 2019 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed the State on rental motor vehicle customers who use or benefit

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from rental car facilities at all airports in the Airports System. At June 30, 2021 and 2020, the outstanding balance of the Series 2019A Bonds is $189,795,000 and $194,710,000, with a maturity of July 1, 2047.

Annual debt service requirements to maturity for the customer facility charge revenue bonds are as follows:

	Principal	Interest	Total
Years ending June 30:			
2022	$ 10,350,000	14,005,961	24,355,961
2023	10,575,000	13,782,432	24,357,432
2024	10,815,000	13,538,156	24,353,156
2025	11,080,000	13,271,288	24,351,288
2026	11,370,000	12,983,853	24,353,853
2027-2031	61,845,000	59,930,899	121,775,899
2032-2036	72,215,000	49,562,897	121,777,897
2037-2041	85,855,000	35,917,365	121,772,365
2042-2046	103,170,000	18,603,420	121,773,420
2047-2048	46,950,000	1,763,788	48,713,788
	$ 424,225,000	233,360,059	657,585,059

The official statement for the customer facility charge revenue bonds requires that the aggregate amount of customer facility charge and minimum annual requirement deficiency payments paid by the Rental Car Facilities (RACs) in each fiscal year plus the amount on deposit in the rolling coverage fund to provide no less than 1.40 times the aggregate debt service on the bonds.

The outstanding customer facility charge revenue bonds contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues and taxes during the year are less than 140 percent of debt service coverage due in the following year and (2) a provision that if the Airports Division is unable to make payment, outstanding amounts are due immediately. The outstanding customer facility charge revenue bonds contain a subjective acceleration clause that allows the bondholders to accelerate payment of the entire principal amount to become immediately due if the bondholders determines that a material adverse change occurs. No material adverse changes occurred during the fiscal year ended June 30, 2021.

(9) Loan Payable

In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC, acting as the agent of the Lenders. The Lenders were established to permit foreign investors to invest in certain projects at the Hawaii Airports System pursuant to an Immigration Investor Program (EB-5) provided through legislation enacted by the United States Congress in 1990. The total amount the State may borrow under the agreement is $76,000,000. The EB-5 loan is the first series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from the Trust Estate, with customer facility charges being the primary component. The EB-5 loan is not payable from revenue and aviation fuel taxes, which the DOT has pledged for the repayment of airports system revenue bonds issued under the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.

The loan bears interest at a rate of 1.50% with interest payments due semiannually on July 1 and January 1. For the year ended June 30, 2021 and 2020, the Airports Division has incurred interest of $0 and $153,041, respectively. The loan payable was paid in full on August 27, 2019.

(10) Leases

(a) Airport Airline Lease Agreement

(i) Airports Division

The DOT and the airline companies serving the airports system (signatory airlines) operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992 (lease agreement). Under the lease agreement, the signatory airlines each have the nonexclusive right to use the facilities, equipment, improvements, and services of the airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994, and extended the expiration date to June 30, 1997 (hereafter, the lease agreement and the five subsequent agreements are collectively referred to as the lease extension agreement). The lease extension agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997, unless terminated by either party upon at least 60 days prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the first amended lease extension agreement, effective January 1, 2008.

Under the lease extension agreement, the airports system rates and charges are calculated using a residual rate-setting methodology that excludes duty-free revenue in excess of $100 million per year and any interest income earned on funds set aside for the Capital Improvements Program. The airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on appraisal and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space) based on appraisal and recovered on a per revenue passenger landing basis, (3) international arrivals building charges based on appraisal and recovered on a per deplaning international passenger basis, (4) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (5) system support charges based on an airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Effective January 1, 2008, under the first amended lease extension agreement, the airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airports system facilities from the signatory airlines that directly use them. The airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Nonsignatory airlines are subject to the Administrative Rules, which require the payment of specified amounts for landing fees, Airports System Support Charges, and certain other rates, fees, and charges. Under the 2007 Agreement, the Department agreed to amend the methodology for calculating fees and charges so that nonsignatory airline fees and charges would be 125% of Signatory Airline fees and charges.

(ii) Prepaid Airport Use Charge Fund

The Prepaid Airport Use Charge Fund (the PAUCF) was established in 1994 to provide a process to transfer monies paid to the Airports Division by the signatory airlines in excess of the amounts required under each lease.

In August 1995, the DOT and the signatory airlines entered into an agreement to extend the PAUCF.

Net excess over- and under- payments for fiscal years 1996 through 2021 have been transferred to the PAUCF (note 18). Excess overpayments are required to be set aside as restricted, and are the property of the signatory airlines, and can only be spent for purposes mutually designated by the State and the Airlines Committee of Hawaii, which substantially benefit the state airport system. Underpayments may be collected from the signatory airlines through agreed upon rate increases in subsequent periods.

(iii) Aviation Fuel Tax

The aviation fuel tax amounted to $1,641,902 and $2,191,270 for fiscal years 2021 and 2020, respectively. In May 1996, the State Department of Taxation issued a tax information release that, effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination.

(iv) Airports System Rates and Charges

Signatory and nonsignatory airlines were assessed the following airports system rates and charges.

Airport landing fees amounted to $63,451,979 and $75,921,738 for fiscal years ended 2021 and 2020, respectively. Airport landing fees are shown net of aviation fuel tax credits of $1,716,634 and $1,564,864 for fiscal years ended 2021 and 2020, respectively, on the statements of revenue, expenses, and changes in net position, which resulted in net airport landing fees of $61,735,345 and $74,356,874 for fiscal years 2021 and 2020, respectively. Airport landing fees are based on a computed rate per 1000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The interisland airport landing fees for signatory airlines is set at 48% and 47% of the airport landing fees for overseas flights for fiscal years 2021 and 2020, respectively, and are scheduled to increase 1% annually until it reaches 100%.

Overseas and interisland joint-use premise charges were established to recover airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates and are recovered based on a computed rate per enplaning or deplaning passenger. Nonexclusive joint-use premise charges for terminal rentals amounted to $65,711,488 and $64,136,977 for fiscal years 2021 and 2020, respectively.

International arrivals building charges were established to recover airports system costs allocable to the international arrivals area based on terminal rental rates and are recovered based on a computed rate per deplaning international passenger using the international arrivals area. Beginning fiscal year 2000, nonsignatory airline revenue was applied as a credit in calculating the joint-use premise charge and international arrivals building charges.

Exclusive-use premise charges amounted to $64,344,732 and $60,841,089 for fiscal years 2021 and 2020, respectively, and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounted to $28,829,210 and $32,853,120 for fiscal years 2021 and 2020, respectively.

(v) Special Facility Leases and Revenue Bonds

The Airports Division entered into special facility lease agreements with Continental Airlines, Inc. in November 1997 and July 2000. The construction of the related facilities was financed by special facility revenue bonds issued by the Airports Division in the amounts of $25,255,000 and $16,600,000, respectively. These bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facility. Special facility revenue bonds amounting to $16,600,000 were called in full on May 18, 2015.

Bonds with a stated maturity date of November 15, 2027 remain outstanding. The bonds are subject to redemption on or after November 15, 2007 at the option of the Airports Division, upon the request of Continental Airlines, Inc., at prices ranging from 101% to 100% of principal, depending on the dates of redemption or, if the facilities are destroyed or damaged extensively, at 100% plus interest.

(Continued)

The bonds bear interest at 5.625% per annum. Interest-only payments of $611,016 are due semiannually on May 15 and November 15 of each year until the bonds mature on November 15, 2027, at which time the entire principal amount is due. The following principal and interest payments on special facility revenue bonds are required based on the amounts outstanding at June 30, 2021:

	Principal	Interest	Total
Years ending June 30:			
2022	$ —	1,222,031	1,222,031
2023	—	1,222,031	1,222,031
2024	—	1,222,031	1,222,031
2025	—	1,222,031	1,222,031
2026	—	1,222,031	1,222,031
2027-2028	21,725,000	1,833,048	23,558,048
	$ 21,725,000	7,943,203	29,668,203

The special facility leases are accounted for and recorded as direct financing leases. The remaining lease payments to be paid by the lessees (including debt service requirements on the special facility revenue bonds) are recorded as an asset and the special facility revenue bonds outstanding are recorded as a liability in the accompanying statements of net position.

Net investments in direct financing leases at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Cash with bond fund trustee	$ 1,475,127	1,474,849
Receivable from lessees, net of unearned interest of $7,790,449 and $9,012,480, respectively	20,249,873	20,250,151
Interest receivable	152,754	152,754
	$ 21,877,754	21,877,754

(b) Other Operating Leases

The Airports Division also leases certain building spaces and improvements to concessionaires, airline carriers and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 35 years for other airport users.

The future minimum rentals from these operating leases at June 30, 2021 are as follows:

Year(s) ending June 30:		
2022	$	32,298,616
2023		30,669,384
2024		30,429,902
2025		29,158,405
2026		35,655,958
2027–2031		77,724,852
2032–2036		12,635,830
2037–2041		5,902,515
2042-2046		6,658,855
2046-2051		7,539,260
	$	268,673,577

The leases with concessionaires are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rents included in concession fees for fiscal years 2021 and 2020 was $61,534,410 and $60,595,665, respectively.

Concession fee revenue from the DFS Group, L.P. (DFS), which operates the in-bond (Duty Free) concession, accounted for approximately 0% and 24% of total concession fee revenue for fiscal years 2021 and 2020, respectively. The Airports Division has waived the Minimum Annual Guarantee (MAG) requirements for certain eligible concessionaires, including DFS, through December 2021 and will continue with the waiver until further notice.

DFS was originally awarded a five-year lease agreement for the in-bond concession in February 2001. By 2003, DFS had been in significant arrears in rents due to the Airports Division as a result of financial difficulties arising from the downturn in Hawaii's economy due to the decrease in international visitor travel. As a result, in August 2003, the Airports Division and DFS entered into a Withdrawal and Settlement Agreement, which provided DFS with certain relief for past-due rents and which allowed the Airports Division to withdraw and recapture all of the leased premises and to early terminate the in-bond lease.

The in-bond concession was rebid in September 2003, and DFS was awarded the lease for the period from October 1, 2003 to May 31, 2006. The lease contract provided for a minimum annual guarantee rent as well as a percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2005 to May 31, 2006, the minimum annual guarantee rent was $37,311,121, and the percentage rent was as follows: (1) for total concession receipts greater than $165 million, but less than $200 million, 22.5% for on-airport sales, and 18.5% for off-airport sales and (2) for total concession receipts greater than $200 million, 30.0% for on-airport sales, and 22.5% for off-airport sales.

Effective June 1, 2006, the lease was extended for a period of one year pursuant to a holdover clause in the lease agreement. During the holdover period, DFS shall have a month-to-month tenancy, with rents and terms the same as those in effect immediately prior to the holdover.

On January 3, 2007, DFS was awarded a 10-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007 and terminating on May 31, 2017. On August 31, 2010, the lease was amended under provisions of Act 33, 2009, Hawaii Session Laws 883. The amended lease contract provided for a minimum annual guarantee rent, as well as a percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2007 to May 31, 2011, the minimum annual guarantee rent was $38 million and the percentage rent was as follows: (1) for total concession receipts greater than $155 million, but less than $195 million, 22.5% for on-airport sales, and 18.5% for off-airport sales; (2) for total concession receipts greater than $195 million, but less than $235 million, 30.0% for on-airport sales, and 22.5% off-airport sales; (3) for total concession receipts greater than $235 million, but less than $275 million, 30.0% for on-airport sales, and 26.5% for off-airport sales; and (4) for total concession receipts greater than $275 million, 30.0% for on-airport sales and off-airport sales. For the period from June 1, 2011 to May 31, 2017, the minimum annual guarantee rent was equal to 85% of the total rent paid for the fourth year of the lease term. Percentage rent during this period was calculated the same as during the first four years of the lease term.

Effective October 31, 2014, the in-bond concession lease agreement was amended and the lease was extended through May 31, 2027. The amended lease contract provides (a) for the period from June 1, 2017 through May 31, 2019, $40 million, (b) for the period of June 1, 2019 through May 31, 2020, $47.5 million, (c) for the period June 1, 2020 through May 31, 2021, 85% of the actual annual fee paid and payable (either minimum annual guarantee rent or percentage rent) for the previous year, (d) for the period of June 1, 2021 through May 31, 2022, the same as the previous year, (e) for the period of June 1, 2022 through May 31, 2023, 85% of the actual fee paid and payable for the previous year, (f) for the period from June 1, 2023 through May 31, 2027, the same as the minimum annual guarantee rent for the period of June 1, 2022 through May 31, 2023, (3) the percentage fees for the extension period will be set at 30% of gross receipts from on-airport sales and 18% of gross receipts from off-airport sales, (4) the percentage fee for merchandise converted from duty free status to duty paid status shall be 1.25%, and (5) the concession fee for items that are High Price/Low Margin Merchandise shall be 2.5% of the gross receipts from the sale. In addition, DFS agreed to pay $27.9 million for improvements to the Central Waiting Lobby Building at Daniel K. Inouye International Airport.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Daniel K. Inouye International Airport, with the term commencing on April 1, 2009 and scheduled to terminate on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts and (2) minimum annual guarantee rent (85% of the actual annual fee paid for the preceding year). The lease agreement was extended for a holdover period through March 31, 2015. During the holdover period, the minimum annual guarantee rent was $12 million. Subsequently, on October 31, 2014, the lease agreement was amended to extend the term through March 31, 2025. The amendment provided that the minimum annual guarantee rent for the period April 1, 2015 through

March 31, 2016 be $12 million and for each subsequent year, the minimum annual guarantee rent will be 85% of the actual annual fee paid for the preceding year.

(11) Passenger Facility Charges

Passenger facility charge activity for the years ended June 30, 2021 and 2020 is as follows:

		2021	2020
Restricted assets – passenger facility charges, beginning of year	$	124,842,471	187,848,864
Passenger facility charges during the year		18,969,343	30,738,643
Interest earned on passenger facility charges during the year		909,977	3,685,425
Capital expenditures during the year		(19,928,804)	(97,430,461)
Restricted assets – passenger facility charges, end of year	$	124,792,987	124,842,471

Restricted assets – passenger facility charges are presented on the statements of net position as of June 30, 2021 and 2020 as follows:

		2021	2020
Cash and cash equivalents	$	119,587,583	125,057,872
Receivable		6,639,656	1,011,561
Payable		(1,434,252)	(1,226,962)
Total restricted assets – passenger facility charges	$	124,792,987	124,842,471

(12) Rental Car Customer Facility Charge

Rental car customer facility charge activity for the years ended June 30, 2021 and 2020 is as follows:

		2021	2020
Restricted assets – rental car customer facility charge beginning of year	$	119,269,041	148,459,490
Rental car customer facility charges during the year		29,487,659	56,173,999
Net bond proceeds on 2019A series issuance		—	12,111,459
Interest earned on rental care customer facility charges during the year		52,258	2,015,974
Operating and maintenance expenditures during the year		(1,101,819)	(6,589,734)
Capital expenditures during the year		(13,334,975)	(76,155,085)
Interest paid on loan payable		—	(747,333)
Interest paid on debt service		(24,354,554)	(15,999,729)
Restricted assets – rental car customer facility charges, end of year	$	110,017,610	119,269,041

Restricted assets – rental car customer facility charges are presented on the statement of net position as of June 30, 2021 and 2020 as follows:

		2021	2020
Cash and cash equivalents	$	1,916,700	1,905,766
Investments		103,678,174	116,846,721
Receivable		4,492,563	516,554
Payable		(69,827)	—
Total restricted assets – rental car customer facility charges	$	110,017,610	119,269,041

(13) Pension Information

(a) Plan Description

All eligible employees of the Airports Division are required by Chapter 88, Hawaii Revised Statutes (HRS), to become members of the ERS, a cost-sharing, multiple-employer public defined-benefit pension plan. The ERS provides retirement, survivor and disability benefits with multiple benefit structures known as the contributory, hybrid and noncontributory. All contributions, benefits and eligibility requirements are established by Chapter 88, HRS, and can be amended by legislative action.

Employees covered by Social Security on June 30, 1984 were given the option of becoming noncontributory members or remain contributory members. All new employees hired after June 30, 1984 and before July 1, 2006, who are covered by Social Security, were generally required to become a noncontributory member. Qualified contributory and noncontributory members were given the option of becoming hybrid members, effective July 1, 2006, or remain in their existing class. Starting July 1, 2006, all new employees covered by Social Security are required to be hybrid members.

(b) Benefits Provided

The three benefit structures provide a monthly retirement allowance equal to the benefit multiplier percentage (1.25% or 2.00%), 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. The AFC is the average salary earned during the five highest paid years of service, including the payment of salary in lieu of vacation, or three highest paid years of service, excluding the payment of salary in lieu of vacation, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service, excluding the payment of salary in lieu of vacation. For new members hired after June 30, 2012, the AFC is based on the five highest paid years of service excluding the payment of salary in lieu of vacation.

For postretirement increases, every retirees original retirement allowance is increased by 2.5% on 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 new members hired after June 30, 2012, the postretirement annuity increase was decreased to 1.5% per year.

(c) Contributions

The following summarizes the plan provisions relevant to the general employees of the respective classes:

(i) Contributory

Police officers, firefighters, and certain other members that are not covered by Social Security first hired prior to July 1, 2012 contribute 12.2% of their salary and receive a retirement benefit using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of AFC. These members may retire at age 55 with five years of credited service or at any age with 25 years of credited service, provided the last five years of credited service is any of the qualified occupations.

Police officers, firefighters, and certain other members that are not covered by Social Security first hired after June 30, 2012 contribute 14.20% of their salary and receive a retirement benefit using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of AFC. These members may retire at age 60 with 10 years of credited service or at any age with 25 years of credited service, provided the last five years of credited service is any of the qualified occupations.

All other employees in the contributory class are required to contribute 7.8% of their salary and are fully vested for benefits upon receiving five years of credited service. The Airports Division may also make contributions for these members. Under the contributory class, employees may retire with full benefits at age 55 and five years credited service, or may retire early at any age with at least 25 years of credited service and reduced benefits. The benefit multiplier is 2.0% for employees covered by Social Security.

New employees in the contributory class hired after June 30, 2012 are required to contribute 9.8% of their salary and are fully vested for benefits upon receiving 10 years of credited service. These members may retire with full benefits at age 60 and 10 years of credited service, or may retire at age 55 with 25 years of credited service with reduced benefits. The benefit multiplier is 1.75% for employees covered by Social Security.

(ii) Hybrid

Employees in the hybrid class are required to contribute 6.0% of their salary and are fully vested for benefits upon receiving five years of credited service. The Airports Division may also make contributions for these members. Employees may retire with full benefits at age 62 and 5 years of credited service or at age 55 and 30 years of credited service, or may retire at age 55 and 20 years’ service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 2.0%.

New employees in the hybrid class hired after June 30, 2012 are required to contribute 8% of their salary and are fully vested for benefits upon receiving 10 years of credited service. Employees may retire with full benefits at age 65 and 10 years of credited service, or at age 60 with 30 years of credited service, or may retire at age 55 and 20 years of service with reduced benefits. The benefit multiplier is 1.75% for employees covered by Social Security.

(iii) Noncontributory

Employees in the noncontributory class are fully vested upon receiving 10 years of credited service. The Airports Division is required to make all contributions for these members.

Employees may retire with full benefits at age 62 and 10 years of credited service or age 55 and 30 years of credited service or age 55 and 20 years of credited service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 1.25%.

The ERS funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. The funding method used to calculate the total employer contribution required is the entry age normal actuarial-cost method. Since July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts to pay for the unfunded actuarial accrued liability. The contribution rates for fiscal year 2021 and 2020 were 41.00% and 36.00%, respectively, for police officers and firefighters, and 24.00% and 22.00%, respectively, for all other employees. Employer rates are set by statute based on the recommendation of the ERS actuary resulting from an experience study conducted every five years.

The required pension contributions by the Airports Division for the years ended June 30, 2021 and 2020 were $20,244,297 and $17,834,519, respectively. Measurement of assets and actuarial valuations are made for the ERS as a whole and are not separately computed for individual participating employers such as the Airports Division.

(d) Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Airports Division reported a liability of $192,092,884 and $176,968,836, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2021 was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability at June 30, 2020 was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airports Division's proportion of the net pension liability is determined by a systematic methodology, based on an estimation of covered payroll, utilized by the Department of Accounting and General Services to allocate the State's proportion of the collective net pension liability to the various departments and agencies across the State.

