DEPARTMENT OF FINANCE
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pfm

# County of Hawaii

Statement of Qualifications for Public Finance (Financial Advising)

June 30, 2021


**PFM Financial Advisors LLC**
Christine Choi, Director
44 Montgomery Street
3rd Floor
San Francisco, CA 94104
(415) 393-7247
www.pfm.com

June 30, 2021

# County of Hawaii

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PFM Financial Advisors LLC

44 Montgomery Street
3rd Floor
San Francisco, CA
94104

415.982.5544
**www.pfm.com**

## ABOUT PFM

PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation.

Financial advisory services are provided by PFM Financial Advisors LLC and Public Financial Management, Inc. Both are registered municipal advisors with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) under the Dodd-Frank Act of 2010. Investment advisory services are provided by PFM Asset Management LLC which is registered with the SEC under the Investment Advisers Act of 1940. Swap advisory services are provided by PFM Swap Advisors LLC which is registered as a municipal advisor with both the MSRB and SEC under the Dodd-Frank Act of 2010, and as a commodity trading advisor with the Commodity Futures Trading Commission. Additional applicable regulatory information is available upon request.

Consulting services are provided through PFM Group Consulting LLC. Institutional purchasing card services are provided through PFM Financial Services LLC. PFM's financial modelling platform for strategic forecasting is provided through PFM Solutions LLC.

For more information regarding PFM's services or entities, please visit www.pfm.com.

June 30, 2021

Ms. Deanna Sako, Director of Finance
County of Hawai'i
25 Aupuni Street, Suite 2103
Hilo, Hawai'i 96720

*Submitted via email:* crystallene.pacheco@hawaiicounty.gov

pfm

44 Montgomery Street
Floor 3
San Francisco CA 94104

pfm.com

Dear Ms. Sako,

PFM Financial Advisors LLC ("PFM") is pleased to offer this proposal to provide financial advisory services to the County of Hawaii ("County"). We appreciate this opportunity to provide our qualifications and to demonstrate our eagerness to serve as the County's financial advisor. Our proposal provides a comprehensive look at the factors that positively differentiate PFM from other financial advisors who may serve the County. These factors are summarized below.

**FINANCIAL ADVISORY LEADERSHIP**

PFM has led the nation in advising on transactions for 26 consecutive years. This ongoing level of participation in the capital markets provides a high level of insight into the market movement that is of considerable value to our clients. The constant exposure to market dynamics allows us to understand credit and market demand, which we can use to the benefit of our clients. PFM is the industry leader in both competitive and negotiated sales, advising on more transactions than any other financial advisor. In 2020, PFM advised on 922 transactions totaling over $76.9 billion in par. We focus consistently on managing transactions efficiently, while ensuring that the clients' objectives are met or exceeded.

**BREADTH OF SERVICES**

Among financial advisory firms, only PFM offers such a wide range of services, including asset and money management, financial planning and budget consulting, arbitrage rebate and post issuance compliance, as well as management of debt transactions. These services are customized to fit the needs of each client, yet draw upon our broad experience to inform each situation.

**COMMITMENT TO THE STATE OF HAWAII**

PFM has been committed to the State of Hawaii, and we have worked on several projects at the State level as the State's Independent Registered Municipal Advisor (IRMA), pricing advisor, financial advisor, investment advisor, and other roles. We worked with the State's Budget & Finance Department to develop a comprehensive debt policy to govern the issuance of all State-related debt. In addition, we worked with each State debt issuing department in order to assess debt affordability, analyzing projections, evaluating metrics among peers and comparable entities, and reviewing credit fundamentals for each department. Most recently, we worked with the State of Hawaii Department of Transportation, Highways Division on a $137.2 million new money financing. Currently, we are working with the County of Maui on an upcoming general obligation bond new money transaction.

**UNMATCHED QUANTITATIVE AND TECHNICAL CAPABILITIES**

In the ever-evolving financial markets, it is critical that the County work with the highest level of technical resources. PFM has the technical capability to independently develop or analyze the different financing alternatives and capacity analyses that the County considers and to efficiently implement a cost-effective approach. Our resources and analytic capacity are on par with any investment bank, they exceed those of any other financial advisory group, and the County can be assured that it has access to state-of-the-art evaluation tools in evaluating all financial alternatives and financial products.

**INDEPENDENCE**

PFM is an independent financial advisor registered with the MSRB and SEC and does not engage in the underwriting or trading of financial products or securities. As such, PFM provides financial advice which is unbiased by the demands of investors, which influence the decisions of underwriters.

In crafting our response, we have attempted to illustrate our experience and qualifications and our unique approach to the County. We hope that the collective result is that we have been successful in conveying a clear picture of our unmatched financial advisory leadership, our breadth of resources and commitment to the County, and our quantitative and technical prowess. For all these reasons, we are confident that we can provide a uniquely strong level of support to the County. We would welcome a chance to discuss any aspect of our proposal with you.