At June 30, 2020 and 2019, the Airports Division's proportion was 2.63% and 2.54%, respectively, which was an increase of 0.09% and 0.07% from its proportion measured as of June 30, 2019 and 2018, respectively.

There were no changes in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2020 and 2019, and the reporting date, June 30, 2021 and 2020, respectively, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the years ended June 30, 2021 and 2020, the Airports Division recognized pension expense of $31,803,559 and $28,998,196, respectively. At June 30, 2021 and 2020, the Airports Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 2,358,126	—
Changes in assumptions	2,615,380	2,891
Net difference between projected and actual earnings on pension plan investments	7,764,291	—
Changes in proportion and differences between Airports: Division contributions and proportionate share of contributions	1,207,315	584,027
Airports Division contributions subsequent to the measurement date	20,244,297	—
	$ 34,189,409	586,918

	2020	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 3,189,414	147,981
Changes in assumptions	10,442,469	3,219
Net difference between projected and actual earnings on pension plan investments	—	689,321
Changes in proportion and differences between Airports: Division contributions and proportionate share of contributions	379,694	967,869
Airports Division contributions subsequent to the measurement date	17,834,519	—
	$ 31,846,096	1,808,390

The $20,244,297 reported as deferred outflows of resources related to pension resulting for the Airports Division contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The $17,834,519 reported as deferred outflows of resources related to pension resulting for the Airports Division contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2022	$	5,387,479
2023		2,753,776
2024		2,979,065
2025		2,191,426
2026		46,448
	$	13,358,194

(e) *Actuarial Assumptions*

The total pension liability in the June 30, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Investment rate of return, including inflation at 2.5%	7.0% per year

Projected salary increases, including inflation at 2.50%

Police and fire employees	5.00% to 7.00%
General employees	3.50% to 6.50%
Teacher	3.75% to 5.75%

For the June 30, 2020 and 2019 actuarial valuations, postretirement mortality rates are based on the 2019 public retirees of Hawaii mortality table, based on generational projections of the BB projection table from the year 2019 and for generational projections for future years.

For the June 30, 2020 actuarial valuation, preretirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member. For the June 30, 2019 actuarial valuation, preretirement mortality rates are based on the RP-2014 tables based on the occupation of the member.

The actuarial assumptions used in the June 30, 2020 and 2019 valuation were adopted by the ERS Board of Trustees on August 12, 2019 based on the 2018 actuarial experience study for the five year period from July 1, 2013 through June 30, 2018.

The following changes were made to the actuarial assumptions as of June 30, 2018 to June 30, 2019, based on the 2018 actuarial experience study:

- The assumed salary increase schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit (which would include promotions) and then an additional component for step rates based on service. There were no changes for General Employees and Teachers. The overall impact increased for salary rate increase rates received for most Police and Fire over their career due to extending the two year step schedule to 25 years.
- Mortality rates generally decreased due to the continued improvements in using a fully generational approach and Scale BB (published by the Society of Actuaries), although mortality rates increased in certain age groups across all employment groups.
- The rates of disability of active employees increased for all General Employees and Teachers, and for Police and Fire from duty-related reasons.
- There were minor increases in the retirement rates for members in certain groups based on age, employment group and/or membership class.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS’s Board of Trustees) 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 nominal rates of return (real returns and inflation) by the target asset allocation percentage.

(Continued)

The target allocation and best estimates of geometric real rates of return for the June 30, 2020 and 2019 actuarial valuation for each major asset class are summarized in the following tables:

Strategic allocation (risk-based classes)	Target allocation	Long-term expected geometric rate of return
June 30, 2020:		
Broad growth:		
Private Equity	13.50 %	8.45 %
Global Equity	20.00	7.35
Low Volatility Equity	4.00	6.60
Global Options	4.00	6.25
Credit	6.00	6.65
Core Real Estate	6.00	5.70
Non-Core Real Estate	4.50	8.45
Timber/Argriculture/Infrastructure	5.00	5.40
Diversifying strategies:		
TIPS	2.00	3.40
Global Macro	4.00	5.90
Reinsurance	4.00	6.00
Alternative Risk Premis	8.00	4.90
Long Treasuries	5.00	3.20
Intermediate Government	4.00	3.00
Systematic Trend Following	10.00	5.30
	100.00 %	
June 30, 2019:		
Broad growth	63.00 %	7.65 %
Principal protection	7.00	3.00
Real return	10.00	4.55
Crisis risk offset	20.00	5.15
	100.00 %	

(f) Discount Rate

The discount rate used to measure the net pension liability was 7.00%, which was the same discount rate from the valuation completed at June 30, 2019. 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 State 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 period of projected benefit payments to determine the total pension liability.

(g) Sensitivity of the Airports Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Airports Division's proportionate share of the net pension liability calculated using the discount rate of 7.00% proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
Airports Division's proportionate share of the net pension liability	$ 246,769,408	192,092,884	147,017,258

(h) Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued ERS annual comprehensive financial report (ACFR). The ERS ACFR can be obtained from: http://ers.ehawaii.gov/resources/financials or from the address below:

Employees' Retirement System of the State of Hawaii
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813

The State issues an annual comprehensive financial report that includes the required note disclosures and the required supplementary information in accordance with the provisions of GASB Statement No. 68. This report can be obtained from http://ags.hawaii.gov/accounting/annual-financial-reports/.

(14) Postretirement Healthcare and Life Insurance Benefits under GASB Statement No. 75, as of and for the years ended June 30, 2021 and 2020

(a) Plan Descriptions

The State provides certain health care and life insurance benefits to all qualified employees and retirees. Pursuant to Act 88, SLF 2001, the State contributions to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at http://eutf.hawaii.gov.

While the EUTF is an agent-multiple employer defined benefit OPEB plan, for purposes of the Airports Division's financial statements, the EUTF is reported as a cost-sharing multiple-employer plan in accordance with the requirements of GASB 75.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

At July 1, 2020, the State's plan members covered by benefit terms consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	37,767
Inactive plan members entitled to but not yet receiving benefits	7,576
Active plan members	50,831
Total plan members	96,174

(b) Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the OPEB plan from the Airports Division were $7,817,618 and $16,799,881 for the fiscal years ended June 30, 2021 and 2020, respectively. The employer is also required to make all contributions for members, which is charged to salaries, wages and benefits expense.

(c) OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, respectively, the Airports Division reported a net OPEB liability of $168,547,416 and $180,997,867 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. Airports Division’s proportion of the net OPEB liability was based on Airports Division’s contributions to the EUTF for the fiscal year relative to the total contributions of participating employers to the EUTF.

As of July 1,2020 and 2019, Airports Division’s proportion was 2.0622% and 1.9991%, respectively, which was an increase of 0.0631% and 0.1244% from its proportion measured as of July 1, 2019 and 2018 of 1.9991% and 1.8747%, respectively.

There were no changes between the measurement date, July 1, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the net OPEB liability.

For the years ended June 30, 2021 and 2020, the Airports Division recognized OPEB expense of approximately $15,970,925 and $14,139,288, respectively. At June 30, 2021, the Airports Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	$ 2,182,987	—
Differences between expected and actual experience	—	14,427,770
Change in assumptions	1,927,651	1,021,393
Airports Division contributions subsequent to the measurement date	7,817,618	—
	$ 11,928,256	15,449,163

At June 30, 2020, the Airports Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on OPEB plan investments	$	408,425	—
Differences between expected and actual experience		—	2,690,753
Change in assumptions		2,565,297	—
Airports Division contributions subsequent to the measurement date		16,799,881	—
	$	19,773,603	2,690,753

The $7,817,618 reported as deferred outflows of resources related to OPEB resulting from the Airports Division contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. The $16,799,881 reported as deferred outflows of resources related to OPEB resulting from the Airports Division contributions subsequent to the measurement date was recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:		
2022	$	(2,242,938)
2023		(2,182,872)
2024		(2,163,032)
2025		(2,052,112)
2026		(2,678,218)
Thereafter		(19,353)
	$	(11,338,525)

(d) Actuarial Assumptions

The total OPEB liability in the July 1, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the EUTF on January 13, 2020, based on the experience study covering the five year period ended June 30, 2018:

Inflation	2.5%
Payroll growth rate	3.5%–7.0%
Discount rate	7.0%
Investment rate of return, including inflation at 2.5%	7.0% per year

Healthcare Cost Trend Rates

July 1, 2020:	
PPO*	Initial rate of 7.50%; declining to a rate of 4.70% after 13 years
HMO*	Initial rate of 7.50%; declining to a rate of 4.70% after 13 years
Part B and Base Monthly Contribution (BMC)	Initial rates of 5.00%; declining to a rate of 4.70% after 10 years
Dental	Initial rates of 5.00% for the first year; followed by 4.00%
Vision	Initial rates of 0.00% for the first year; followed by 2.50%
Life Insurance	0.00%
Participation rates	98% healthcare participation assumption for retirees that receive 100% o f the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B.
July 1, 2019:	
PPO*	Initial rate of 8.00%; declining to a rate of 4.86% after 12 years
HMO*	Initial rate of 8.00%; declining to a rate of 4.86% after 12 years
Part B and Base Monthly Contribution (BMC)	Initial rates of 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rates of 5.00% for the first two years; followed by 4.00%
Vision	Initial rates of 0.00% for the first two years; followed by 2.50%
Life Insurance	0.00%
Participation rates	98% healthcare participation assumption for retirees that receive 100% o f the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B.

* Blended rates for medical and prescription drug

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each asset class for the July 1, 2020 and 2019 actuarial valuations are summarized in the following tables:

Asset class	Target allocation	Long-term expected real rate of return
July 1, 2020:		
Non-U.S. equity	16.00 %	7.72 %
U.S. equity	14.00	6.23
Private equity	10.00	9.66
Core real estate	10.00	5.98
Trend following	8.00	2.12
U.S. microcap	6.00	7.85
Global options	6.00	4.65
Private credit	6.00	5.50
Long treasuries	6.00	0.86
Reinsurance	5.00	4.34
Alternative risk premia	5.00	1.56
TIPS	5.00	0.11
Core bonds	3.00	0.08
	100.00 %	

(Continued)

Asset class	Target allocation	Long-term expected real rate of return
July 1, 2019:		
Non-U.S. equity	17.00 %	6.90 %
U.S. equity	15.00	5.35
Private equity	10.00	8.80
Core real estate	10.00	3.90
Trend following	9.00	3.25
U.S. microcap	7.00	7.30
Global options	7.00	4.75
Private credit	6.00	5.60
Long treasuries	6.00	2.00
Alternative risk premia	5.00	2.75
TIPS	5.00	1.20
Core bonds	3.00	1.50
	100.00 %	

(e) Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal year ending June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This temporary Act 268 suspension would not derail the plan's long-term funding progress. Even if Act 268 is suspended through fiscal year ending June 30, 2025, as is being discussed, the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Act 229, Session Laws of Hawaii 2021, suspends the contribution requirement for fiscal years 2022 and 2023. The State has made its full Annual Required Contribution in fiscal year 2021 and intends to make contributions for fiscal years 2022 and 2023. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(f) OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. EUTF's complete financial statements are available at http://eutf.hawaii.gov.

(g) Sensitivity of Airports Division's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the Airports Division's proportionate share of the net OPEB liability calculated using the discount rate of 7.00%, as well as what the Airports Division's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
Airports Division's proportionate share of the net OPEB liability	$ 202,244,263	168,547,416	141,994,435

The following table presents the Airports Division's proportionate share of the net OPEB liability calculated using the assumed healthcare cost trend rates, as well as what the Airports Division's proportionate share of the net OPEB liability would be if it were calculated using the trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rates	1% Increase
Airports Division's proportionate share of the net OPEB liability	$ 140,793,260	168,547,416	204,447,092

(15) Transactions with Other Government Agencies

The State assesses a surcharge of 5% for central service expenses on all receipts of the Airports Division, after deducting any amounts pledged, charged, or encumbered, for the payment of bonds and interest during the year. The assessments amounted to $8,042,464 and $14,383,786 in fiscal years 2021 and 2020, respectively.

The Airports Division is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $6,102,003 and $7,727,347 in fiscal years 2021 and 2020, respectively. During fiscal years 2021 and 2020, the Airports Division received assessment refunds from the DOT amounting to $3,371,586 and $3,269,258, respectively, which is recorded as a receivable due from State of Hawaii at year-end. Such refunds reduced operating expenses in the accompanying statement of revenue, expenses and changes in net position.

During fiscal years 2021 and 2020, revenue received from other state agencies totaled $11,768,816 and $7,002,770 and expenditures to other state agencies totaled $11,370,964 and $11,720,293, respectively. The revenue received relates to various rental agreements that the Airports Division has with the State of Hawaii. The expenses paid relate to various items including security, salary and insurance.

At June 30, 2021 and 2020, the Airports Division had a receivable due from state agencies for $1,619,406 and $3,097,923, respectively. The receivable includes an assessment refund and rental revenue outstanding at year-end.

(16) Commitments

(a) Sick Pay

Accumulated sick leave at June 30, 2021 and 2020 was $31,080,980 and $25,847,406, respectively. Sick leave accumulates at the rate of 14 or 20 hours per month of service without limit, depending on the employee’s job classification, but can be taken only in the event of illness and is not convertible to pay upon termination of employment.

Accordingly, no liability for sick pay is recorded. However, an Airports Division employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit with the ERS.

(b) Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all state employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

Accordingly, the assets and liabilities of the State’s deferred compensation plan are not reported in the accompanying financial statements.

(c) Pledged Future Revenue

In accordance with the Certificate, the Airports Division has pledged future revenue net of operation, maintenance and repair expenses, and certain adjustments (net revenue and taxes available for debt service) to repay $1,777,645,000 in revenue bonds issued in 2011, 2015, 2018, and 2020 and payable through 2050. The total debt service remaining to be paid on the revenue bonds for the Airports Division is $2,699,501,251. In fiscal years 2021 and 2020, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports Division was $96,474,681 and $109,002,852 and $129,469,897 and $161,437,921, respectively. See also note 6 for further discussion on the revenue bonds.

(d) Other

At June 30, 2021 and 2020, the Airports Division has commitments totaling $672,640,949 and $552,487,244, respectively, for construction and service contracts.

(17) Risk Management

The Airports Division is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. The Airports Division generally addresses these risks through commercial insurance policies. Settled claims have not exceeded this commercial coverage in any of the past three years.

(a) Torts

The Airports Division is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Airports Division's financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State General Fund.

(b) Property and Liability Insurance

The Airports Division is covered by commercial general liability policies with a $750 million limit per occurrence. These commercial general liability policies have no deductible and cover bodily injuries and property damage for occurrences arising out of the ownership, operation, and maintenance of state airports.

The Airports Division is covered under the State of Hawaii Statewide Insurance Program for Property, Auto and Crime Insurance.

(c) Workers' Compensation

The State is self-insured for workers' compensation. Accordingly, the Airports Division is liable for all workers' compensation claims filed by its employees. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. The basis for estimating the liabilities for unpaid claims includes the effects of specific incremental claim adjustment expenses, salvage, and subrogation, and other allocated or unallocated claim adjustment expenses. These liabilities include an amount for claims that have been incurred but not reported. At June 30, 2021 and 2020, the workers compensation reserve was $6,934,962 and $5,564,892, of which $2,208,826 and $2,142,860, is included in current liabilities (payable from unrestricted net assets), and $4,726,136 and $3,422,032 is

(Continued)

included in long-term liabilities in the accompanying statement of net position at June 30, 2021 and 2020, respectively. In the opinion of management, the Airports Division has adequately reserved for such claims.

The change in claims payable for June 30, 2021 and 2020, including an estimate of incurred but not reported claims, is as follows:

		2021	2020
Beginning balance – July 1	$	5,564,892	4,261,532
Current year claims and changes in estimates		3,030,318	2,966,805
Claims settled		(1,660,248)	(1,663,445)
Ending balance – June 30	$	6,934,962	5,564,892

(18) Contingent Liabilities and Other

(a) Litigation

The State is subject to a number of lawsuits arising in the ordinary course of its airport operations. While the ultimate liabilities, if any, in the disposition of these matters are presently difficult to estimate, it is management's belief that the outcomes are not likely to have a material adverse effect on the Airports Division's financial position. In addition, the State has not determined whether the ultimate liabilities, if any, will be imposed on the Airports Division. Accordingly, no provisions for any liabilities that might result have been made in the accompanying financial statements.

(b) Arbitrage

In compliance with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, the Airports Division is required to calculate rebates due to the U.S. Treasury on the airports system revenue bonds issued since 1986. Rebates are calculated by bond series based on the amount by which the cumulative amount of investment income exceeds the amount that would have been earned had funds been invested at the bond yield. In the opinion of management, rebates payable as of June 30, 2021, if any, are not material to the financial statements. Accordingly, no rebates payable have been recorded in the accompanying financial statements.

(c) Asserted Claims

(i) Prepaid Airport Use Charge Fund

In fiscal year 2021, there were no changes to the PAUCF. In fiscal year 2021, there was an underpayment from the signatory airlines resulting in a prepaid airport use charge receivable at June 30, 2021 of $35,540,888. The Airports Division waived the underpayment for fiscal year 2020. The prepaid airport use charge liability at June 30, 2020 was $311,934.

(19) Subsequent Events

The Airports Division has evaluated subsequent events from the balance sheet date through December 23, 2021, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

SUPPLEMENTARY INFORMATION

Schedule 1

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Operating Revenues and Operating Expenses Other than Depreciation

Year ended June 30, 2021

			Airports					
	Totals	**Statewide**	**Daniel K. Inouye International**	**Hilo International**	**Ellison Onizuka Kona International at Keahole**	**Kahului**	**Lihue**	**All others**
Operating revenue:								
Concession fees:								
Duty free	$ —	—	—	—	—	—	—	—
Retail	600,925	—	276,017	—	—	324,908	—	—
Airport parking	11,826,288	—	7,090,774	488,859	1,324,196	2,143,624	778,835	—
Car rental	38,250,117	—	10,363,495	1,026,595	6,910,194	15,451,078	4,357,943	140,812
Food and beverage	2,354,519	—	1,013,891	35,794	270,157	888,732	145,345	600
Other concessions	6,148,201	—	3,656,787	(154,403)	723,218	1,549,177	323,590	49,832
Total concession fees	59,180,050	—	22,400,964	1,396,845	9,227,765	20,357,519	5,605,713	191,244
Airport landing fees	61,735,345	—	38,640,230	1,482,878	6,058,913	12,117,691	3,069,003	366,630
Aeronautical rentals:								
Nonexclusive joint-use premise charges	65,711,488	—	46,930,780	1,388,827	4,720,129	10,059,908	2,611,844	—
Exclusive-use premise charges	64,344,732	—	47,267,502	2,249,537	3,157,713	7,155,935	3,515,530	998,515
Nonaeronautical rentals	21,853,443	—	12,303,178	336,219	2,158,198	5,387,421	1,562,178	106,249
Aviation fuel tax	1,641,902	—	697,810	65,125	266,094	532,429	80,444	—
Miscellaneous	8,154,765	2,936,510	3,326,654	37,209	545,718	654,469	378,291	275,914
	282,621,725	2,936,510	171,567,118	6,956,640	26,134,530	56,265,372	16,823,003	1,938,552
Allocation of statewide miscellaneous revenue (note 1)	—	(2,936,510)	1,872,034	20,939	307,096	368,295	212,879	155,267
Net operating revenue	$ 282,621,725	—	173,439,152	6,977,579	26,441,626	56,633,667	17,035,882	2,093,819
Operating expenses other than depreciation:								
Salaries and wages	$ 131,907,339	31,142,420	48,693,116	7,617,870	8,288,861	14,812,502	10,765,577	10,586,993
Other personnel services	114,234,346	35,581,850	47,822,120	4,030,716	5,677,477	11,716,662	6,114,768	3,290,753
Utilities	32,223,234	5,162	21,270,439	1,013,080	2,389,160	5,104,763	1,702,518	738,112
Repairs and maintenance	48,483,867	21,549,670	18,748,299	1,057,156	1,341,066	2,218,211	2,950,799	618,666
State of Hawaii surcharge on gross receipts (note 2)	8,042,464	8,042,464	—	—	—	—	—	—
Special maintenance	9,485,059	(5,267,639)	4,548,907	1,165,273	780,863	4,409,016	1,397,190	2,451,449
Department of Transportation general administration expenses	6,102,003	6,102,003	—	—	—	—	—	—
Materials and supplies	5,744,770	365,711	2,211,743	505,134	460,717	1,460,213	490,458	250,794
Insurance	2,502,691	2,502,691	—	—	—	—	—	—
Claims and benefits	3,000,866	1,433,311	775,855	126,612	255,051	207,393	3,883	198,761
Bad debt expense (note 3)	96,622	96,622	—	—	—	—	—	—
Miscellaneous	2,615,236	1,101,136	604,506	173,285	196,422	217,854	151,975	170,058
	364,438,497	102,655,401	144,674,985	15,689,126	19,389,617	40,146,614	23,577,168	18,305,586
Allocation of statewide expenses (note 4)	—	(102,655,401)	56,732,725	6,152,321	7,603,428	15,743,059	9,245,531	7,178,337
Total operating expenses other than depreciation for statement of revenue, expenses and changes in net position	$ 364,438,497	—	201,407,710	21,841,447	26,993,045	55,889,673	32,822,699	25,483,923

Notes:
(1) Statewide miscellaneous revenue is allocated to the airports based upon their respective current year miscellaneous revenue to total current year miscellaneous revenue for all airports.
(2) State of Hawaii surcharge on gross receipts consists of transfers to the State General Fund to defray central service expenses as required by HRS Section 36-28.5.
(3) Bad debt expense is allocated primarily by individually identifiable bad debts with the remainder allocated to the airports based upon their respective current year revenue to total current year revenue for all airports.
(4) Statewide expenses are allocated to the airports based upon their respective current year operating expenses to total current year operating expenses for all airports.

See accompanying independent auditors' report.

(Continued)

Schedule 2

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Calculations of Net Revenue and Taxes and Debt Service Requirement

Year ended June 30, 2021

Revenue and aviation fuel taxes:	
Concession fees	$ 59,180,050
Airport landing fees	61,735,345
Aeronautical rentals:	
Nonexclusive joint-use premise charges	65,711,488
Exclusive-use premise charges	64,344,732
Nonaeronautical rentals	21,853,443
Aviation fuel tax	1,641,902
Airport system support charges	—
Interest income, exclusive of interest on investments in direct financing leases and including interest income of $418,135 on capital improvement projects	5,705,467
Federal operating grants (note 5)	152,191,434
Miscellaneous	8,154,765
Total revenue and aviation fuel taxes	440,518,626
Deductions:	
Operating expenses other than depreciation for net revenue and taxes (Schedule 1) (note 5)	364,438,497
Less: operating expenses for Special Facility (note 3)	(6,812,225)
Less: non-cash pension and OPEB expenses (note 4)	(19,712,569)
Less: Operating expenses paid from major maintenance, renewal and replacement account	—
Annual reserve required on major maintenance, renewal and replacement account	—
Total deductions	337,913,703
Net revenue and taxes	102,604,923
Add funded coverage per bond certificate	26,864,977
Adjusted net revenue and taxes	129,469,900
Debt service requirement:	
Airports system revenue bonds:	
Principal	430,000
Interest (note 1)	53,946,629
Total debt service	54,376,629
Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2)	(16,082,631)
Total debt service requirement	38,293,998
Debt service coverage percentage	125
Total debt service with coverage requirement	47,867,498
Excess of net revenue and taxes over debt service requirement	$ 81,602,402

Notes:

(1) For purposes of calculating the debt service requirement, interest payments for airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes, and amounts from the Series 2015 bond proceeds used to pay interest on the Series 2015 bonds until the projects funded by the Series 2015 bonds are in service.

(2) Pursuant to the provisions in Section 6.01 of the Certificate and Hawaii Revised Statutes Section 261-5.5, the Airports Division transferred $16,082,631 of Passenger Facility Charge revenue into the Airport Revenue Fund for credit to the interest account for Passenger Facility Charge eligible debt service. The transfer is approved by the Federal Aviation Administration.

(3) Pursuant to the provisions in Article XI of the Certificate, operating expenses related to Special Facility, such as the consolidated rental car facility, are excluded from the debt service requirement calculation.

(4) Pursuant to the amendment of the definition "Costs of Operation, Maintenance and Repair" in the 32nd Supplemental Certificate, certain expenses including "any amount of pension and other post-retirement benefits expenses that exceed the amount that the Department deposits to the State funds for the proportional share related to the Undertaking" shall be excluded.

(5) This includes a one-time operating grant of $22,350,452 from the State's share of the federal COVID-19 relief grants, which is included in both operating revenues and corresponding offset to expenses associated with inbound passenger screening, recognized as operating expenses under U.S. generally accepted accounting principles.

See accompanying independent auditors' report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Summary of Debt Service Requirements to Maturity – Airports System Revenue Bonds

Year ended June 30, 2021

	Annual principal and interest requirements		
	Airports system revenue bonds		
	Principal	Interest	Total
Year ending June 30:			
2022	$ 430,000	67,469,045	67,899,045
2023	445,000	67,453,382	67,898,382
2024	35,395,000	66,563,843	101,958,843
2025	39,500,000	64,863,825	104,363,825
2026	43,410,000	63,421,027	106,831,027
2027	44,660,000	62,095,435	106,755,435
2028	46,065,000	60,647,052	106,712,052
2029	47,560,000	59,082,392	106,642,392
2030	49,195,000	57,260,480	106,455,480
2031	51,200,000	55,159,312	106,359,312
2032	53,395,000	52,727,667	106,122,667
2033	56,065,000	49,991,166	106,056,166
2034	58,870,000	47,117,791	105,987,791
2035	61,810,000	44,100,791	105,910,791
2036	64,900,000	41,196,516	106,096,516
2037	47,320,000	38,826,992	86,146,992
2038	49,340,000	36,762,441	86,102,441
2039	51,450,000	34,608,741	86,058,741
2040	53,650,000	32,361,891	86,011,891
2041	55,945,000	29,830,715	85,775,715
2042	58,710,000	26,994,191	85,704,191
2043	61,615,000	24,017,090	85,632,090
2044	64,665,000	20,892,365	85,557,365
2045	67,865,000	17,612,690	85,477,690
2046	71,225,000	14,178,445	85,403,445
2047	54,735,000	11,199,042	65,934,042
2048	57,180,000	8,693,604	65,873,604
2049	59,745,000	6,073,111	65,818,111
2050	62,425,000	3,645,954	66,070,954
2051	64,605,000	1,279,255	65,884,255
Total	$ 1,533,375,000	1,166,126,251	2,699,501,251

See accompanying independent auditors’ report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Debt Service Requirements to Maturity – Airports System Revenue Bonds

Year ended June 30, 2021

	Refunding Series of 2011, 2.00% to 5.00%	New Issue Series 2015A, 4.125% to 5.25%	New Issue Series 2015B, 4.00%	New Issue Series 2018A, 5.00%	New Issue Series 2018B, 3.00% to 5.00%	Refunding Series 2018C, 3.58%	Refunding Series 2018D, 5.00%	New Issue Series 2020A, 4.00% to 5.00%	New Issue Series 2020B, 3.48%	New Issue Series 2020C, 5.00%	Refunding Series 2020D, 4.00% to 5.00%	Refunding Series 2020E, 1.392% to 2.330%	Total	Interest	Total requirements
Year ending June 30:															
2022	—	—	—	—	—	430,000	—	—	—	—	—	—	430,000	67,469,045	67,899,045
2023	—	—	—	—	—	445,000	—	—	—	—	—	—	445,000	67,453,382	67,898,382
2024	34,930,000	—	—	—	—	465,000	—	—	—	—	—	—	35,395,000	66,563,843	101,958,843
2025	21,685,000	—	—	—	—	17,815,000	—	—	—	—	—	—	39,500,000	64,863,825	104,363,825
2026	—	—	—	—	8,305,000	16,805,000	—	—	—	—	—	18,300,000	43,410,000	63,421,027	106,831,027
2027	—	—	—	—	8,695,000	19,015,000	—	—	—	—	—	16,950,000	44,660,000	62,095,435	106,755,435
2028	—	—	—	—	9,125,000	18,095,000	—	—	—	—	1,725,000	17,120,000	46,065,000	60,647,052	106,712,052
2029	—	—	—	9,800,000	—	20,105,000	—	—	—	—	1,715,000	15,940,000	47,560,000	59,082,392	106,642,392
2030	—	—	—	10,750,000	—	—	20,185,000	—	—	—	1,980,000	16,280,000	49,195,000	57,260,480	106,455,480
2031	—	—	—	11,280,000	—	—	21,935,000	2,920,000	—	—	1,340,000	13,725,000	51,200,000	55,159,312	106,359,312
2032	—	—	—	11,840,000	—	—	23,210,000	17,110,000	—	—	1,235,000	—	53,395,000	52,727,667	106,122,667
2033	—	—	—	12,435,000	—	—	24,365,000	17,965,000	—	—	1,300,000	—	56,065,000	49,991,166	106,056,166
2034	—	—	—	13,050,000	—	—	25,590,000	18,865,000	—	—	1,365,000	—	58,870,000	47,117,791	105,987,791
2035	—	—	—	13,710,000	—	—	26,865,000	19,805,000	—	—	1,430,000	—	61,810,000	44,100,791	105,910,791
2036	—	—	—	12,205,000	—	—	—	20,795,000	—	—	31,900,000	—	64,900,000	41,196,516	106,096,516
2037	—	—	—	12,820,000	—	—	—	1,330,000	—	—	33,170,000	—	47,320,000	38,826,992	86,146,992
2038	—	—	—	13,450,000	—	—	—	1,385,000	—	—	34,505,000	—	49,340,000	36,762,441	86,102,441
2039	—	—	—	14,130,000	—	—	—	1,440,000	—	—	35,880,000	—	51,450,000	34,608,741	86,058,741
2040	—	—	—	14,840,000	—	—	—	1,500,000	—	—	37,310,000	—	53,650,000	32,361,891	86,011,891
2041	—	34,570,000	1,375,000	18,445,000	—	—	—	1,555,000	—	—	—	—	55,945,000	29,830,715	85,775,715
2042	—	36,295,000	1,430,000	19,375,000	—	—	—	1,610,000	—	—	—	—	58,710,000	26,994,191	85,704,191
2043	—	38,110,000	1,490,000	20,340,000	—	—	—	1,675,000	—	—	—	—	61,615,000	24,017,090	85,632,090
2044	—	40,020,000	1,545,000	21,355,000	—	—	—	1,745,000	—	—	—	—	64,665,000	20,892,365	85,557,365
2045	—	42,020,000	1,610,000	22,420,000	—	—	—	1,815,000	—	—	—	—	67,865,000	17,612,690	85,477,690
2046	—	44,120,000	1,675,000	23,540,000	—	—	—	1,625,000	265,000	—	—	—	71,225,000	14,178,445	85,403,445
2047	—	—	—	35,775,000	—	—	—	—	18,960,000	—	—	—	54,735,000	11,199,042	65,934,042
2048	—	—	—	37,560,000	—	—	—	—	19,620,000	—	—	—	57,180,000	8,693,604	65,873,604
2049	—	—	—	39,440,000	—	—	—	—	20,305,000	—	—	—	59,745,000	6,073,111	65,818,111
2050	—	—	—	—	—	—	—	—	62,425,000	—	—	—	62,425,000	3,645,954	66,070,954
2051	—	—	—	—	—	—	—	—	44,310,000	20,295,000	—	—	64,605,000	1,279,255	65,884,255
	$ 56,615,000	235,135,000	9,125,000	388,560,000	26,125,000	93,175,000	142,150,000	113,140,000	165,885,000	20,295,000	184,855,000	98,315,000	1,533,375,000	1,166,126,251	2,699,501,251

See accompanying independent auditors' report.

(Continued)

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Airports System Charges – Fiscal year 2008 Lease Extension

Year ended June 30, 2021

	Airline Activity			Airports System Charges													
						Nonexclusive Joint-use Premise Charges											
	Approved Maximum Revenue Landing Weights (1,000-pound units)	Revenue Passenger Landings	Deplaning International Passengers	Airports Landing Fees	Airports System Support Charges	Joint-use Charges – Overseas Baggage	Joint-use Charges – Overseas Holdroom	Joint-use Charges – Overseas Baggage Make Up	Joint-use Charges – Overseas	Joint-use Charges – Interisland Baggage	Joint-use Charges – Interisland Holdroom	Joint-use Charges – Commuter Baggage	Joint-use Charges – Commuter Holdroom	International Arrivals Building Charges	Preferential Use	Exclusive Use Premise Charges – Terminal Space	Total
Signatory airlines:																	
AEKO KULA, INC.	890,528	7,061	—	$ 2,226,706	—	—	—	—	—	—	—	—	—	—	—	117,391	2,344,097
AIR CANADA	7,652	18	—	34,892	—	2,955	1,986	276	—	—	—	—	—	—	—	314,152	354,261
AIR NEW ZEALAND LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
AIR PACIFIC, LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
AIRASIA X BERHAD	—	5,501	—	—	—	—	—	—	—	—	—	—	—	—	—	15,694	15,694
ALASKA AIRLINES, INC.	806,628	—	—	3,678,222	—	1,546,327	1,043,164	242,453	—	—	—	—	—	—	—	1,139,389	7,649,555
ALL NIPPON AIRWAYS CO., LTD.	26,435	64	4,272	120,544	—	—	5,983	4,975	—	—	—	—	—	29,989	—	1,577,715	1,739,206
AMERICAN AIRLINES, INC.	1,141,949	4,386	—	5,207,290	—	1,784,627	1,112,408	420,957	—	—	—	—	—	—	—	1,889,688	10,414,970
ATLAS AIR INC.	172,574	481	—	786,937	—	—	—	—	—	—	—	—	—	—	—	—	786,937
ASIANA AIRLINES, INC.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	348,765	348,765
CHINA AIRLINES, LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(28,731)	(28,731)
CONTINENTAL AIRLINES, INC.	10,088	67	—	46,002	—	16,134	19,718	—	—	—	—	—	—	—	—	618,563	700,417
DELTA AIR LINES, INC.	916,029	3,788	37	4,176,630	—	1,313,243	751,113	341,293	—	—	—	—	—	260	—	3,398,646	9,981,185
FEDERAL EXPRESS CORPORATION	962,664	1,811	—	4,389,747	—	—	—	—	—	—	—	—	—	—	—	39,327	4,429,074
HAWAIIAN AIRLINES, INC.	5,039,444	35,840	12,327	15,581,121	—	15,732	1,414,503	—	—	5,015,849	2,200,135	—	—	86,536	—	11,102,234	35,416,110
JAPAN AIRLINES INTERNATIONAL CO., LTD.	31,470	88	4,663	143,503	—	—	6,756	5,617	—	—	—	—	—	32,734	—	1,634,630	1,823,240
JETSTAR AIRWAYS PTY LIMITED	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
JIN AIR CO., LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	41,515	41,515
KALITTA AIR, L.L.C.	357,164	549	—	1,583,026	—	—	—	—	—	—	—	—	—	—	—	—	1,583,026
KOREAN AIRLINES COMPANY, LTD.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	386,510	386,510
MOKULELE FLIGHT SERVICE, INC.	172,321	23,994	—	384,275	—	—	—	—	—	—	—	—	—	—	—	47,884	432,159
NORTHERN AIR CARGO, LLC	12,062	37	—	55,003	—	—	—	—	—	—	—	—	—	—	—	—	55,003
PHILIPPINE AIRLINES, INC.	11,124	27	4,262	50,726	—	—	5,383	4,476	—	—	—	—	—	29,919	—	174,998	265,502
POLAR AIR CARGO, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
QANTAS AIRWAYS LIMITED	178,946	248	94	820,020	—	—	176	147	—	—	—	—	—	660	—	634,912	1,455,915
SOUTHWEST AIRLINES CO.	2,219,811	14,554	—	5,970,757	—	2,146,798	670,749	466,600	—	—	477,732	—	—	—	—	1,922,797	11,655,433
SUN COUNTRY, INC.	9,217	60	—	40,028	—	31,001	12,270	10,202	—	—	—	—	—	—	—	61,608	155,109
UNITED AIRLINES, INC.	1,834,612	6,352	44,437	8,597,692	—	2,549,056	1,509,514	630,955	—	—	—	—	—	275,685	—	6,762,187	20,325,089
UNITED PARCEL SERVICE CO.	1,142,945	2,284	—	4,442,132	—	—	—	—	—	—	—	—	—	—	—	47,333	4,489,465
WESTJET	16,177	71	—	73,766	—	11,234	9,608	1,357	—	—	—	—	—	—	—	176,979	272,944
Total Signatory Airlines	15,959,840	107,281	70,092	58,409,019	—	9,417,107	6,563,331	2,129,308	—	5,015,849	2,677,867	—	—	455,783	—	32,424,186	117,092,450
Nonsignatory airlines	1,514,126	207	290	4,125,582		1,993	640	682	—	—	—	—	—	2,546		915,962	5,047,405
Total airports system charges billed	17,473,966	107,488	70,382	62,534,601	—	9,419,100	6,563,971	2,129,990	—	5,015,849	2,677,867	—	—	458,329	—	33,340,148	122,139,855
Signatory airlines requirements				59,326,397	—	16,920,072	10,385,365	6,038,933	—	9,116,497	4,800,761	—	—	18,443,999	—	27,913,248	152,945,272
Nonsignatory airlines requirements				4,125,582	—	1,993	640	682	—	—	—	—	—	2,546	—	915,962	5,047,405
Fiscal year 2021 overpayment (underpayment)				$ (917,378)	—	(7,502,965)	(3,822,034)	(3,909,625)	—	(4,100,648)	(2,122,894)	—	—	(17,988,216)	—	4,510,938	(35,852,822)

Note: Certain other aeronatical rentals revenue are not included in the airports system rates and charges under the Airport Airline Lease Agreement. Those aeronautical rentals revenue for the year ended June 30, 2021 were as follows:

Signatory airlines	$ 16,514,181
Nonsignatory airlines	19,001,341
	$ 35,515,522

See accompanying independent auditors' report.

(Continued)

Schedule 6

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Summary of Billed Airport Landing Fees

Year ended June 30, 2021

	Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	$ 58,409,019	4,125,582	62,534,601
Less aviation fuel tax credit	(1,583,182)	(133,452)	(1,716,634)
Net airport landing fees billed	$ 56,825,837	3,992,130	60,817,967

See accompanying independent auditors' report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Approved Maximum Revenue Landing Weights and Airport Landing Fees – Signatory Airlines

Year ended June 30, 2021

	Approved Maximum Revenue Landing Weights (1,000-pount units)				Daniel K. Inouye International and Hilo International Airport					All Other Airports			
					Gross Airport Landing Fees								Total
	Daniel K. Inouye International Airport	Hilo International Airport	All Other Airports	Total	Daniel K. Inouye International Airport	Hilo International Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Gross Airport Landing Fees	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Adjusted Airport Landing Fees
Aeko Kula, Inc.	406,822	111,519	372,187	890,528	$ 1,148,042	248,687	1,396,729	—	1,396,729	829,977	—	829,977	2,226,706
Air Canada	2,126	—	5,526	7,652	9,692	—	9,692	—	9,692	25,200	—	25,200	34,892
Air New Zealand, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Air Pacific, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Airasia x Berhad	—	—	—	—	—	—	—	—	—	—	—	—	—
Alaska Airlines, Inc.	259,039	—	547,589	806,628	1,181,216	—	1,181,216	(160,399)	1,020,817	2,497,007	—	2,497,007	3,517,824
All Nippon Airways Co., Ltd.	26,435	—	—	26,435	120,544	—	120,544	—	120,544	—	—	—	120,544
American Airlines, Inc.	588,366	—	553,583	1,141,949	2,682,948	—	2,682,948	(125,152)	2,557,796	2,524,342	—	2,524,342	5,082,138
Atlas Air Inc.	114,630	—	57,944	172,574	522,713	—	522,713	—	522,713	264,225	—	264,225	786,938
Asiana Airlines, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
China Airlines, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Continental Airlines, Inc.	—	10,088	—	10,088	—	46,002	46,002	—	46,002	—	—	—	46,002
Delta Air Lines, Inc.	543,705	—	372,324	916,029	2,478,836	—	2,478,836	(97,488)	2,381,348	1,697,795	—	1,697,795	4,079,143
Federal Express Corporation	962,664	—	—	962,664	4,389,747	—	4,389,747	—	4,389,747	—	—	—	4,389,747
Hawaiian Airlines, Inc.	2,945,514	308,229	1,785,701	5,039,444	9,925,144	687,351	10,612,495	(898,914)	9,713,581	4,968,627	—	4,968,627	14,682,208
Japan Airlines International Co., Ltd.	31,470	—	—	31,470	143,503	—	143,503	—	143,503	—	—	—	143,503
Jetstar Airways Pty Limited	—	—	—	—	—	—	—	—	—	—	—	—	—
Jin Air Co., Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Kalitta Air, LLC	337,575	—	19,589	357,164	1,539,342	—	1,539,342	—	1,539,342	43,683	—	43,683	1,583,025
Korean Airlines Company, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Mokulele Flight Services, Inc.	40,562	2,304	129,455	172,321	90,453	5,137	95,590	(7,061)	88,529	288,685	—	288,685	377,214
Northern Air Cargo, LLC	12,062	—	—	12,062	55,003	—	55,003	—	55,003	—	—	—	55,003
Philippine Airlines, Inc.	11,124	—	—	11,124	50,725	—	50,725	—	50,725	—	—	—	50,725
Polar Air Cargo, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Qantas Airways, Ltd.	178,946	—	—	178,946	690,224	(22,644)	667,580	—	667,580	152,440	—	152,440	820,020
Southwest Airlines, Co.	1,065,774	178,467	975,570	2,219,811	3,027,254	393,330	3,420,584	(77,569)	3,343,015	2,550,173	—	2,550,173	5,893,188
Sun Country Inc.	9,217	—	—	9,217	41,717	—	41,717	(60)	41,657	(1,690)	—	(1,690)	39,967
United Airlines, Inc.	1,137,330	—	697,282	1,834,612	5,186,225	—	5,186,225	(214,573)	4,971,652	3,411,466	—	3,411,466	8,383,118
United Parcel Service Co.	839,175	—	303,770	1,142,945	3,562,664	—	3,562,664	(568)	3,562,096	879,468	(1,398)	878,070	4,440,166
WestJet	4,452	—	11,725	16,177	20,300	—	20,300	—	20,300	53,466	—	53,466	73,766
Total	9,516,988	610,607	5,832,245	15,959,840	$ 36,866,292	1,357,863	38,224,155	(1,581,784)	36,642,371	20,184,864	(1,398)	20,183,466	56,825,837

Summary of revenue landing weights:	
Overseas	9,813,293
Interisland	6,146,547
	15,959,840

Aviation fuel tax credits of $1,641,902 was paid by the users for the year ended June 30, 2021. Users can claim a credit for aviation fuel taxes paid up to six months after payment.
Aviation fuel tax of $1,716,634 was credited against airport landing fees in accordance with Article V.E. of the Airport Airline Lease agreement as follows:

Signatory airlines	$ 1,583,182
Nonsignatory airlines	133,452
	$ 1,716,634

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2021.