Sincerely,

**PFM Financial Advisors LLC**

Brian Gallucci, Managing Director
44 Montgomery Street, 3rd Floor
San Francisco, CA 94104
(415) 982-5544 or galluccib@pfm.com

Christine Choi, Director
44 Montgomery Street, 3rd Floor
San Francisco, CA 94104
(415) 982-5544 or choic@pfm.com

## 1. THE NAME OF THE FIRM OR PERSON, CONTACT INFORMATION INCLUDING EMAIL ADDRESS, THE PRINCIPAL PLACE OF BUSINESS, AND LOCATION OF ALL OF ITS OFFICES

The PFM Group of companies is a national leader in providing independent financial advice. We are proud to help our clients meet their financial challenges with a broad array of products, backed by unquestioned professionalism and outstanding service.

**PFM**

**PFM Financial Advisors LLC / Public Financial Management, Inc.**

- Financial Advisory
- Debt Management and Bond Pricing Optimization
- Capital Structure Consulting
- Risk Management Advisory
- Rating Agency/Credit Enhancement Advisory
- Public-Private Partnerships

**PFM Asset Management LLC**

- Fixed Income Portfolio Management
- Structured Investments
- Arbitrage Rebate
- Multi-Asset Class Management
- Treasury Management Consulting

**PFM Group Consulting LLC**

- Labor and Workforce Consulting
- Organizational Turnarounds
- Retirement and Post-Employment Consulting
- Health and Human Services Consulting

**PFM Swap Advisors LLC**

- Swap Advisory Services
- SwapViewer®

**PFM Financial Services LLC**

- Payment Solutions

**PFM Solutions LLC**

- Synario Software

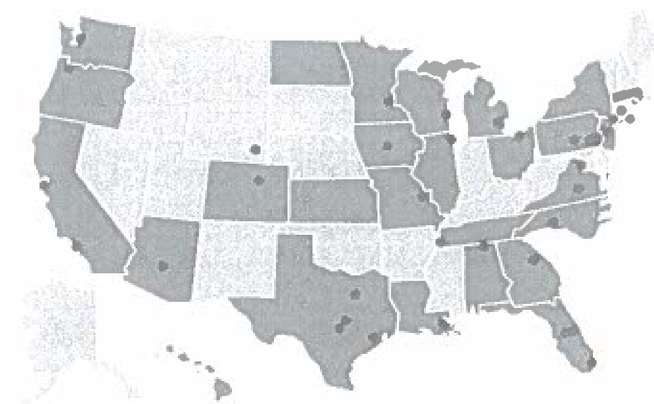
*Services provided by affiliates PFM Asset Management LLC, PFM Swap Advisors LLC, PFM Financial Services LLC, PFM Group Consulting LLC, and PFM Solutions LLC are offered pursuant to separate agreements.*

PFM's original financial advisory practice was founded in 1975 on the principle of providing sound, independent and fiduciary financial advice to public entities. Today, PFM is a national leader in providing independent financial advice to local, state, and regional government and non-profit clients for 46 years. PFM and its affiliates have more than 640 employees, located in 36 offices nationwide. PFM is headquartered in Philadelphia, PA. **The County would be served out of our San Francisco office.**

Christine Choi, Director in our San Francisco office, will serve as the contact for this contract.

**Christine Choi, Director**
**PFM Financial Advisors LLC**
**44 Montgomery Street, 3rd Floor**
**San Francisco CA 94104**
**(415) 393-7247**
choic@pfm.com

### PFM Office Locations*



*as of April 2021

UNITED STATES

| | | | | |
|---|---|---|---|---|
| Ann Arbor | Chicago | Long Island (West Holbrook) | Minneapolis | Richmond |
| Arlington | Cleveland | Los Angeles | New Orleans | San Francisco |
| Atlanta | Dallas | Malvern | New York | San Antonio |
| Austin | Denver | Memphis | Orlando | Seattle |
| Boston | Des Moines | Miami (Coral Gables) | Orlando East | St. Louis (Cottleville) |
| Chandler | Harrisburg | Milwaukee | Philadelphia | Wallingford |
| Charlotte | Houston | | Portland | |
| Cheyenne | Huntsville | | Princeton | |

2. THE AGE OF THE FIRM AND ITS AVERAGE NUMBER OF EMPLOYEES OVER THE PAST FIVE YEARS;

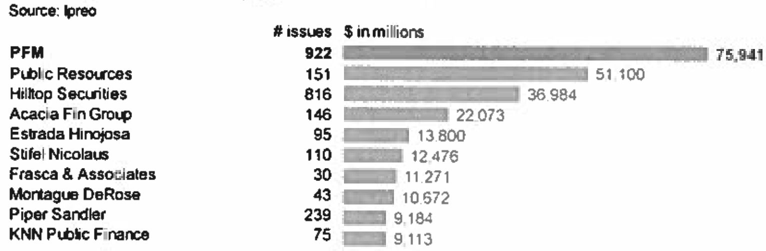
For over 46 years, PFM's mission and commitment to the highest quality of service has remained unchanged since the firm's foundation in 1975. Over the past five years, PFM has employed an average of 611 employees.