See accompanying independent auditors' report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Approved Maximum Revenue Landing Weights and Airport Landing Fees – Nonsignatory Airlines

Year ended June 30, 2021

	Approved Maximum Revenue Landing Weights (1,000-pount units)				Daniel K. Inouye International and Hilo International Airport					All Other Airports			
					Gross Airport Landing Fees								
	Daniel K. Inouye International Airport	Hilo International Airport	All Other Airports	Total	Daniel K. Inouye International Airport	Hilo International Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Gross Airport Landing Fees	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Total Adjusted Airport Landing Fees
808 Airmen LLC	—	—	—	—	$ —	—	—	—	—	—	—	—	—
Aero Micronesia, Inc.	126,210	—	—	126,210	713,286	—	713,286	—	713,286	—	—	—	713,286
Air Service Hawaii, Inc.	44,675	314	87,587	132,576	95,456	336	95,792	(73,140)	22,652	176,925	—	176,925	199,577
Air Japan Co, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Air Transport International LLC	37,545	—	—	37,545	214,007	—	214,007	(48,432)	165,575	—	—	—	165,575
Air Ventures Hawaii, LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Airasia x Berhad	—	—	—	—	—	—	—	—	—	—	—	—	—
Alexair, Inc.	—	—	5,832	5,832	—	—	—	—	—	6,530	—	6,530	6,530
Aloha Helicopter Tours LLC	—	—	1,031	1,031	—	—	—	—	—	876	—	876	876
Alika Aviation, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Aris, Inc.	—	—	9,542	9,542	—	—	—	—	—	8,111	(870)	7,241	7,241
Atlas Air Inc.	261,277	—	57,256	318,533	1,489,279	—	1,489,279	—	1,489,279	326,359	—	326,359	1,815,638
Big Island Air, Inc.	7	4	213	224	6	4	10	—	10	180	—	180	190
Bradley Pacific Aviation, Inc.	34,217	1,310	120,085	155,612	68,996	2,494	71,490	—	71,490	244,583	—	244,583	316,073
Castle & Cooke Homes Hawaii, Inc.	15,610	—	79	15,689	33,021	—	33,021	—	33,021	67	—	67	33,088
Corporate Air	13,923	34	14,127	28,084	38,845	95	38,940	—	38,940	39,414	—	39,414	78,354
Delta Air Lines, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Fly Kauai	—	—	—	—	—	—	—	—	—	—	—	—	—
George's Aviation Services, Inc.	1,183	—	126	1,309	1,006	—	1,006	(746)	260	107	—	107	367
Hawaii Air Ambulance, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Hawaii Helicopters, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Hawaii Pacific Aviation, Inc.	1,814	—	3,344	5,158	1,875	—	1,875	(291)	1,584	3,973	(150)	3,823	5,407
Hawaii Wilderness Adventurs LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
Helicopter Consultants Of Maui, Inc.	4,878	2,924	23,091	30,893	4,147	2,486	6,633	—	6,633	19,627	(3,460)	16,167	22,800
Honolulu Soaring Club, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
International Life Support, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Island Helicopters, Inc.	—	—	3,745	3,745	—	—	—	—	—	3,183	(313)	2,870	2,870
Jack Harter Helicopters, Inc.	—	—	4,098	4,098	—	—	—	—	—	3,483	(338)	3,145	3,145
Jetstar Airways Pty Limited	—	—	—	—	—	—	—	—	—	—	—	—	—
K&S Helicopters, Inc.	—	3,565	6,855	10,420	—	3,030	3,030	—	3,030	5,827	(1,068)	4,759	7,789
Kamaka Air, Inc.	21,555	279	35,892	57,726	18,322	237	18,559	—	18,559	30,508	—	30,508	49,067
Lani Lea Sky Tours LLC	10	—	—	10	14	—	14	—	14	—	—	—	14
Makani Kai Helicopters, Ltd.	3,489	—	765	4,254	2,965	—	2,965	(7)	2,958	650	—	650	3,608
Manuiwa Airways, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Maui IslandAir, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Miami Air International	720	—	—	720	—	—	—	—	—	—	—	—	—
Miscellaneous	5,621	—	—	5,621	18,945	—	18,945	—	18,945	—	—	—	18,945
MN Airlines LLC	—	—	—	—	—	—	—	—	—	—	—	—	—
National Airlines - NPB	(3,330)	—	—	(3,330)	(16,417)	—	(16,417)	—	(16,417)	—	—	—	(16,417)
Niihau Helicopters, Inc.	—	—	332	332	—	—	—	—	—	277	—	277	277
Novictor Aviation, LLC	7,202	—	—	7,202	6,121	—	6,121	—	6,121	—	—	—	6,121
Omni Air International, Inc.	13,080	—	—	13,080	70,453	—	70,453	—	70,453	—	—	—	70,453
Pacific Air Charters, Incorporated	141	—	578	719	114	—	114	(26)	88	471	—	471	559
Pacific Helicopter Tours, Inc.	108	—	199	307	92	—	92	—	92	210	(35)	175	267
Paragon Air Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Pofolk Aviation Hawaii, Inc.	—	—	9,723	9,723	—	—	—	—	—	8,265	—	8,265	8,265
Resort Air, LLC	359	—	545	904	305	—	305	(62)	243	452	(54)	398	641
Ryan International Airlines	—	—	—	—	—	—	—	—	—	—	—	—	—
Safari Aviation, Inc.	—	456	353	809	—	742	742	—	742	1,383	—	1,383	2,125
Scoot-Tigerair PTE, Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—
Sky-med, Inc.	—	—	19,890	19,890	—	—	—	—	—	16,907	—	16,907	16,907
Skyview Soaring Lcc	—	—	—	—	—	—	—	—	—	—	—	—	—
Smoky Mountain Helicopters, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Southern Air	—	—	—	—	—	—	—	—	—	—	—	—	—

Schedule 8

DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)

Approved Maximum Revenue Landing Weights and Airport Landing Fees – Nonsignatory Airlines

Year ended June 30, 2021

	Approved Maximum Revenue Landing Weights (1,000-pount units)				Daniel K. Inouye International and Hilo International Airport					All Other Airports			
					Gross Airport Landing Fees								
	Daniel K. Inouye International Airport	Hilo International Airport	All Other Airports	Total	Daniel K. Inouye International Airport	Hilo International Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Gross Airport Landing Fees	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Total Adjusted Airport Landing Fees
Will Squyres Hilicopers Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Sunshine Helicopters, Inc.	—	18	4,329	4,347	—	16	16	—	16	3,679	(418)	3,261	3,277
Trans Executive Airlines Of Hawaii, Inc.	90,522	110,750	226,124	427,396	76,943	94,138	171,081	(4,042)	167,039	192,206	—	192,206	359,245
Universal Enterprise, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—
Western Global Airlines	33,632	—	37,908	71,540	28,587	—	28,587	—	28,587	32,222	—	32,222	60,809
Wings Over Kauai LLC	—	—	1,436	1,436	—	—	—	—	—	1,003	—	1,003	1,003
World Airways	—	—	—	—	—	—	—	—	—	—	—	—	—
Zipair Tokyo, Inc.	4,940	—	—	4,940	28,158	—	28,158	—	28,158	—	—	—	28,158
Total	719,388	119,654	675,085	1,514,127	$ 2,894,526	103,578	2,998,104	(126,746)	2,871,358	1,127,478	(6,706)	1,120,772	3,992,130

Summary of revenue landing weights:	
Overseas	737,527
Interisland	776,598
	1,514,125

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2021.

See accompanying independent auditors' report.

APPENDIX C

General Economic Information About the State of Hawaii

General

The following material pertaining to economic factors in the State of Hawaii (the "*State*" or "*Hawaii*") has been excerpted from the State of Hawaii State Department of Business, Economic Development and Tourism ("*DBEDT*") Fourth Quarter 2021 Quarterly Statistical and Economic Report ("*QSER*") or from other materials prepared by DBEDT, some of which may be found at http://dbedt.hawaii.gov/. Unless otherwise stated, the following information is historical, estimated figures are used only when the definitive figures are unavailable. Unless otherwise specifically stated, all references to years and quarters in the following information are for calendar years and calendar quarters, respectively. The text refers to certain enumerated tables found under "**CERTAIN ECONOMIC INFORMATION**." The following descriptions of certain components of the State's economy are primarily related to the visitor industry, and DBEDT's outlook for the economy are below under "**State of the Economy**" as well as brief descriptions in the "**Outlook for the Economy**" and "**Tourism**" sections below explaining the impact of these components on the State's fiscal position.

State of the Economy

Hawaii's major economic indicators were mainly positive in the third quarter of 2021. Visitor arrivals, wage and salary jobs, State general fund tax revenues, private building authorizations, and Government contracts awarded all increased in the quarter compared to the third quarter of 2020.

In the third quarter of 2021, the total number of visitors arriving by air to Hawaii increased 2,043,467 or 3,176.1 percent. The daily visitor census increased 930.6 percent in the quarter.

In the third quarter of 2021, jobs in the construction sector increased 3.6 percent or 1,300 jobs compared with the same quarter of 2020. The government contracts awarded totaled $783.0 million, an increase of $516.5 million in the third quarter of 2021. In September 2021, one of the contracts awarded by the U.S. Navy designated 40 percent of the 'place of performance' as Hawaii and the remainder as Washington (state). In the third quarter of 2021, the permit value for private construction increased $94.2 million or 11.2 percent compared with the same quarter of 2020. According to the most recent excise tax base data available, current construction put-in-place increased $400.1 million or 17.8 percent in the second quarter of 2021, compared with the same quarter of the previous year.

In the third quarter of 2021, State general fund tax revenues were up $358.3 million or 20.0 percent over the same period of 2020. The state general excise tax revenue increased $300.3 million or 43.1 percent, net corporate income tax revenues changed from $43.7 million in the third quarter of 2020 to $66.2 million, and the transient accommodations tax (TAT) increased $181.5 million or 1,300.3 percent. Only the net individual income tax revenues decreased $106.5 million or 11.6 percent. In the first three quarters of 2021, State general fund tax revenues increased $1,193.5 million or 24.1 percent compared to the same period of the previous year.

Labor market conditions were all positive. In the second quarter of 2021, Hawaii's non-agricultural wage and salary jobs averaged 573,600 jobs, an increase of 57,400 jobs or 11.1 percent from the same quarter of 2020.

In this quarter, the private sector added about 59,900 non-agricultural jobs compared to the second quarter of 2020. Almost all private sectors added jobs in the quarter. Jobs increased the most in

Accommodation, which added 22,400 jobs or 217.5 percent; followed by Food Services and Drinking Places, which added 14,600 jobs or 36.0 percent, Professional & Business Services, which added 7,800 jobs or 12.5 percent, Transportation, Warehousing & Utilities, which added 4,600 jobs or 19.6 percent, and Arts, Entertainment & Recreation, which added 2,300 jobs or 37.7 percent in the quarter. The Government sector lost 2,500 jobs or 2.1 percent in the third quarter of 2021 compared to the same quarter of 2020. The Federal Government lost 1,800 jobs or 5.1 percent, the State Government lost 300 jobs or 0.5 percent, and the Local Government lost 400 jobs or 2.1 percent, compared to the third quarter of 2020.

In the second quarter of 2021, total annualized nominal GDP increased $12,493 million or 16.2 percent, from the second quarter of 2020. In the first half of 2021, total annualized nominal GDP increased $6,562 million or 8.0 percent from the same period of the previous year. In the second quarter of 2021, total annualized real GDP (in chained 2012 dollars) increased $8,318 million or 12.6 percent from the second quarter of 2020. In the first half of 2021, total annualized real GDP increased $3,683 million or 5.3 percent from the same period of the previous year.

Turning to personal income, in the second quarter of 2021, total non-farm private sector annualized earnings increased $5,281.8 million or 15.1 percent from the second quarter of 2020. In dollar terms, the largest increase occurred in accommodation and food services; followed by retail trade, administration and waste management services, health care and social assistance, and finance and insurance. During the second quarter of 2021, total government earnings increased $393.8 million or 2.4 percent from the same quarter of 2020. Earnings from the federal government decreased $48.8 million or 0.6 percent. Earnings from the state and local governments increased $442.6 million or 6.0 percent in the quarter.

In the first half of 2021, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 2.6 percent from the same period in 2020. This is 0.8 of a percentage point below the 3.4 percent increase for the U.S. average CPI-U but is higher than the first half of 2020 Honolulu CPI-U increase of 1.6 percent from the same period of the previous year. In the first half of 2021, the Honolulu CPI-U increased the most in Transportation (7.2 percent), followed by Other Goods and Services (4.8 percent), Food and Beverages (4.1 percent), Education and Communication (3.6 percent), and Housing (1.8 percent). The price of Apparel decreased 5.5 percent; and the price of Recreation decreased 0.4 percent compared to the first half of 2020.

Outlook for the Economy

Hawaii's economy has been greatly impacted by the COVID-19 pandemic. During the April 2020-September 2021 period, the average unemployment rate (not seasonally adjusted) was 11.4 percent. Hawaii lost 86,700 non-agriculture payroll jobs between the first quarter of 2020 and the third quarter of 2021. All industry sectors lost jobs except for construction jobs. The accommodation and food services & drinking places accounted for 28.8 percent of the total job losses, with a decline of 25,000 jobs. Overall, statewide non-agriculture payroll jobs decreased by 13.1 percent during the April 2020-September 2021 period.

Hawaii's unemployment rate increased from 2.0 percent in the first quarter of 2020 to 19.4 percent in the second quarter of 2020. After this peak, the rate declined to 14.5 percent in the third quarter of 2020, 11.2 percent in the fourth quarter of 2020, 9.1 percent in the first quarter of 2021, 7.8 percent in the second quarter of 2021, and then 6.6 percent in the third quarter of 2021.

Visitor arrivals to the State during the third quarter of 2021 totaled 2,107,806, an increase of 3,176.1 percent from the same quarter in 2020. The average daily visitor census increased 930.6 percent in the third quarter of 2021.

The value of private building permits showed an increase of 11.2 percent or $94.2 million during the third quarter of 2021. The largest increase occurred in the residential category, which was up by

$236.0 million or 79.4 percent. The value of commercial & industrial building permits declined by 0.4 percent, and the value for additions & alterations permits decreased by 34.0 percent during the same period. In the third quarter of 2021, government contracts awarded increased $516.5 million or 193.8 percent, and the state government spending on capital investment projects (CIP) increased by 21.8 percent or $56.8 million.

At the national level, U.S. real GDP growth fell to a negative 9.1 percent in the second quarter of 2020, following a 0.6 percent increase in the first quarter. Growth then began to gradually improve with negative 2.9 percent growth in the third quarter, negative 2.3 percent in the fourth quarter, 0.5 percent growth in the first quarter of 2021, 12.2 percent in the second quarter of 2021, and 4.9 percent in the third quarter of 2021 as compared to the same quarter in previous year. The Blue Chip Economic Indicators report from November 10, 2021, which is the consensus of 50 economic forecasting organizations, projected that the U.S. economic growth rate for 2021 will increase by 5.5 percent. The report projected a positive 4.0 percent U.S. economic growth for 2022. The Blue Chip forecasts for foreign countries were all positive for 2021. Based on the above, DBEDT projects that Hawaii's real gross domestic product (GDP), will increase by 3.9 percent in 2021, 3.0 percent in 2022, 2.3 percent in 2023, and 2.0 percent in 2024.

Hawaii will welcome 6.84 million visitors in 2021, an increase of 152.6 percent from the 2020 level. Visitor arrivals will increase to 8.86 million in 2022, 9.53 million in 2023, and 10.00 million in 2024. Visitor spending will increase 145.8 percent in 2021, then will increase 24.6 percent in 2022, 8.3 percent in 2023, and 5.2 percent in 2024.

Non-agriculture payroll jobs will increase 2.1 percent in 2021, then will increase by 6.1 percent in 2022, 3.3 percent in 2023, and 2.4 percent in 2024.

Overall for 2021, the average annual unemployment rate is forecast to be 7.5 percent, then decrease to 6.0 percent in 2022, 5.2 percent in 2023, and 4.5 percent in 2024. These rates are much higher than Hawaii's average unemployment rate of 2.5 percent from 2017 to 2019.

Nominal personal income is forecast to increase by 2.7 percent in 2021 and decrease 1.9 percent in 2022. It is then expected to increase 3.5 percent in 2023 and 3.2 percent in 2024.

Hawaii's consumer inflation rate, as measured by the Honolulu Consumer Price Index for All Urban Consumers, is expected to increase 4.1 percent in 2021, increase 2.9 percent in 2022, increase 2.3 percent in 2023, and increase 2.1 percent in 2024.

Hawaii's population is expected to increase 0.1 percent in 2021, increase 0.2 percent in 2022, increase 0.3 percent in 2023, and increase 0.2 percent in 2024.