3. THE EDUCATION, TRAINING, AND QUALIFICATIONS OF THE INDIVIDUAL, OR IF A FIRM, ITS KEY EMPLOYEES IN ACCORDANCE WITH HRS 103D-304 AND/OR THE PROFESSIONAL AND SCIENTIFIC OCCUPATION SERIES CONTAINED IN THE UNITED STATES OFFICE OF PERSONNEL MANAGEMENTS' QUALIFICATIONS STANDARDS HANDBOOK;

## FIRM QUALIFICATIONS

PFM is the top-ranked financial advisor in terms of number of transactions and par amount.[1] While our top ranking is noteworthy, we believe it is also indicative of the depth of experience and the quality of services that our financial advisory team provides and the reputation of the firm in the market. As of December 31, 2020, PFM served as municipal advisor in 2020 on 922 issues for $75.9 billion in par as reflected in the image to the right.

**2020 Full Year Overall Long Term Municipal New Issues**
Municipal Financial Advisory Ranking - Full Credit to Each Financial Advisor
Source: Ipreo




As a municipal advisor, we fill a unique role in any bond transaction: we serve as a fiduciary to our clients, providing advice and acting in their best interests at all times. Regardless of the method of bond sale (competitive, negotiated, or direct placement), a municipal advisor is often viewed as the issuer's "go to" expert, providing leadership and coordination throughout the financing process. PFM Financial Advisors LLC is a registered Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

The PFM group of companies can provide the County with an array of services in addition to those related to debt and debt issuance and the scope of services in this proposal, some of which may be offered through separate entities within PFM as described above, subject to separate mutually agreeable agreements due to differing regulatory structures. Examples of these complementary services include, but are not limited to, Arbitrage Rebate services provided by the Arbitrage & Tax Compliance Group within PFMAM, and Investment Advisory services which are also provided by PFMAM. Synario is a strategic planning tool provided by PFM Solutions LLC. We can also provide specialized budget, management and labor management consulting provided by our Management and Budget Consulting team within PFM Group Consulting LLC.

[1] Source: Ipreo.

## PFM'S STATE OF HAWAII EXPERIENCE

**County of Maui:** We were hired to serve as the County's financial advisor in early 2020. We helped the County navigate its 2020 General Obligation Bond issuance in the midst of the pandemic. In addition to supporting development of appriorate COVID-19 disclosure, we developed a comprehensive credit strategy to address rating agency concerns with Hawaii credits generally. The County successfully locked in low borrowing rate of 1.99% and savings of over $2 million (10.6% of refunded par). We are currently in the process of working with the County on its 2021 General Obligation Bond issuance for additional capital needs. In addition, we support the County on an ongoing basis reviewing disclosure obligations, bond planning, CFD planning, and policy development. The County also participated in our in-person client training in February 2020.

**State of Hawaii IRMA Advisory Assignments:** We are proud to be the State of Hawaii's first IRMA advising on several debt-related matters. In our capacity as IRMA advisor, we assisted the State on analyzing financing options that were presented by underwriters. Some of these included new, innovative techniques. We carefully analyzed these options in the context of the State's specific goals as well as the associated financial risks and benefits. For DOT-Airports and DOT-Harbors, we **evaluated underwriter proposals** including private financing options for various projects (such as **energy conservation project** or ESCO) and refinancings (such a forward refundings), helping to ensure that the DOT was moving in a prudent direction in line with its goals and objectives. We then helped execute those transactions with the most favorable terms. Our demonstrated value is in providing a third-party perspective focused on the County's best interest.

<u>Other IRMA Work:</u> Leveraging our broad range of expertise, we have assisted the State with various other analysis such as evaluation of **Step Coupon Bonds** reflecting advantages of near-term cashflow savings, call flexibility and retail participation weighed against the disadvantages of high takedowns, pressure to call bonds, and uncertain demand. In addition, we have evaluated **Transient Accommodations Tax Revenue Bonds** in the context of Turtle Bay. We also evaluated the creation of an **excise tax securitization bond program** and potential advantages and disadvantages.

Our work with the State on these diverse projects is indicative of our ability to tackle any issue or question that comes our way and to provide the most appropriate, informed advice in any situation.