Table 1
SELECTED ECONOMIC ACTIVITIES: STATE

SERIES	3rd QUARTER 2020	3rd QUARTER 2021	3rd QUARTER % CHANGE YEAR AGO	YEAR-TO-DATE 2020	YEAR-TO-DATE 2021	YEAR-TO-DATE % CHANGE YEAR AGO
Civilian labor force, NSA (persons) 1/	632,550	647,350	2.3	648,050	650,000	0.3
Civilian employed, NSA	540,650	604,550	11.8	571,800	599,250	4.8
Civilian unemployed, NSA	91,850	42,850	-53.3	76,250	50,750	-33.4
Unemployment rate, NSA (%) 1/ 2/	14.5	6.6	-7.9	12.0	7.8	-4.2
Total wage and salary jobs, NSA	520,200	578,600	11.2	568,300	568,300	0.0
Total non-agric. wage & salary jobs	516,200	573,600	11.1	564,000	563,300	-0.1
Nat. Resources, Mining, Constr.	36,100	37,400	3.6	36,200	37,100	2.5
Manufacturing	11,400	11,600	1.8	12,100	11,400	-5.8
Wholesale Trade	15,700	17,600	12.1	16,600	17,200	3.6
Retail Trade	57,400	59,000	2.8	61,100	59,000	-3.4
Transp., Warehousing, Util.	23,500	28,100	19.6	28,000	27,000	-3.6
Information	6,500	6,600	1.5	7,300	6,600	-9.6
Financial Activities	26,300	27,500	4.6	27,600	27,200	-1.4
Professional & Business Services	62,200	70,000	12.5	66,700	68,800	3.1
Educational Services	10,900	12,000	10.1	12,100	11,900	-1.7
Health Care & Social Assistance	69,700	69,700	0.0	70,400	69,900	-0.7
Arts, Entertainment & Recreation	6,100	8,400	37.7	8,700	8,000	-8.0
Accommodation	10,300	32,700	217.5	23,700	27,300	15.2
Food Services & Drinking Places	40,600	55,200	36.0	48,600	52,600	8.2
Other Services	22,100	22,900	3.6	24,000	22,300	-7.1
Government	117,400	114,900	-2.1	120,900	117,300	-3.0
Federal	35,600	33,800	-5.1	35,100	33,800	-3.7
State	62,900	62,600	-0.5	67,100	64,900	-3.3
Local	18,900	18,500	-2.1	18,700	18,600	-0.5
Agriculture wage and salary jobs	4,000	5,000	25.0	4,300	5,000	16.3
State general fund revenues ($1,000)	1,793,371	2,151,654	20.0	4,960,656	6,154,111	24.1
General excise and use tax revenues	696,048	996,301	43.1	2,344,694	2,686,361	14.6
Income-individual	915,885	809,379	-11.6	2,004,122	2,655,683	32.5
Declaration estimated taxes	361,432	256,616	-29.0	707,974	1,064,246	50.3
Payment with returns	136,353	52,915	-61.2	250,279	358,673	43.3
Withholding tax on wages	522,049	576,756	10.5	1,572,639	1,691,685	7.6
Refunds ('-' indicates relative to State)	-103,948	-76,909	-26.0	-526,769	-458,921	-12.9
Transient accommodations tax	13,958	195,456	1,300.3	258,572	373,347	44.4
Honolulu County Surcharge 3/	74,073	97,694	31.9	239,711	266,490	11.2
Private Building Permits ($1,000)	843,222	937,445	11.2	2,321,145	3,085,953	32.9
Residential	297,120	533,168	79.4	836,357	1,656,562	98.1
Commercial & industrial	129,851	129,387	-0.4	384,074	348,135	-9.4
Additions & alterations	416,250	274,890	-34.0	1,100,714	1,081,256	-1.8
Visitor Days - by air	1,883,155	19,407,169	930.6	22,072,971	46,838,290	112.2
Domestic visitor days - by air	1,839,551	19,104,200	938.5	17,078,777	46,200,357	170.5
International visitor days - by air	43,604	302,968	594.8	4,994,194	637,933	-87.2
Visitor arrivals by air - by air	64,339	2,107,806	3,176.1	2,181,028	4,859,655	122.8
Domestic flight visitors - by air	61,456	2,088,004	3,297.5	1,576,382	4,823,608	206.0
International flight visitors - by air	2,883	19,802	586.9	604,646	36,047	-94.0
Visitor expend. - arrivals by air ($1,000)	-	4,006,215	(X)	(NA)	9,033,636	(NA)
Hotel occupancy rates (%) 2/	21.7	70.3	48.6	43.7	55.9	12.2

NA Not available. X Division by zero not meaningful.

1/ Labor force and jobs are Hawaii DLIR-DBEDT monthly and annual data. Quarterly averages computed by the Hawaii DBEDT.

2/ Change represents absolute change in rates rather than percentage change in rates.

3/ 0.5% added to the general excise tax to pay for O'ahu's mass transit system and took effect January 1, 2007.
Includes taxpayers who have business activities on Oahu but whose businesses are located outside Oahu.

Source: Hawaii State Department of Business, Economic Development, & Tourism <http://www.hawaii.gov/dbedt/inf>, Hawaii State Department of Labor & Industrial Relations <http://www.hiwi.org/cgi/dataanalysis/?PAGEID=94>; Hawaii State Department of Taxation <http://www.hawaii.gov/tax/a5_3txcolrpt.htm> and Hospitality Advisors, LLC. 11/16/2021

Table 2
ACTUAL AND FORECAST KEY ECONOMIC INDICATORS FOR HAWAII
2019 TO 2024

Economic Indicators	2019	2020	2021	2022	2023	2024
	Actual		Forecast			
Total population (thousands) 1/	(NA)	1,455	1,456	1,459	1,463	1,467
Visitor arrivals (thousands) 2/	10,387	2,708	6,840	8,861	9,531	9,996
Visitor days (thousands) 2/	90,361	28,660	65,012	79,463	84,808	87,908
Visitor expenditures (million dollars) 2/	17,844	5,162	12,686	15,812	17,118	18,008
Honolulu CPI-U (1982-84=100)	281.6	286.0	297.7	306.4	313.5	320.0
Personal income (million dollars)	78,516	82,527	84,756	83,142	86,052	88,805
Real personal income (millions of 2012$) 3/	61,855	63,833	63,889	61,852	62,799	63,777
Non-agricultural wage & salary jobs (thousands)	658.5	557.1	569.0	603.6	623.6	638.6
Civilian unemployment rate	2.5	11.6	7.5	6.0	5.2	4.5
Gross domestic product (million dollars)	91,781	82,885	88,655	93,335	97,559	101,266
Real gross domestic product (millions of 2012$)	79,175	70,625	73,388	75,615	77,318	78,885
Gross domestic product deflator (2012=100)	115.9	117.4	120.8	123.3	126.0	128.1
Annual Percentage Change						
Total population	(NA)	(NA)	0.1	0.2	0.3	0.2
Visitor arrivals	5.0	-73.9	152.6	29.5	7.6	4.9
Visitor days	2.4	-68.3	126.8	22.2	6.7	3.7
Visitor expenditures	1.1	-71.1	145.8	24.6	8.3	5.2
Honolulu CPI-U	1.6	1.6	4.1	2.9	2.3	2.1
Personal income	3.1	5.1	2.7	-1.9	3.5	3.2
Real personal income	0.7	3.2	0.1	-3.2	1.5	1.6
Non-agricultural wage & salary jobs	0.0	-15.4	2.1	6.1	3.3	2.4
Civilian unemployment rate 4/	0.1	9.1	-4.1	-1.5	-0.8	-0.6
Gross domestic product	1.7	-9.7	7.0	5.3	4.5	3.8
Real gross domestic product	-0.9	-10.8	3.9	3.0	2.3	2.0
Gross domestic product deflator (2012=100)	2.5	1.2	2.9	2.1	2.2	1.7

NA Not available or not applicable.
1/ April 1 count.
2/ Visitors who came to Hawaii by air and by cruise ship. Expenditures includes supplementary business expenditures.
3/ Using personal income deflator developed by the U.S. Bureau of Economic Analysis and estimated by DBEDT.
4/ Absolute change from previous year.
Source: Hawaii State Department of Business, Economic Development & Tourism, November 30, 2021.

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Tourism

Domestic visitor arrivals and international visitor arrivals both increased in the third quarter of 2021.

The total number of visitor arrivals by air increased 2,043,467 or 3,176.1 percent in the third quarter of 2021, compared to the same quarter of 2020. The total average daily census was up 190,478 or 930.6 percent in the quarter. In the first three quarters of 2021, total visitor arrivals by air increased 2678,627 or 122.8 percent, while the average daily census increased 91,011 or 113.0 percent from the same period of the previous year.

In the third quarter of 2021, total visitor arrivals on domestic flights increased 2,026,548 or 3,297.5 percent compared to the same quarter of 2020. In the first three quarters of 2021, domestic arrivals were up 3,247,226 or 206.0 percent from the same period of the previous year.

Arrivals on international flights increased 16,919 or 586.9 percent in the third quarter of 2021 compared to the third quarter of 2020. In the first three quarters of 2021, international arrivals decreased 568,599 or 94.0 percent from the same period of the previous year.

In terms of major market areas, from the third quarter of 2020 to the same period of 2021, arrivals from the U.S. West increased 1,350,332 or 3,734.5 percent, arrivals from the U.S. East increased 620,300 or 2,916.1 percent, and arrivals from Japan increased 7,119 or 1,504.5 percent. In the first three quarters of 2021, arrivals from the U.S. West were up 2,284,391 or 236.0 percent; arrivals from the U.S. East were up 904,774 or 166.1 percent; and Japanese arrivals were down 271,762 or 94.8 percent from the same period of the previous year.

The total average daily visitor census was up 930.6 percent or 190,478 visitors per day in the third quarter of 2021, over the same quarter of 2020. The domestic average daily census increased 938.5 percent or 187,659 visitors per day, while the international average daily census increased 594.8 percent or 2,819 visitors per day. In the first three quarters of 2021, the domestic average daily census increased 106,901 or 171.5 percent; and the international average daily census declined 15,890 or 87.2 percent from the same period of the previous year.

According to the most recent data available, nominal visitor expenditures by air totaled \$4,006.2 million in the third quarter of 2021, a decrease of \$427.2 million or 9.6 percent from the third quarter of 2019. In the first three quarters of 2021, visitor expenditures totaled \$4,006.2 million. Expenditure data for April 2020 through December 2020 are not available.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 560.4 percent or 2,790,313 seats in the third quarter of 2021, domestic seats increased 594.4 percent or 2,731,749 seats; international seats increased 152.6 percent or 58,564 seats, compared to the same quarter of 2020. In the first three quarters of 2021, the number of total available seats increased 88.2 percent or 3,576,538 seats from the same period of the previous year.

In the third quarter of 2021, the statewide hotel occupancy rate averaged 70.3 percent, 48.6 percentage points higher than the same quarter of 2020. In the first three quarters of 2021, the statewide hotel occupancy rate averaged 55.9 percent, 18.8 percentage points lower than the same period of the previous year.

Readers interested in visitor statistics on a monthly basis can find them on the DBEDT website at: http://dbedt.hawaii.gov/visitor/tourism/ and those interested in daily passenger arrival data may access them at: http://dbedt.hawaii.gov/visitor/daily-passenger-counts/.

Table 3
VISITOR ARRIVALS BY AIR
Average Length of Stay, Visitor Days, Average Daily Census

	2017	**2018**	**2019**	**2020**	**% Change 2017-2018**	**% Change 2018-2019**	**% Change 2019-2020**
Total Arrivals:							
Total	9,277,613	9,761,448	10,243,165	2,686,403	5.2%	4.9%	-73.8%
Domestic	6,239,748	6,736,736	7,253,806	2,062,642	8.0	7.7	-71.6
International	3,037,865	3,024,712	2,989,359	623,761	-0.4	-1.2	-79.1
Average Length of Stay:							
Total	9.0	9.0	8.8	10.6	-0.3	-2.6	21.1
Domestic	9.6	9.5	9.2	11.3	-1.5	-3.0	22.9
International	7.8	7.9	7.7	8.4	1.9	-2.3	8.2
Visitor Days:							
Total	83,608,118	87,724,599	89,692,422	28,482,219	4.9	2.2	-68.2
Domestic	59,959,536	63,732,896	66,535,081	23,253,382	6.3	4.4	-65.1
International	23,648,582	23,991,703	23,157,341	5,228,838	1.5	-3.5	-77.4
Average Daily Census:							
Total	229,063	240,341	245,733	78,033	4.9	2.2	-68.2
Domestic	164,273	174,611	182,288	63,708	6.3	4.4	-65.1
International	64,791	65,731	63,445	14,326	1.5	-3.5	-77.4

Source: Hawaii Tourism Authority

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Table 4
HOTEL OCCUPANCY RATE (%)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
In Percent					
1982	79.0	65.9	70.9	66.7	70.4
1983	75.2	68.1	71.7	66.5	69.7
1984	84.0	75.6	74.6	75.1	76.0
1985	88.1	69.1	75.0	72.5	76.1
1986	87.0	78.8	79.9	76.8	81.7
1987	88.0	77.1	82.1	77.8	81.1
1988	81.7	75.1	81.3	75.1	78.5
1989	85.9	73.9	81.0	75.7	79.0
1990	83.9	75.5	81.0	74.3	78.8
1991	68.2	70.7	79.7	72.5	72.4
1992	75.3	68.6	75.5	75.2	72.7
1993	75.3	67.9	73.8	72.5	72.0
1994	80.9	72.7	79.1	74.8	76.5
1995	79.5	70.3	79.2	75.1	75.8
1996	81.9	72.3	77.1	70.0	75.2
1997	79.5	70.8	75.5	69.9	73.9
1998	77.4	68.7	72.9	67.7	71.5
1999	77.0	67.7	75.0	68.7	72.1
2000	79.2	75.2	78.5	73.1	76.0
2001	80.7	70.7	70.3	57.2	69.2
2002	71.7	67.9	72.5	67.1	69.7
2003	74.4	67.1	77.4	71.3	72.6
2004	80.2	75.7	81.5	73.4	77.7
2005	83.8	78.4	84.8	77.2	81.1
2006	83.6	78.2	82.5	74.1	79.5
2007	77.5	72.0	78.6	72.0	75.0
2008	78.7	68.8	70.5	63.8	70.4
2009	66.7	63.7	67.3	63.5	64.8
2010	70.6	67.3	75.2	69.5	70.7
2011	76.6	68.6	76.1	71.9	73.2
2012	80.3	73.8	78.9	74.5	76.9
2013	82.0	74.2	77.8	72.3	76.5
2014	80.8	74.0	78.7	74.7	77.0
2015	80.0	77.7	79.4	77.8	78.7
2016	80.7	77.5	80.5	77.5	79.0
2017	81.4	79.4	81.4	78.6	80.2
2018	83.5	81.1	80.1	76.4	80.3
2019	80.5	80.3	82.8	79.6	80.8
2020 1/	70.4	14.7	21.7	21.9	37.1
2021 1/	32.4	63.1	70.3	Year-to-Date	55.9

The 2nd, 3rd, and 4th Quarter averages are computed by Hawaii State Department of Business, Economic Development & Tourism from PKF-Hawaii monthly averages through January 1995 and Hospitality Advisors LLC monthly averages from February 1995. The 1st quarter and Annual are as released or revised by source.

1/ Source revises each month of previous year when current year is released.

Source: Hawaii State Department of Business, Economic Development & Tourism, PKF-Hawaii and Hospitality Advisors LLC.

APPENDIX D

Certain Definitions in the Certificate

The following are definitions of certain terms used in this Official Statement, the Certificate and the Thirty-Fourth Supplemental Certificate. Reference is hereby made to the Certificate and the Thirty-Fourth Supplemental Certificate for a complete recital of the terms therein, some of which are set forth below.

"***Accountant***" means the independent Certified Public Accountant or a firm of independent Certified Public Accountants of recognized standing employed by the Department pursuant to the Certificate and selected with special reference to his general knowledge, skill and experience in auditing books and accounts.

"***Additional Bond***" means any additional Bond at any time outstanding issued under the Certificate on parity with the Bonds.

"***Airport Revenue Fund***" means the special fund of that name created in the treasury of the State by Section 248-8, Hawaii Revised Statutes, as amended.

"***Annual Adjusted Debt Service Requirement***" means, with respect to any period of 12 consecutive months, the Debt Service Requirement for such period net of (i) the amount of Available PFC Revenues deposited or irrevocably committed to be deposited, as the case may be, by the Director during such period into the Interest Account, the Serial Bond Principal Account and the Sinking Fund Account for the purposes of deposits into such accounts provided under the Certificate; and (ii) the amount of Federal Direct Payments deposited or irrevocably committed to be deposited, as the case may be, by the Director during such period into the Interest Account for the purpose of paying interest on any Bonds as provided in a Supplemental Certificate.

"***Available PFC Revenues***" means, with respect to all or a series of the Bonds, or any particular amount of any Bonds, as the case may be, and as of any particular date of computation and for any particular year, the amount of PFC Revenues transferred or irrevocably committed to be transferred, as the case may be, by the Director from the PFC Special Fund for deposit in such year into the Interest Account, the Serial Bond Principal Account and the Sinking Fund Account for the purposes of deposits into such accounts provided under the Certificate, pursuant to a Supplemental Certificate providing for the use of such PFC Revenues. Any Available PFC Revenues so deposited in the Interest Account, the Serial Bond Principal Account and the Sinking Fund Account pursuant to this paragraph shall be excluded from Revenues and shall solely be used to determine the Annual Adjusted Debt Service Requirement.

"***Aviation Fuel Taxes***" means the aviation fuel taxes levied and paid pursuant to Sections 243-4(a)(2) and 248-8, Hawaii Revised Statutes, as amended.

"***Bond***" or "***Bonds***" mean any Bond, some of the Bonds or all of the Bonds issued under and at any time outstanding pursuant to the Certificate, including without limitation Additional Bonds at any time outstanding and Certificate at any time outstanding.

"***Business Day***" shall mean a day: (i) other than a day on which banks located in Honolulu, Hawaii or the City of New York are required or authorized by law or executive order to be closed, (ii) other than a day on which the principal office of the Tender and Paying Agent is required or authorized by law or executive order to be closed, and (iii) on which the New York Stock Exchange is not closed.

“***Certificate***” means the Certificate as originally issued and, unless the context shall clearly indicate otherwise, as it may from time to time be supplemented, modified or amended by any Supplemental Certificate.

“***Code***” means the Internal Revenue Code of 1986, as amended.

“***Consulting Engineer***” means the individual engineer or firm of engineers appointed pursuant to the Certificate, who shall be an independent engineer or engineers, engineering firm or corporation, independent airport consultant or airport consulting firm and having a widely known reputation for skill and experience in the development, operation and management of airports of the approximate size and character as the airports constituting the Undertaking. The Consulting Engineer shall be available to advise the Department upon request, and make such investigations and determinations as may be necessary from time to time under the provisions of the Certificate.

“***Costs of operation, maintenance and repair***” means, for any period, all expenses of the Department incurred for the operation and maintenance of the Undertaking, as determined in accordance with generally accepted accounting principles. Costs of operation, maintenance and repair shall not include: (a) the principal of, premium, if any, or interest on any Bonds, Subordinate Bonds or general obligation bonds; (b) any allowance for amortization, depreciation or obsolescence; (c) any amount of pension and other post-retirement benefits expenses that exceed the amount that the Department deposits to the State funds for the proportional share related to the Undertaking; (d) any expenses payable from moneys other than Revenue and Aviation Fuel Taxes; (d) any extraordinary items arising from the early extinguishment of debt; (e) any capital account items; (f) any expenses related to Special Facilities, or (g) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties. Costs of operation, maintenance and repair shall include, among other expenses, the Department’s overhead expenses allocable to the management of the Undertaking, and the required payments to the State pursuant to the state regulations, such as deposit to the self-insurance fund, or state surcharge pursuant to Hawaii Revised Statutes 36-27 Transfers from special funds for central service expenses, or any similar or successor statute.

“***Debt Service Requirement***” means with respect to all the Bonds or the 1969 Bonds or a series of Additional Bonds, or any particular amount of any of such Bonds, as the case may be, the total as of any particular date of computation and for any particular year of (i) the amount required to be paid or credited during such year to the Interest Account created in the Airport Revenue Fund to provide for the payment of interest on such Bonds; (ii) the amount required to be paid or credited during such year to the Serial Bond Principal Account created in the Airport Revenue Fund to provide for the retirement of any of such Bonds issued in serial form; and (iii) the amount required to be paid or credited during such year to the Sinking Fund Account created in the Airport Revenue Fund to provide for the retirement of any of such Bonds issued in term form.

“***Debt Service Reserve Requirement***” means, in connection with the issuance of any Additional Bonds, an amount equal to the sum of (i) the amount on deposit, immediately prior to the issuance of such Additional Bonds, in the Airport Revenue Fund and on credit to the Debt Service Reserve Account therein created by Section 6.01 of the Certificate, and (ii) the least of (a) the amount which, if added to the amount then on deposit in the Airport Revenue Fund and on credit to the Debt Service Reserve Account therein created by Section 6.01 of the Certificate, would cause the total amount then on deposit in said fund and on credit to said account to equal the maximum aggregate Annual Adjusted Debt Service Requirement for all Bonds outstanding in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due, or (b) 10% of the initial offering price to the public of such Additional Bonds as determined under the Code, or (c) the amount which, if added to the amount then on deposit in the Airport Revenue Fund and on credit to the

Debt Service Reserve Account therein created by Section 6.01 of the Certificate, would cause the total amount then on deposit in said fund and on credit to said account to equal 125% of the sum of the Annual Adjusted Debt Service Requirement for all Bonds outstanding for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Additional Bonds) and terminating with the last Fiscal Year in which any Debt Service Requirement for the Bonds is due, divided by the number of such Fiscal Years, all as computed and determined by the Department; provided, however, that in determining Annual Adjusted Debt Service Requirement with respect to any Bonds that constitute Variable Interest Rate Bonds, the interest rate on such Bonds for any period as to which such interest rate has not been established shall be assumed to be 110% of the daily average interest rate on such Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been outstanding (or if such Bonds that constitute Variable Interest Rate Bonds have not yet been issued, then the interest rate on such Bonds shall be assumed to be equal to (i) for the first twelve (12) months, at the rate of interest for such Bonds as determined under the variable rate formula on the date of issue, and (ii) for each subsequent twelve (12) month period, at the rate of interest which is the weighted average rate of interest for such Bonds during the preceding twelve (12) month period). If, however, for purposes of (1) above, the amount on deposit is less than the required amount pursuant to Section 6.01, without giving effect to clause (2) therein, then the amount then on deposit in clause (1) above shall be replaced with the amount as required to be on deposit pursuant to Section 6.01, without giving effect to clauses (2) therein.

"***Department***" or "***Department of Transportation***" means the Department of Transportation established by Section 3 of the Hawaii State Government Reorganization Act of 1959 (Section 3 of Act 1, Session Laws of Hawaii, Second Special Session of 1959; Section 26-4, Hawaii Revised Statutes).

"***Department of Budget and Finance***" means the principal department established under the name "Department of Budget and Review" by Section 3 of the Hawaii State Government Reorganization Act of 1959 (Section 3 of Act l, Session Laws of Hawaii, Second Special Session of 1959; Section 26-4, Hawaii Revised Statutes), which name was changed to "Department of Budget and Finance" by Act 114, Session Laws of Hawaii 1963 and which Department under the Hawaii State Government Reorganization Act of 1959 has custody of State funds and is responsible for the safekeeping, management, investment and disbursement thereof and administers State debts.

"***Department Payment***" means any payment, other than a termination payment or payment occurring as a result of default or expense payment, required to be made by or on behalf of the Department under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

"***Derivative Payment Date***" means any date specified in the Derivative Product on which a Department Payment is due and payable under the Derivative Product.

"***Derivative Product***" means a written contract or agreement between the Department and a Reciprocal Payor, which provides that the Department's obligations thereunder will be conditioned on the absence of: (i) a failure of the Reciprocal Payor to make an payment required thereunder when due and payable, and (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and (a) under which the Department is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the Department Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the Department, on the same scheduled and specified Derivative Payment Dates, the Reciprocal Payments, *i.e.*, the contract must provide for net payments; (b) for which the Department's obligations to make all or any portion of Department Payments may be secured by a pledge of lien on Revenues on a lien subordinate to the lien thereon of Bonds; (c) under which Reciprocal Payments are to be made directly into a bond fund for Bonds; (d) for which the Department Payments are either specified to be one or more fixed amounts or are determined according to a methodology set forth in the Derivative Product; and (e) for which Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a methodology set forth in the Derivative Product.

"***Director***" or "***Director of Transportation***" means the single executive heading the Department pursuant to Section 26 of the Hawaii State Government Reorganization Act of 1959 (Section 26 of Act 1, Session Laws of Hawaii, Second Special Session of 1959; Section 26-19, Hawaii Revised Statutes).

"***Director of Finance***" means the single executive heading the Department of Budget and Finance pursuant to Section 14 of the Hawaii State Government Reorganization Act of 1959, as amended (Section 14 of Act 1, Session Laws of Hawaii, Second Special Session of 1959, as amended; Section 26-8, Hawaii Revised Statutes).

"***Federal Direct Payments***" means amounts payable by the federal government to the Department, pursuant to Sections 54AA and 6431 of the Internal Revenue Code of 1986, as amended, with respect to any Bonds issued by the Department and designated as "Build America Bonds," in lieu of any credit otherwise available to the Holders of such Bonds.

"***Fiscal Year***" means the fiscal year for the State as established from time to time by said State, currently the period from July 1 in any year to and including the following June 30.

"***Governmental Obligations***" shall mean any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; (ii) bonds, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Land Banks, or Federal National Mortgage Association (including Participation Certificates); (iii) Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States, or (iv) full faith and credit direct obligations of any State, or unlimited tax direct obligations of any political subdivision thereof to the payment of which the full faith and credit of such political subdivision is pledged; provided that at the time of purchase such obligations are rated in either of the two highest rating categories by two nationally recognized bond rating agencies and are legal investments for fiduciaries in both New York and the State.

"***Holder***" or "***Bondholder***" means any person who shall be the bearer of any Bond not then registered, or the registered owner or his duly authorized attorney-in-fact, representative or assigns, of any Bond which shall at the time be registered other than to bearer.

"***Investment Securities***" means any of the following which at the time are legal investments under the laws of the State for the moneys held under the Certificate then proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; (ii) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following Federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (a) the United States Export-Import Bank (Eximbank) direct obligations or fully guaranteed Certificates of beneficial ownership, (b) Farmers Home Administration (FmHA) (now known as the United States Department of Agriculture, Rural Development) Certificates of beneficial ownership, (c) Federal Financing Bank, (d) Federal Housing Administration Debentures (FHA), (e) General Services Administration participation Certificates, (f) Government National Mortgage Association (GNMA or "Ginnie Mae"), (g) United States Maritime Administration Guaranteed Title XI financing, (h) United States Department of Housing and Urban Development (HUD), Project

Notes, Local Authority Bonds, New Communities Debentures, United States Government guaranteed debentures, United States Public Housing Notes and Bonds, United States government guaranteed housing notes and bonds; (iii) Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States; (iv) full faith and credit direct obligations of any State, or unlimited tax direct obligations of any political subdivision thereof to the payment of which the full faith and credit of such political subdivision is pledged; provided that at the time of purchase such obligations are rated in either of the two highest rating categories by two nationally recognized bond rating agencies and are legal investments for fiduciaries in both New York and the State; (v) bank savings accounts, or time Certificates of deposits, or Certificates of deposit, open account; provided that such accounts or Certificates are collaterally secured in the manner provided by Section 38-2, Hawaii Revised Statutes, by securities which themselves are then eligible under the above clauses (i) through (iv) of this definition for the investment of moneys held under the Certificate and which have a market value at least equal to the amount held in such bank savings accounts or held under such Certificates of deposit; (vi) commercial paper which is rated at the time of purchase in the single highest classification: "A-1+" by Standard & Poor's Ratings Services, A Division of the McGraw Hill Companies, Inc. ("S&P") and "P-1" by Moody's Investors Service, Inc. ("Moody's"), and which have original maturities of not more than 270 days; (vii) (a) investments in money market funds having a rating of "AAAm", "AAAm G" or "AA-m" or better by S&P or "Aaa", "Aa1" or "Aa2" if rated by Moody's or (b) securities or interests in any mutual fund or any open-ended or closed-ended investment company or investment trust registered under the Federal Investment Company Act of 1940, including those mutual funds or investment companies or trusts for which the registration agent or an affiliate of the registration agent serves as an investment advisor, custodian, shareholder, servicing agent, transfer agent, administrator or distributor, if such mutual funds or investment companies or trusts are rated by S&P or Moody's in its highest rating category; (viii) (a) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (c) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively, "United States Obligations"); (ix) Federal Housing Administration Debentures; (x) the following obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States government (stripped securities are only permitted if they have been stripped by the agency itself): (a) Federal Home Loan Banks (FHL Banks) Senior debt obligation, (b) Federal Home Loan (FMLMC), Participation Certificates; Senior debt obligations, (c) Federal National Mortgage Association (FNMA), Senior debt obligations, Mortgage-backed securities, (d) Student Loan Marketing Association (SLMA) Senior debt obligations, (e) Resolution Funding Corporation (REFCORP) debt obligations; (f) Farm Credit System, Consolidated system-wide bonds and notes; (xi) deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million; (xii) repurchase agreements with any domestic bank with a debt rated "AA" or better by S&P, or any foreign bank rated at least "AA" by S&P and "Aa" by Moody's, or with any broker-dealer with "retail customers" which has, or the parent company of which has, long-term debt rated at least "AA" by S&P and "Aa" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (SIPC); provided that such repurchase agreements meet the following requirements: (a) The market value of the collateral is maintain for United States Treasury Securities (and other United States Obligations acceptable to credit facility issuer) at levels acceptable to the credit facility issuer, (b) Failure to maintain the requisite collateral percentage will require the registration agent to liquidate the collateral, (c) The registration agent or a third party acting solely as agent for the registration agent has possession of the collateral or the collateral has been transferred to the registration agent in accordance with applicable state and federal laws (other than by means of entries on the repurchase agreement entity's books) at or before the time of payment, (d) The repurchase agreement shall state and an opinion of counsel shall be rendered that the registration agent has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof and to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds (in case of bearer securities, this means the trustee is in possession), (e) The collateral is free and clear of any third-party liens or claims, (f) An opinion is rendered that the repurchase agreement is a "repurchase agreement" as defined in the United States Bankruptcy Code, (g) There is or will be a written agreement governing every repurchase agreement transaction, (h) The registration agent represents that it has no knowledge of any fraud involved in the repurchase agreement transaction; (1) The registration agent receives the opinion of counsel (which opinion shall be addressed to the Department and the registration agent) that such repurchase agreement as legal, valid and binding and enforceable upon the provider in accordance with its terms, and that the repurchase agreement is a lawful investment for the funds of the State; (xiii) collateralized guaranteed investment contracts meeting the criteria then required by the issuer of any credit facility then in effect with respect to the Bonds outstanding; and (xiv) any pooled investment fund that invests solely in one or more of the investments described in (i) through (xiii) above.

"***Net Revenues and Taxes***" means for any past period the aggregate of the Revenues and collections of Aviation Fuel Taxes accrued in the normal course of business during such past period, and for any future period the aggregate of the Revenues and Aviation Fuel Taxes anticipated to be accrued in the normal course of business during such future period, minus for any such past period the aggregate of the following items actually paid or accrued during such past period, or minus for any such future period the aggregate of the following items anticipated to be accrued in the normal course of business as the case may be: (i) the expenses of operation, maintenance and repair of the properties constituting the Undertaking (including reserves therefor) and the expenses of the operation of the Department in connection with those properties; (ii) the amounts required by the Certificate to be credited to the Debt Service Reserve Account created in the Airport Revenue Fund; (iii) the amounts required by the Certificate to be credited to the Airports System Major Maintenance, Renewal and Replacement Account created in the Airport Revenue Fund; and (iv) the amounts required to be paid into the general fund of the State pursuant to the Certificate for all bond requirements for general obligation bonds which have been or are issued for purposes of the airports system or issued to refund bonds issued for such purposes.

"***Paying Agents***" means for all Bonds the Director of Finance of the State and for the 1969 Bonds the additional paying agents therefor appointed in the Certificate and for Additional Bonds the additional paying agents for the respective series of Additional Bonds of which such Additional Bonds are a part appointed, pursuant to the Certificate, in the Supplemental Certificate providing for the issuance of such series of Additional Bonds, including for the Series 2022 Bonds, U.S. Bank National Association.

"***PFC***" means a passenger facility charge (i) collected by the Department pursuant to the authority granted by the Aviation Safety and Capacity Act of 1990, the Aviation Investment Reform Act of 2000 and 14 C.F.R. Part 158, as amended from time to time, in respect of any component of the Undertaking and interest earnings thereon, net of amounts that collecting air carriers are entitled to retain for collecting, handling and remitting such passenger facility charge proceeds; and (ii) deposited into the PFC Special Fund pursuant to Section 261-5.5, Hawaii Revised Statutes, as amended by Act 147, Session Laws of Hawaii 2009.

"***PFC Special Fund***" means the passenger facility charge special fund established in the treasury of the State by Section 261-5.5, Hawaii Revised Statutes, as amended by Act 147, Session Laws of Hawaii 2009.

"***Qualified Insurance***" means any non-cancelable municipal bond insurance policy or surety bond issued by an insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, is rated in the highest rating category by any rating agency which has rated all or any series of Bonds at the request of the State.

"***Qualified Letter of Credit***" means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest long term rating categories by one or more of the rating agencies which as rated all or any series of Bonds at the request of the State.

"***Reciprocal Payment***" means any payment to be made to, or for the benefit of, the Department under a Derivative Product by a Reciprocal Payor.

"***Reciprocal Payor***" means any bank or corporation, partnership or other entity which is a party to a Derivative Product and which is obligated to make one or more Reciprocal Payments thereunder.

"***Revenues***" means and includes all income, revenues and moneys derived by the State from the ownership by the State or operation and management by the Department of the Undertaking or the furnishing and supplying of the services, facilities and commodities thereof, and without limiting the generality of the foregoing, shall include all income, revenues and moneys derived from the rates, rentals, fees and charges fixed, imposed and collected by the Department pursuant to Section 261-5, Hawaii Revised Statutes, as amended by Act 10, Session Laws of Hawaii 1969, and Section 261-7, Hawaii Revised Statutes, as amended or otherwise derived from or arising through the ownership, operation and management of the Undertaking by the State, or derived from the rental of all or part of the Undertaking or from the sale or rental of any commodities or goods in connection with the Undertaking; earnings on the investment of the proceeds of Bonds; to the extent provided in Section 6.02 of the Certificate, earnings on the investment of moneys held under the Certificate and the proceeds of the sale of any such investments; and to the extent provided in Article XI of the Certificate, income derived by the Department or otherwise derived by the State from a Special Facility Lease; provided, however, that the term "Revenues" shall not include moneys received as proceeds from the sale of Bonds or as grants or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements, except to the extent that any such moneys shall be received as payments for the use of the Undertaking; and provided, further, that nothing in this definition shall be construed or interpreted as requiring the use and application directly or indirectly of any taxes, other than Aviation Fuel Taxes, to the payment of the Bonds. Additionally, the term "Revenues" shall not be construed to include the proceeds of any passenger facility charges which may be permitted by law, unless the inclusion of such proceeds is expressly provided for in a Supplemental Certificate.

"***Special Facility***" means any hangar, maintenance building or other structure and facility referred to under the caption "Special Facility Leases and Special Obligation Bonds" below.

"***Special Facility Lease***" means a lease for a Special Facility between the Department, as lessor, and the user of the Special Facility, as lessee, as described under the caption "Special Facility Leases and Special Obligation Bonds" below.

"***Special Obligation Bonds***" mean bonds of the Department issued to finance the construction of a Special Facility.

"***Spread***" means, with respect to the Make-Whole Redemption Premium for any particular Build America Bond, the percentage provided as such in a Supplemental Certificate.

"***State***" means the State of Hawaii.

"***Supplemental Certificate***" means a Certificate duly issued by the Director for any of the purposes of Article IX of the Certificate or otherwise supplemental to or amendatory of the Certificate but only if and to the extent specifically authorized of the Certificate.

"***Treasury Yield***" means, with respect to the Make-Whole Redemption Premium for any Build America Bond, the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recent Federal Reserve Statistical Release H.15(519) under the heading "Treasury Constant Maturities," for the maturity corresponding to the remaining term to maturity of such Build America Bond being redeemed. The Treasury Yield will be determined as of the third Business Day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Build America Bond being redeemed, then the Treasury Yield will be equal to such weekly average yield. In all other cases, the Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Build America Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Build America Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

"***Undertaking***" or "***Airports System***" means the statewide system of airports of the State and includes all airports, air navigation facilities and other related facilities and related properties (real, personal or mixed), and any rights or interests in airports, air navigation facilities and other related facilities and related properties, as of the date of the Certificate or thereafter belonging to or controlled by the State or under the administration, jurisdiction, control and management of the Department, and all equipment, improvements, extensions or betterments thereto thereafter constructed or acquired belonging to or controlled by the State, and without limiting the generality of the foregoing, the term "Undertaking" shall include (i) any and all of the following of or belonging or pertaining to such airports or air navigational facilities or such rights or interests: lands or water areas, rights-of-way, approaches, contract rights, airport terminal buildings, hangars and other buildings and facilities erected on such lands, runways, taxiways, paved areas access roads, parking lots, airport equipment and any other equipment and property (real, personal or mixed) incidental, to and included in such properties or parts thereof; and (ii) each and every and all and singular, the properties and facilities constructed or acquired from the proceeds of the Territory of Hawaii Aviation Revenue Bonds, Series A, issued under Resolutions Nos. 59-03 and 59-04, adopted March 31, 1959 by the Hawaii Aeronautics Commission of the former Territory of Hawaii, or constructed or acquired from the proceeds of Bonds issued under the Certificate or constructed or acquired from the proceeds of any other bonds, notes or other evidences of indebtedness payable, or the principal or interest or both of which is reimbursable, from the Airport Revenue Fund or from a fund maintained therefrom, or constructed or acquired from moneys in the Airport Revenue Fund or from moneys in any other fund maintained therefrom; provided, however, that the term "Undertaking" shall not include: (1) properties sold, leased or otherwise disposed of or transferred pursuant to the Certificate; and (2) properties subject to a Special Facility Lease, except to the extent provided in the Certificate.

APPENDIX E

Summary of Certain Provisions of the Certificate

This Appendix E contains a summary of certain provisions of the Certificate as currently in effect. The summary includes summaries of the amended provisions, which amendments were approved by the Bondholders. The summary does not purport to be complete or to follow the exact language of the Certificate. The summary complements the summaries found under "**DESCRIPTION OF THE SERIES 2022 BONDS**" and "**SECURITY FOR THE BONDS**." Reference is made to the full text of the Certificate and the supplements thereto for the precise wording and the complete provisions of the Certificate. Copies of the Certificate are available upon request to the Department. Unless clearly indicated otherwise, all section references are to the Certificate only.

Application of Revenues and Aviation Fuel Taxes

So long as any Bonds remain outstanding, the Airport Revenue Fund shall be continued and all Revenues and all Aviation Fuel Taxes shall be deposited in the Airport Revenue Fund, to be used and applied solely as provided in the Certificate. The Airport Revenue Fund and the Revenues and Aviation Fuel Taxes and any other, moneys deposited or to be deposited therein shall be appropriated, applied or expended in the amount necessary therefor for the following purposes and in the following order of priority:

FIRST: For payment of the costs of operation, maintenance and repair of the properties constituting the Undertaking, including reserves therefor, and the expenses of the operation of the Department of Transportation in connection with those properties.

SECOND: For the payment when due all Bonds and interest thereon, including reserves therefor, which payment shall be provided for as follows:

Interest Account. Monthly credits shall be made to the Interest Account for the purpose of paying the interest on the Bonds as and when the same become due.

Serial Bond Principal Account. Monthly credits shall be made to the Serial Bond Principal Account for the purpose of paying the principal of Bonds issued in serial form, commencing with the first business day of the month which is twelve months prior to the first principal payment date of such Bonds issued in serial form and on the first business day of each month thereafter so long as any such Bonds are outstanding.

Sinking Fund Account. Monthly credits shall be made to the Sinking Fund Account for the purpose of providing for the retirement of the principal of Bonds of any series issued in term form, commencing with the first business day of the month which is twelve months prior to the first date upon with Bonds of any series issued in term form would be required to be redeemed and on the first business day of each month thereafter so long as any such Bonds are outstanding.

Application of Moneys Credited to the Interest Account, Serial Bond Principal Account and Sinking Fund Account. The moneys on deposit in the Airport Revenue Fund on credit to the Interest Account, Serial Bond Principal Account and the Sinking Fund Account therein shall be used and applied solely to the payment of the interest on and the retirement of the principal of the Bonds and shall be so used and applied in accordance with the foregoing provisions. The moneys credited to said accounts shall be transferred by the Director of Finance, without further authorization or direction, to the respective paying agents for said Bonds and the coupons, if any, pertaining thereto, in such amounts and at such times as shall be necessary to pay the principal, premium, if any, and interest on said Bonds as the same become due and payable, whether upon their maturity or upon the redemption or the purchase thereof from the moneys credited to the Sinking Fund Account.

Debt Service Reserve Account. The Debt Service Reserve Account is created in order to provide a reserve for the payment of the principal and interest and premium, if any, on the Bonds. Subject to the remaining provisions of this paragraph with respect to the credits to be made to the Debt Service Reserve Account upon the issuance of Additional Bonds, the moneys on deposit in the Airport Revenue Fund for credit to the Debt Service Reserve Account therein shall always be maintained at an amount equal to the maximum aggregate Annual Adjusted Debt Service Requirement for any future year for all Bonds at the time outstanding, and, if at any time the moneys in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein are less than said maximum required to be maintained therein, there shall be credited to this account from the first moneys available therefor after all payments and credits required by the preceding provisions of this priority item "SECOND" have been met, such amounts as shall be necessary until there is again on credit to the Debt Service Reserve Account an amount at least equal to the maximum aggregate Annual Adjusted Debt Service Requirement for any future year for all Bonds at the time outstanding. If on the first day of any Fiscal Year the moneys in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein are in excess of the maximum aggregate Annual Adjusted Debt Service Requirement for any future year for all Bonds at the time outstanding, the amount of such excess shall be paid into the Airport Revenue Fund, to be used and applied as are all other moneys deposited in or on deposit in that fund; provided that, in anticipation of the issuance of Additional Bonds hereunder, the Department may direct that all or part of such excess amount may be retained in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein. In the event of the issuance of any Additional Bonds, unless upon the delivery of such Additional Bonds there shall then already be on deposit in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds to be outstanding upon the issuance of such Additional Bonds (including such Additional Bonds), there shall (1) be paid into the Airport Revenue Fund for credit to the Debt Service Reserve Account therein such amount, if any, of the proceeds of the sale of such Additional Bonds as the Department may determine, or, at the option of the Department, Revenues, a Qualified Letter of Credit or Qualified Insurance, so that there shall then be on deposit in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds to be outstanding upon the issuance of such Additional Bonds (including such Additional Bonds), or (2) if and to the extent there shall not be paid into the Airport Revenue Fund for credit to the Debt Service Reserve Account therein proceeds of such Additional Bonds, or, at the option of the Department, Revenues, a Qualified Letter of Credit or Qualified Insurance, in an amount so that there shall then be on credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds to be outstanding upon the issuance of such Additional Bonds, there shall be credited to the Debt Service Reserve Account, at such time or from time to time as the Department may determine, such amount or amounts, as the Department may determine, of the moneys available therefor after all payments and credits required by the preceding provisions of this priority item "SECOND" have been met, so that by no later than five (5) years from the date of such Additional Bonds there shall then be on deposit in the Airport Revenue Fund for credit to the Debt Service Reserve Account therein an amount equal to the Debt Service Reserve Requirement for all Bonds then outstanding, exclusive of other Additional Bonds which may have been issued during such five (5) year period and with respect to which credits are then being made to the Debt Service Reserve Account in accordance with this sentence. The moneys in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein shall, except for the transfer therefrom to the Airport Revenue Fund of excess amounts therein as heretofore permitted in this paragraph, be used and applied solely for the purpose of paying the principal of and interest and premium, if any, on the Bonds when due, whether at their maturity or upon the redemption or purchase thereof from moneys credited to the Sinking Fund Account in the Airport Revenue Fund, and shall be so used and applied whenever there are insufficient moneys in the Airport Revenue Fund on credit to the Interest Account, Serial Bond Principal Account and Sinking Fund Account therein for such purposes.

Before, however, applying any moneys in the Airport Revenue Fund on credit to the Debt Service Reserve Account therein to such payment, there shall first be applied to such payment all other moneys in the Airport Revenue Fund lawfully available therefor, which other moneys shall also constitute a reserve hereunder for the payment of the principal, premium, if any, and interest on the Bonds.

THIRD: The Major Maintenance, Renewal and Replacement Account provides a further and additional reserve for the payment of the Bonds. During each Fiscal Year, there shall be credited to the Major Maintenance, Renewal and Replacement Account, at such time or times in each Fiscal Year as shall be determined by the Department, an aggregate amount of $600,000, or such larger amount as the Department may from time to time determine) in each such year, or so much of such sum as is available for that purpose, until there shall be in the Airport Revenue Fund on credit to this account the sum of $2,400,000; provided, that, if the Consulting Engineer shall certify to the Department that in his opinion the aforesaid aggregate sum of $2,400,000 is insufficient for the purposes for which this account is created and if the Department in its sole discretion shall determine to increase said aggregate sum by all or any part of the amount of the increase recommended by the Consulting Engineer, the aforesaid credits to this account shall be resumed, or may be increased if credits to this account are then being made, until such larger sum (if any) deemed advisable by the Department is then on credit thereto. If, however, on the first day of any Fiscal Year the moneys credited to the Major Maintenance, Renewal and Replacement Account are in excess of $2,400,000 or such larger sum as is deemed advisable by the Department, as aforesaid, the amount of such excess may be transferred back into the Airport Revenue Fund, to be used and applied as are all other moneys deposited or on deposit in that fund. The money on credit to the Major Maintenance, Renewal and Replacement Account shall be applied only (i) to make up deficiencies in the Interest Account, Serial Bond Principal Account and Sinking Fund Account created in the Airport Revenue Fund, and (ii) for major maintenance, repairs, renewals and replacements as shall not be annually recurring in nature of the properties constituting the Undertaking, including runways, taxiways and access roads. Whenever moneys are withdrawn from this account, the aforesaid credits shall be resumed, or may be increased if credits to this account are then being made, until the amount on credit to this account shall equal the amount required to be on credit thereto from time to time. In addition, payment shall be provided for such purposes, within the jurisdiction, powers, duties and functions of the Department, including the creation and maintenance of reserves, as are otherwise covenanted in the Certificate or in any Supplemental Certificate.

FOURTH: To reimburse the general fund of the State for all bond requirements for general obligation bonds which are or shall have been issued for the Undertaking or issued to refund any of such general obligation bonds or to refund any of the Territory of Hawaii Aviation Revenue Bonds, Series A, except insofar as such obligation of reimbursement has been or shall be cancelled by the Legislature, such bond requirements being, unless otherwise provided by law, the interest on term and serial bonds, sinking fund for term bonds and principal of serial bonds maturing the following year.

FIFTH: To provide for betterments and improvements to the Undertaking, including reserves therefor.

SIXTH: To provide such special reserve funds and other special funds as are or may be created by law.

SEVENTH: To any other purpose connected with or pertaining to the Bonds or the Undertaking, or both, authorized by law.

In the event that the Revenues and Aviation Fuel Taxes at any time or from time to time are insufficient to make in full the foregoing payments, deposits and credits as required by and in accordance with items "FIRST" through "SEVENTH" above, all the Revenues and Aviation Fuel Taxes shall thereafter be applied, used, paid, deposited and credited, in accordance with all the foregoing provisions, to the satisfaction in full of an item having a higher priority before being applied, used, paid, deposited and credited to an item having a lower priority, including by the making up of any deficiencies in the amounts required to satisfy an item having a higher priority before being applied to an item having a lower priority.

Unless and until adequate provision has been made for the foregoing purposes, the State shall not have the right to transfer to its general fund or apply to any other purposes any part of the Revenues or Aviation Fuel Taxes.

The Debt Service Reserve Account shall be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the Department obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Debt Service Reserve Account, an amount of the money on deposit in the Debt Service Reserve Account equal to the face amount of the Qualified Letter of Credit or Qualified Insurance shall be transferred to the Airport Revenue Fund to be used and applied as are all other moneys deposited in or on deposit in that fund. In computing the amount on deposit in the Debt Service Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at market at least annually.

The market value of securities then credited to the Debt Service Reserve Account shall be determined and any deficiency in the Debt Service Reserve Account shall be made up in equal installments within six months after the date of such valuation. As used in this paragraph, the term cash shall include United States currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check.

Investment of Moneys in Funds and Accounts

Moneys in the Airport Revenue Fund on credit to the Interest Account, the Serial Bond Principal Account and the Sinking Fund Account therein shall be invested by the Director of Finance in Investment Securities so as to mature in such amounts and at such times so that the principal of and interest and premium, if any, on the Bonds can be paid when due, whether at the maturity thereof, or upon the redemption or the purchase thereof from moneys credited to the Sinking Fund Account in said fund. Moneys in the Airport Revenue Fund on credit to the Debt Service Reserve Account and the Major Maintenance, Renewal and Replacement Account shall be invested by the Director of Finance in Investment Securities so as to mature as directed by the Department within twelve (12) years from the date of investment, but in any event by no later than the last or final maturity date of the Bonds then outstanding. The Department hereby grants its approval for all investments made by the Director of Finance pursuant to this paragraph, and no further. approvals of the Department shall be necessary therefor. Income derived from investments made pursuant to this paragraph shall be treated as Revenues of the Undertaking; expenses of purchase, safekeeping, sale and redemption and all other expenses attributable to such investments shall be proper expenses of the Undertaking. Securities so purchased shall be considered as being deposited in the custody or control of the Director of Finance by the Department of Transportation. All moneys in the Airport Revenue Fund, the investment of which is not heretofore provided in this paragraph, may be invested, and the income from such investments disbursed or applied, as may be provided by applicable law. All securities shall constitute a part of the respective fund and account from which the investment therein was made. For the purposes of making any calculations or computations at any time and from time to time of the amounts in the Airport Revenue Fund or any fund or account therein which may be required for the purposes of the Certificate, all investments shall be valued at the lower of their face amount or the then market value thereof.

The following shall be conditions precedent to the use of any Derivative Product: (1) the Department shall obtain an opinion of its bond counsel on the due authorization and execution of such

Derivative Product opining that the action proposed to be taken by the Department is authorized or permitted by the Certificate or the applicable provisions of any Supplemental Certificate providing for the issuance of a series of Bonds, as such Certificates may be amended or supplemented from time to time and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Bonds then outstanding; (2) each Derivative Product shall set forth the manner in which the payments are to be calculated and a schedule of Derivative Payment Dates; and (3) prior to entering into a Derivative Product, the Department shall issue a Supplemental Certificate, which shall (i) create and establish a Derivative Product Account or provide for some other way to account for the use of a Derivative Product; (ii) establish general provisions for the retention of Revenues in amounts sufficient to make, when due, payments by the Department; (iii) establish general provisions for the rights of providers of Derivative Products; and (iv) set forth such other matters as the Department deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the Supplemental Certificate. Except as may be otherwise provided in the Supplemental Certificate establishing a Derivative Product Account, Additional Bonds may be delivered in connection with any Derivative Product. The Certificate may be amended in the future to reflect the lien position and priority of any payments made in connection with a Derivative Product; provided, however, that the lien on Net Revenues and Taxes of payments under Derivative Products must be subordinate to the lien thereon of outstanding Bonds.

Rate Covenant

The Department shall impose, prescribe and collect rates, rentals, fees or charges for the use and services of and the facilities and commodities furnished by the Undertaking, and shall revise such rates, rentals, fees or charges from time to time whenever necessary, so that, together with the proceeds of the Aviation Fuel Taxes, the Undertaking shall be and always remain self-sustaining. The rates, rentals, fees or charges imposed, prescribed and collected shall be such as will produce Revenues which, together with the proceeds of the Aviation Fuel Taxes, will be at least sufficient: (1) to make the required payments of the principal of and interest on all Bonds, including reserves therefor, and the payment of all other bonds, notes, certificates or other evidences of indebtedness and interest thereon, including reserves therefor for the payment of which the Revenues or the Aviation Fuel Taxes, or both, are or shall have been pledged, charged or otherwise encumbered, or which are otherwise payable from the Revenues or the Aviation Fuel Taxes, or both, or from a special fund or account maintained or to be maintained therefrom; (2) to pay the costs of operation, maintenance and repair of the Undertaking, including reserves therefor, and the expenses of the Department in connection with such operation, maintenance and repair; (3) if and to the extent then required by law, to reimburse the general fund of the State for all bond requirements for general obligation bonds which are or shall have been issued for the Undertaking, or issued to refund any of such general obligation bonds or to refund the Territory of Hawaii Aviation Revenue Bonds, Series A; and (4) to carry out the provisions and covenants of the Certificate, including, without limiting the generality of all the foregoing, the making of all payments and credits required the application of revenues provisions thereof. Without limiting the provisions of the next preceding sentence, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, fixed, enforced and collected which will, together with that amount of unencumbered funds on deposit in the Airport Revenue Fund on the last day of a Fiscal Year which the Department shall certify as Revenues to the Director of Finance for the next succeeding Fiscal Year solely for the purposes of this test, yield Net Revenues and Taxes with respect to the then immediately ensuing twelve months in an amount at least equal to one and twenty five hundredths (1.25) times the aggregate of (i) the interest payments for such twelve months on all Bonds then outstanding; (ii) the principal amount of all Bonds then outstanding maturing by their terms during such twelve months; and (iii) the minimum payments into the Sinking Fund Account required to be made during such twelve months.

The Legislature of the State has covenanted, pledged and obligated itself to impose, or continue to impose, Aviation Fuel Taxes in amounts at least sufficient, together with the Revenues, so that the Undertaking shall be and always remain self-sustaining.

Other Covenants

In addition to the Rate Covenant, the Department also covenants to, among other things: (1) complete acquisitions and constructions promptly; keep the Undertaking in good repair; make improvements and betterments thereto, manage the Undertaking efficiently, not sell, lease or Dispose of the Undertaking and dispose of worn-out or useless property; (2) file with the Director of Finance a signed copy of the annual report of the Accountant for the preceding Fiscal Year in reasonable detail, and showing among other things for such year the Net Revenues and Taxes (including any unencumbered funds on deposit in the Airport Revenue Fund on the last day of the Fiscal Year preceding the Fiscal Year for which the calculation is made, so designated as Revenues by the Department to the Director of Finance) and the aggregate Debt Service Requirement of the Bonds; (3) not create or give any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Undertaking or upon the Revenues, the Aviation Fuel Taxes and the money in the Airport Revenue Fund, other than the liens, pledges and charges specifically created under the Certificate or specifically permitted thereby; (4) keep or cause to be kept insured the properties constituting the Undertaking; (5) maintain and keep proper books, records and accounts in which complete and correct entries shall be made of all dealings and transactions relating to the Undertaking and cause such accounts to be audited by the Accountant within one hundred eighty (180) days after the close of each Fiscal Year; (6) retain and appoint from time to time a Consulting Engineer; (7) perform punctually all duties and obligations with respect to the properties constituting the Undertaking; (8) prepare and file with the Legislature and the proper officers of the State, including the Director of Finance, at the time and in the manner prescribed by law, an estimated budget or budgets of Revenues and Aviation Fuel Taxes and other income, expenses of operation, maintenance and repair of the Undertaking, capital improvements, and any other proposed expenditures; (9) duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges or surcharges or payments in lieu thereof lawfully imposed upon the properties constituting the Undertaking or upon the Revenues or upon the Aviation Fuel Taxes or upon the Airport Revenue Fund, or any required payments in lieu thereof; (10) employ competent supervisory personnel for the operation and management of the properties constituting the Undertaking; (11) pass, make, do, execute, acknowledge and deliver all and every such further certificates, resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights, Revenues, Aviation Fuel Taxes and other funds hereby pledged to the payment of the Bonds; and (12) duly and punctually pay, but only from the proceeds of the Bonds and the Revenues and Aviation Fuel Taxes, the principal of and premium, if any, and interest on each and every Bond on the dates, at the place or places and in the manner provided in the Bonds.

Amending and Supplementing the Certificate

The Department may issue Supplemental Certificates to amend the Certificate without the consent of Bondholders, if the provisions of such Supplemental Certificate shall not adversely affect the rights of the holders of the Bonds then outstanding, for any one or more of the following purposes: (1) to make any changes or corrections in the Certificate or any Supplemental Certificate as to which it shall have been advised by its 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 herein or in any such Certificate supplemental hereto, or to insert such provisions clarifying matters or questions arising under the Certificate as are necessary or desirable; provided that such modifications are not contrary to or inconsistent with the Certificate as originally issued or as amended with the consent of Bondholders; (2) to add additional covenants and agreements of the State for the purpose of further securing the payment of the Bonds; provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements contained in the Certificate as originally issued or as amended with the consent of Bondholders; (3) to surrender any right, power or privilege reserved to or conferred upon the State by the terms of the Certificate or any Supplemental Certificate; (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 Certificate or any Supplemental Certificate; (5) to grant to or 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; (6) to prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the State payable from the Revenues and Aviation Fuel Taxes which are not contrary to or inconsistent with the Certificate as originally issued or as amended with the consent of Bondholders; and (7) to modify in any other respect any of the provisions of the Certificate, or any Supplemental Certificate, previously adopted; provided that such modifications shall have no effect as to any Bond or Bonds which are outstanding as of the issuance of such Supplemental Certificate.

With the consent of the holders of not less than fifty per centum (50%) of the Bonds then outstanding, the Department may make and execute an instrument or certificate amending or supplementing the provisions of the Certificate for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Certificate or of any Supplemental Certificate, or modifying in any manner the rights of the holders of the Bonds and coupons then outstanding; provided, however, that, without the specific consent of the holder of each such Bond which would be affected thereby, no such instrument or certificate amending or supplementing the provisions of the Certificate shall: (1) extend the fixed maturity date for the payment of the principal of any Bond, or reduce the principal amount of any Bond, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Bond may first be called for redemption prior to its fixed maturity date; (2) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any such instrument or certificate amending or supplementing the provisions thereof; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby. A modification or amendment of the provisions with respect to the Airport Revenue Fund or the Interest Account, Serial Bond Principal Account, Sinking Fund Account or Debt Service Reserve Account therein shall not be deemed a change in the terms of payment; provided, however, 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 deposited in the Airport Revenue Fund for credit to the interest Account, Serial Bond Principal Account, Sinking Fund Account or Debt Service Reserve Account therein.

Upon the issuance of any Certificate amending or supplementing the provisions of the Certificate and the delivery thereof to the Director of Finance, together with an opinion of counsel to the Department, or upon such later date after delivery of such Certificate and opinion to the Director of Finance as may be specified in such Certificate, the Certificate and the Bonds shall be modified and amended in accordance with such Supplemental Certificate, and the respective rights, limitations of rights, obligations, duties and immunities under the Certificate of the State, including the Department of Transportation thereof, and of the holders of the Bonds and coupons shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all of the terms and conditions of any such amending or supplementing Certificate shall be a part of the terms and conditions of the Bonds and of the Certificate for any and all purposes.

No Certificate changing, amending or modifying any of the rights or obligations of the Director of Finance or other fiscal agent (including any paying agent, transfer agent or registrar) may be adopted without the written consent of the Director of Finance or other fiscal agent affected thereby, as the case may be.

Events of Default

The following constitute “Events of Default”:

- If payment of the principal and premium (if any) of any Bond, whether at maturity or by proceedings for redemption, by declaration, or otherwise, shall not be made after the same shall become due and payable; or

- If payment of any installment of interest on any Bond shall not be made within thirty days after the same shall become due and payable; or

- If the credits to the Sinking Fund Account in the Airport Revenue Fund shall not be made or satisfied in any year ending June 30 in the amount required for such year and such failure shall have continued for sixty (60) days after the expiration of such year; or

- Unless all the Bonds then outstanding shall have been called for retirement or for redemption, if the Undertaking or any building or facility constituting a part thereof shall be destroyed or damaged so as to reduce the aggregate of the Revenues and Aviation Fuel Taxes below the amount Rate Covenant to be produced and maintained and the Department does not, to the extent of the proceeds of insurance or self-insurance and the moneys on deposit in the Airport Revenue Fund to the credit of the Major Maintenance, Renewal and Replacement Account available therefor, promptly repair or reconstruct such destroyed or damaged building or facility, or does not promptly erect or substitute in place of the building or facility destroyed or damaged other buildings and facilities which produce revenues and with respect to which Aviation Fuel Taxes are derived, comparable to those produced by or derived with respect to the building or facility destroyed or damaged, and does not subject to the lien of the Certificate and deposit in the Revenue Fund an amount of the revenues to be derived therefrom or of the aviation fuel taxes derived with respect thereto, comparable to those theretofore derived from or with respect to the building or facility destroyed or damaged, which amounts so deposited shall constitute Revenues or Aviation Fuel Taxes as the case may be, to be used and applied as are all other Revenues and Aviation Fuel Taxes; provided that nothing in this clause shall be deemed to require the repairing, reconstruction or replacement of any building or facility which at the time of such destruction or damage was unserviceable, inadequate, obsolete, worn-out or unfit to be used or no longer required for use in connection with the security and payment of the Bonds; or

- If the Department shall fail in the due and punctual performance of the certain components of the Rate Covenant, or shall fail to impose, prescribe, and collect rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Undertaking, and to revise such rates, rentals, fees and charges from time to time whenever necessary, so as to produce Revenues and Aviation Fuel Taxes which are at least equal to the greater of (1) the aggregate of the amounts required for the Undertaking to be self-sufficient under the Certificate, and (2) the amount equal, after deducting from the Revenues and Aviation Fuel Taxes the payments and credits required to be transferred to the Interest Account, Serial Bond Principal Account, Sinking Fund Account and Debt Service Reserve Account for the payment of debt service on Bonds during the then immediately ensuing twelve months, to one and twenty-five hundredths (1.25) times the aggregate Debt Service Requirement for such twelve months for all Bonds then outstanding, or if the Legislature of the State shall fail in the due and punctual performance of its pledge, covenant and obligation to impose, or continue to impose, Aviation Fuel Taxes in amounts which, together with the Revenues, aggregate at least the greater of the amounts set forth in clauses (1) and (2) of this paragraph, and any such failure shall continue for ninety days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Department by the holders of not less than twenty per cent (20%) of the principal amount of the Bonds then outstanding or any trustee or committee therefor; or

- If the Department shall fail in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Certificate (other than the covenants, conditions, agreements and provisions regarding the Rate Covenant) or in any Supplemental Certificate, on the part of the Department to be performed, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Department by the holders of not less than twenty per cent (20%) in principal amount of the Bonds then outstanding or any trustee or committee therefor; or

- If any proceedings shall be instituted, with the consent or acquiescence of the State, for the purpose of effecting a composition between the State and its creditors and if the claim of such creditors is in any circumstance payable from any of the Revenues or Aviation Fuel Taxes or any other moneys pledged and charged in any Supplemental Certificate, or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute; or

- If an order or decree shall be entered (a) with the consent or acquiescence of the State, appointing a receiver or receivers of the Undertaking or any of the buildings and facilities thereof; or (b) without the consent or acquiescence of the State or the Department, appointing a receiver or receivers of the Undertaking or any of the buildings and facilities thereof and such order or decree having been entered, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

- If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Undertaking or any of the buildings and facilities thereof, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control; or

- If the Department shall for any reason be rendered incapable of fulfilling its obligations under the Certificate.

Remedies

In case any one or more of the Events of Default shall happen and be continuing, then and in every such case, but subject to certain provisions of the Certificate concerning certain remedies, the holder of any Bond at the time outstanding shall have the right, for the equal benefit and protection of all holders of the Bonds similarly situated, to proceed and protect and enforce the rights vested in such holders by the Certificate 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 duty, obligation, covenant or agreement contained in the Certificate or required by law, or to enjoin any acts or things which may be unlawful or in violation of the provisions of the Certificate and of the rights of the holders of the Bonds under the Certificate or under such laws, or in aid of the exercise of any power granted in the Certificate, or to enforce any other legal or equitable right vested in the holders of Bonds by the Certificate or by law, or to bring suit upon the Bonds.

Special Facility Leases and Special Obligation Bonds

The State, either in its own name or acting by and through the Department, may enter into contracts, leases or other agreements pursuant to which the Department will agree to construct a hangar, maintenance building or other aviation or airport or air navigation facility on land constituting part of the Undertaking or will agree to acquire or construct a hangar, maintenance building or other aviation or airport or air navigation facility on land not then constituting part of the Undertaking (which land if not then owned by the State may be acquired for such purpose), or to acquire and remodel, renovate or rehabilitate a building, structure, or other facility (including the site thereof) for aviation or airport or air navigation purposes (all said hangars, maintenance buildings or other structures and facilities being referred to in under this heading as the "Special Facility"), and lease such Special Facility under certain conditions as provided in the Certificate.

The term "Special Facility Lease" shall mean a lease of property, under and pursuant to which the lessee agrees to pay to the Department the certain required rentals as provided in the Certificate, and to pay in addition all

costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the leased property (including, without limitation, insurance, utilities, taxes or payments in lieu of taxes) under such conditions so that the amounts payable to the Department pursuant to said lease (exclusive of certain additional rental and of the ground rental, if any, in each case payable pursuant to the Certificate) shall be certainly paid free and clear of all charges and whether the leased property is capable of being occupied and used by the lessee or not.

The State, acting by and through the Department or otherwise, may issue Special Obligation Bonds for the purpose of constructing a Special Facility on ground then constituting part of the Undertaking or on ground not then constituting part of the Undertaking (which ground may then be owned by the State or acquired for that purpose), or to acquire and renovate and rehabilitate a Special Facility (including the acquisition of necessary land), for lease pursuant to the Certificate. Such Special Obligation Bonds (i) shall be payable solely from the rentals payable pursuant to the Certificate by the lessee under the Special Facility Lease entered into with respect to the Special Facility to be financed from such Special Obligation Bonds; (ii) shall not be a charge or claim against or payable from the Revenues or the Aviation Fuel Taxes or any other moneys in the Airport Revenue Fund; (iii) shall mature within both the useful life of the Special Facility to be financed from such Special Obligation Bonds and the term of the Special Facility Lease entered into with respect to such Special Facility; and (iv) shall not be issued unless and until there shall have been filed with the Department an opinion of Counsel to the Department that the leases for the Special Facility to be financed from such Special Obligation Bonds are valid and binding according to their terms and comply with the provisions of the Certificate.

Discharge of Obligations

The obligations of the State, including the Department, under the Certificate (including any Supplemental Certificate) and the pledges and trusts and the covenants and agreements of the State, including the Department, shall be fully discharged and satisfied as to any Bond, and the lien and charge of such Bond on the Revenues and Aviation Fuel Taxes shall be released, discharged and satisfied, and such Bond shall no longer be deemed to be outstanding hereunder when: (a) such Bond shall have been purchased and cancelled by the State or surrendered to the Director of Finance or other paying agent, transfer agent or registrar for cancellation or be subject to cancellation by him or it, or (b) payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or by declaration as provided in the Certificate, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Director of Finance or other paying agent for such Bond, in trust and irrevocably set aside exclusively for such payment, moneys sufficient to make such payment or Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of said paying agents. At such time as a Bond shall no longer be deemed to be outstanding hereunder, as aforesaid, such Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity or upon redemption or by declaration as aforesaid, or otherwise) and, except for the purposes of any such payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Certificate.

If any Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or upon redemption or prepayment or by declaration as provided in the Certificate or otherwise, or if any coupon shall not be presented for payment at the due date thereof, and if moneys or Governmental Obligations shall have been deposited in accordance with the terms of the Certificate with any paying agent therefor other than the Director of Finance, in trust for that purpose and sufficient and available to pay the principal and the premium, if any, of such Bond, together with all interest due thereon to the due date thereof or to the date fixed for the redemption or prepayment thereof, or to pay such coupon, as the case may be, then, subject to certain provisions the Certificate, all liability of the State for such payment shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of such paying agent to hold said moneys or Government Obligations, without liability to such Bondholder for interest thereon, in trust for the benefit of the holder of such Bond or coupon, who thereafter shall be restricted exclusively to said moneys or Governmental Obligations for any claim for such payment of whatsoever nature on his part.

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APPENDIX F

Form of Bond Counsel Opinion

February 3, 2022

Jade Butay
Director of Transportation
Department of Transportation
State of Hawaii
869 Punchbowl Street
Honolulu, Hawaii 96813

$262,315,000
STATE OF HAWAII
Airports System Revenue Bonds
consisting of

$209,280,000 Series 2022A (AMT)	**$53,035,000 Refunding Series 2022B (AMT)**

Dear Mr. Butay:

At the request of the State of Hawaii (the "*State*") acting through its Department of Transportation (the "*Department*"), we have acted as Bond Counsel in connection with the issuance by the State of its (i) $209,280,000 aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2022A (AMT) (the "*Series 2022A Bonds*") and (ii) $53,035,000 aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2022B (AMT) (the "*Series 2022B Bonds*" and, together with the Series 2022A Bonds, the "*Series 2022 Bonds*").

The Series 2022A Bonds are dated February 3, 2022, are in the denomination of $5,000 or any integral multiple thereof, and mature on July 1 in each of the years and in the respective principal amounts set forth below, with the Series 2022A Bonds maturing in a particular year bearing interest payable semiannually each January 1 and July 1, commencing July 1, 2022 at the rate per annum set opposite such year, as follows:

Maturity (July 1)	Amount ($)	Interest Rate (%)
2036	8,620,000	5.000
2037	9,050,000	5.000
2038	9,500,000	5.000
2039	9,975,000	4.000
2040	10,375,000	4.000
2041	10,795,000	4.000
2042	11,225,000	5.000
2047	11,000,000	4.000
2047	49,790,000	5.000
2051	78,950,000	5.000

The Series 2022B Bonds are dated February 3, 2022, are in the denomination of $5,000 or any integral multiple thereof, and mature on July 1 in each of the years and in the respective principal amounts set forth below, with the Series 2022B Bonds maturing in a particular year bearing interest payable semiannually each January 1 and July 1, commencing July 1, 2022 at the rate per annum set opposite such year, as follows:

Maturity (July 1)	**Amount ($)**	**Interest Rate (%)**
2023	33,185,000	5.000
2024	19,850,000	5.000

The Series 2022A Bonds are subject to optional and sinking fund redemption by the State prior to the respective stated maturities thereof as set forth in the Certificate (as defined herein). The Series 2022B Bonds are not subject to redemption prior to maturity.

The Series 2022 Bonds are transferable and exchangeable upon the terms and conditions set forth therein and have been authorized and issued pursuant to the laws of the State. The Series 2022 Bonds are being issued for the purpose of funding the costs of capital improvement projects at certain facilities of the Airports System of the State and refunding certain outstanding Airports System Revenue Bonds of the State. The Series 2022 Bonds are authorized to be issued and are issued under, pursuant to, and in full compliance with the Constitution and statutes of the State, including particularly, Part III of Chapter 39, Hawaii Revised Statutes, as amended, and under and pursuant to that certain Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds, dated as of May 1, 1969, as amended and supplemented (the "*Certificate*"), duly authorized and delivered under the aforesaid Part III, and pursuant to that certain Thirty-Fourth Supplemental Certificate of the Director of the Department of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds, Series 2022A (AMT) and Refunding Series 2022B (AMT), dated as of February 1, 2022 (the "*Supplemental Certificate*"), duly authorized and delivered under the aforesaid Part III and the Certificate. All capitalized terms used herein that are not herein otherwise defined shall have the meanings ascribed thereto in the Certificate.

The Series 2022 Bonds and any bonds heretofore or hereafter issued on a parity therewith under the Certificate are payable from the Revenues of the Undertaking net of the payment of the operation and maintenance expenses of the Undertaking.

The Internal Revenue Code of 1986 (the "*Code*") contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2022 Bonds. These requirements relate to, among other things, the use and investment of the proceeds of the Series 2022 Bonds, the periodic payment of certain amounts to the United States of America, and the use and tax ownership of any property financed or refinanced with proceeds of the Series 2022 Bonds. In the Tax Compliance Certificate dated the date hereof (the "*Tax Certificate*"), the Department has made certain certifications and representations and made certain covenants with respect to the Series 2022 Bonds in order to comply with these requirements. Our opinion expressly assumes and relies upon as being true, correct and complete, the certifications and representations and upon compliance with the covenants set forth in the Tax Certificate.

In rendering our opinions set forth herein, we have also assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the State or the Department. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Certificate, the Supplemental Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2022 Bonds to be included in gross income for federal income tax purposes under the Code.

The rights and obligations under the Series 2022 Bonds, the Certificate, the Supplemental Certificate and the Tax Certificate 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 the State. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing and existing law and in reliance thereon, as of the date hereof, we are of the following opinions:

(1) The Series 2022 Bonds have been duly authorized and issued by the State and, constitute valid special obligations of the State payable solely from and secured solely by a lien upon and pledge of Net Revenues, on a parity with all bonds which heretofore have been or hereafter may be issued under the Certificate, as set forth in the Certificate.

(2) The provisions of the Certificate and the Supplemental Certificate are valid in accordance with their terms.

(3) Under existing law, interest on the Series 2022 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the requirements of the Code, we are of the opinion that interest on the Series 2022 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes.

(4) Interest on the Series 2022 Bonds is not excludable from the gross income of owners who are "substantial users" of the facilities financed and refinanced with the proceeds of such Series 2022 Bonds or "related persons" to such substantial users (each as defined in Section 147(a) of the Code). In addition, we advise you that interest on the Series 2022 Bonds is an item of tax preference for purposes of the federal alternative minimum tax.

(5) Interest on the Series 2022 Bonds is exempt from all taxation by the State and any county or any political subdivision thereof, except inheritance, transfer and estate taxes and except to the extent the franchise tax imposed by the laws of the State on banks and other financial institutions may be measured with respect to the Series 2022 Bonds or income therefrom.

Certain agreements, requirements and procedures contained or referred to in the Certificate, the Supplemental Certificate, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Series 2022 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series 2022 Bond or the interest thereon if any such change occurs or action is taken or omitted.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We have not undertaken to determine, or to inform any person, as to any change in any existing law, regulation, ruling or judicial decision or the effect of any such change. Our engagement with respect to the Series 2022 Bonds concludes with their issuance, and we disclaim any obligation to update this letter after the date hereof.

Very truly yours,

KATTEN MUCHIN ROSENMAN LLP

APPENDIX G

Form of Continuing Disclosure Certificate

Dated February 3, 2022

$262,315,000
STATE OF HAWAII
Airports System Revenue Bonds
consisting of

$209,280,000 Series 2022A (AMT)	**$53,035,000 Refunding Series 2022B (AMT)**

This Continuing Disclosure Certificate (this "*Disclosure Certificate*") is executed and delivered by the State of Hawaii (the "*State*") acting through the State Director of Transportation (the "*Director of Transportation*") in connection with the issuance of its $209,280,000 State of Hawaii Airports System Revenue Bonds, Series 2022A (AMT) and $53,035,000 State of Hawaii Airports System Revenue Bonds, Refunding Series 2022B (AMT) (collectively, the "*Bonds*"). The Bonds are being issued pursuant to the authority of the Constitution and laws of the State, including, in particular, certain acts of the Legislature of the State, as implemented by that certain Certificate of the Director of Transportation of the State of Hawaii providing for the issuance of the Bonds (the "*Bond Certificate*"). Pursuant to the Bond Certificate, the State covenants and agrees as follows:

Section 1. **Purpose of Disclosure Certificate**. This Disclosure Certificate is being executed and delivered by the State acting through the Director of Transportation 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).

Section 2. **Definitions**. In addition to the definitions set forth in the Bond 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*" shall mean any Annual Report provided by the State acting through the Director of Transportation pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, 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.

"*Dissemination Agent*" shall mean the Director of Transportation or any successor Dissemination Agent designated in writing by the State acting through the Director of Transportation and which has filed with the State a written acceptance of such designation.

"*Financial Obligation*" shall mean 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 Exchange Act) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"*Holder*" shall mean the person in whose name any Bond shall be registered.

"*Listed Events*" shall mean any of the events listed in subsection 5(a) of this Disclosure Certificate.

"*MSRB*" shall mean 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.

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

"*Rule*" shall mean Rule l5c2-12(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 State acting through the Director of Transportation shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the State's fiscal year (presently June 30), provide to the MSRB an Annual report which 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; provided, that the audited financial statements of the Department of Transportation, Airports Division 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. If the State's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 Business Days prior to said date, the State acting through the Director of Transportation shall provide the Annual Report to the Dissemination Agent (if other than the Director of Transportation). If the State acting through the Director of Transportation is unable to provide to the MSRB an Annual Report by the date required in Section 3 (a) above, the State acting through the Director of Transportation shall send a notice to the MSRB in substantially the form attached as Exhibit B.

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

Section 4. **Contents of Annual Reports**. The Department of Transportation, Airports Division Annual Report shall contain or include by reference information of the type included in the final Official Statement (the "Official Statement") dated January 20, 2022, relating to the Bonds as set forth under the subheadings "THE AIRPORTS SYSTEM" and "FINANCIAL INFORMATION – Net Revenues and Taxes and Debt Service Requirements, Revenues, Aeronautical Revenues, Non-Aeronautical Revenues Other Than Concession Fees, Airports System Expenses, Debt Service Coverage and Cash and Cash Equivalents."

The audited financial statements of the Department of Transportation, Airports Division for the prior fiscal year shall be 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 of Transportation, Airports Division audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

Any of such information may be included by specific reference to other documents, including official statements of debt issues of the State or related public entities, which have been available to the public on the MSRB's website. The State acting through the Department of Transportation shall clearly identify each such other document so included by reference.

Section 5. **Reporting of Significant Events**. (a) Pursuant to the provisions of this Section 5, the State acting through the Department of Transportation shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. unscheduled draws on the debt service reserves reflecting financial difficulties;

4. unscheduled draws on the credit enhancements reflecting financial difficulties;

5. substitution of the credit or liquidity providers or their failure to perform;

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

7. modifications to rights of Certificate holders, if material;

8. (A) bond calls, if material, and (B) tender offers;

9. defeasances;

10. release, substitution or sale of property securing repayment of the Certificates, if material;

11. rating changes;

12. the foregoing event, such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as amended or supplemented from time to time, or any successor statute, and any and all rules and regulations issued or promulgated in connection therewith, 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 governing 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;

13. the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, 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 material agreement relating to any such actions, other than pursuant to its terms, if material;

14. appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. the incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect holders or beneficial holders, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

For the purposes of the events identified in subparagraphs (15) and (16) and the definition of "Financial Obligation" in Section 2 hereof, reference to the Rule includes the guidance provided by the SEC in Release No. 34 83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

(b) The Department shall in a timely manner, not in excess of ten (10) business days after the occurrence of a Listed Event, (i) where relevant pursuant to subsection (a) above, determine if such event would be material under applicable federal securities laws, and (ii) in all events, file notice of such occurrence with the MSRB in electronic format. If the Department determines that it failed to file its Annual Report in accordance with Section 4 or that it failed to give notice as required under this Section 5, it shall promptly file a notice of such determination in the same manner.

Section 6. **Termination of Reporting Obligation**. The State's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the State shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

Section 7. **Dissemination Agent**. The State acting through the Department of Transportation may, from time to time, 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. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State acting through the Department of Transportation pursuant to this Disclosure Certificate.

Section 8. **Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Certificate, the State acting through the Director of Transportation may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, 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

The amendment or waiver either: (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Certificate for amendments to the Bond Certificate with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, 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 State acting through the Director of Transportation 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 State acting through the Director of Transportation. 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 subsection 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 State acting through the Department of Transportation 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 Bond Certificate with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the State acting through the Department of Transportation to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the State, 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.

Section 12. **Governing Law**. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

STATE OF HAWAII

By____
Director of Transportation
State of Hawaii

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	State of Hawaii, Department of Transportation
Names of Bond Issues:	State of Hawaii Airports System Revenue Bonds, Series 2022A (AMT) and Refunding Series 2022B (AMT)
Date of Issuance:	February 3, 2022

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate February 3, 2022. [The State anticipates that the Annual Report will be filed by ___________.]

Dates:

STATE OF HAWAII
Acting through the Department of Transportation

By____
Name:____
Title:____

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APPENDIX H

Provision for Book-Entry Only System

The information set forth in this Appendix H is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information in this Appendix H concerning DTC has been obtained from sources believed to be reliable, but the State does not take any responsibility for the accuracy, completeness or adequacy of the information in this Appendix H. Investors wishing to use the facilities of any of the DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. The State will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in the Series 2022 Bonds held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2022 Bonds. The Series 2022 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 2022 Bond will be issued for each maturity of each issue of the Series 2022 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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.

Purchases of Series 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate (for the purposes of the discussion under "Book-Entry System," 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 2022 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 2022 Bonds representing their ownership interests in Series 2022 Bonds, except in the event that use of the Book-Entry System for the Series 2022 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022 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 2022 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 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022 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.

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. Beneficial Owners of Series 2022 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate or other Series 2022 Bond documents. For example, Beneficial Owners of Series 2022 Bonds may wish to ascertain that the nominee holding the Series 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative. Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar under the Certificate and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2022 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 2022 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2022 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 State 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 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2022 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 State or the Paying Agent under the Certificate, 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 State 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 State, or the Paying Agent under the Certificate, 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.

DTC may discontinue providing its services as securities depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2022 Bond certificates are required to be printed and delivered.

In reviewing this Official Statement it should be understood that while the Series 2022 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 2022 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 State 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 State 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 State.

None of the State, 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 2022 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 State to DTC), (iv) any consent given or other action taken by DTC as Owner of the Series 2022 Bonds or (v) any other event or purpose.