**State of Hawai Pricing Advisor:** PFM has been engaged as pricing advisor on several of the State's public and private debt issuances providing pricing advice or assistance on fourteen transactions for various State departments since 2012 totaling $4.4 billion in par. Since 2011, the State has utilized our dedicated pricing group and capital markets experience for data driven leverage in negotiated bond sales. Most recently, PFM supported the State on its 2019 General Obligation Bond sale and supported the negotiation of yields lower based on market conditions and significant investor demand. The estimated savings for the State as a result of repricing discussions post-order period alone were about $116,000 in present value debt service on what would have been $100,000 additional issue par amount. On the following page we present a list of PFM assisted transactions by Hawaii issuers, including Maui County, the State and various State Departments.

**Policy and Affordability:** As part of PFM's 2020 engagement with Maui County, we are reviewing and amending their debt policy with the aim to create a more comprehensinve draft that better aligns with the latest best practices as well as the County's long-term goals while balancing the need for debt-descipline with future flexibility.

We were engaged by the State and its departments to formulate a Statewide Debt Policy and Debt Affordability Study in 2016, and continue to review and update the Affordability Study every two years, that is, in 2018 and again in 2020. Through that process, we have a strong foundation of understanding with respect to the various financial nuances specific to the State and the State laws including the applicable Hawaii Revised Statutes. In 2015, we worked with the State to evaluate appropriate reserve fund balance levels considering the State's unique economic landscape as well as best practices among peers and highly rated States, that informed the State's reserve fund policy.

**PFM's Hawaii Experience List – Recent Transactions:**

PFM served as financial or pricing advisor to several Hawaii transactions in 2020-2021, including issuances by Maui County, DOT-Airports, DOT-Highways and State B&F, to the tune of over **$2.5 billion**.

| Debt Transaction | Par | Closing | Role |
|---|---|---|---|
| Maui County | | | |
| General Obligation Bonds, Series 2021 | TBD | Ongoing | Financial Advisor |
| General Obligation Bonds, Series 2020 | 74,420,000 | Sept-2020 | Financial Advisor |
| **Sub-Total** | **$74,420,000** | | |
| State of Hawaii - Budget and Finance | | | |
| General Obligation Bonds of 2020, Series GA | 147,555,000 | Oct-2020 | Pricing Advisor |
| Tax. General Obligation Bonds of 2020, Series GB | 600,000,000 | Oct-2020 | Pricing Advisor |
| Tax. General Obligation Refunding Bonds of 2020, Series GC | 400,000,000 | Oct-2020 | Pricing Advisor |
| Tax. General Obligation Bond Anticipation Note of 2020 | $600,000,000 | Apr-2020 | Pricing Advisor |
| General Obligation Bonds of 2019, Series FW | $431,665,000 | Feb-2019 | Pricing Advisor |
| Tax. General Obligation Bonds of 2019, Series FX | $75,000,000 | Feb-2019 | Pricing Advisor |
| Tax. General Obligation Bonds of 2019, Series FY | $68,335,000 | Feb-2019 | Pricing Advisor |
| General Obligation Bonds of 2018, Series FT | $631,215,000 | Feb-2018 | Pricing Advisor |
| Tax. General Obligation Bonds of 2018, Series FU | $50,000,000 | Feb-2018 | Pricing Advisor |
| Tax. General Obligation Bonds of 2018, Series FV | $93,785,000 | Feb-2018 | Pricing Advisor |
| General Obligation Refunding Bonds of 2017, Series FQ | $2,790,000 | Dec-2017 | IRMA |
| General Obligation Refunding Bonds of 2017, Series FR | $15,090,000 | Dec-2017 | IRMA |
| General Obligation Refunding Bonds of 2017, Series FS | $275,363,064 | Dec-2017 | IRMA |
| General Obligation Bonds of 2017, Series FK | $575,000,000 | May-2017 | Pricing Advisor |
| General Obligation Refunding Bonds of 2017, Series FL | $4,200,000 | May-2017 | Pricing Advisor |
| General Obligation Refunding Bonds of 2017, Series FM | $1,200,000 | May-2017 | Pricing Advisor |
| General Obligation Refunding Bonds of 2017, Series FN | $229,355,000 | May-2017 | Pricing Advisor |
| Tax. General Obligation Bonds of 2017, Series FO | $37,500,000 | May-2017 | Pricing Advisor |
| Tax. General Obligation Bonds of 2017, Series FP | $7,500,000 | May-2017 | Pricing Advisor |
| General Obligation Refunding Bonds of 2016, Series FD | $5,300,000 | Apr-2016 | Pricing Advisor |
| General Obligation Refunding Bonds of 2016, Series FE | $219,690,000 | Apr-2016 | Pricing Advisor |
| Tax. General Obligation Refunding Bonds of 2016, Series FF | $119,730,000 | Apr-2016 | Pricing Advisor |
| General Obligation Bonds of 2012, Series EE | $444,000,000 | Dec-2012 | Financial Advisor |
| General Obligation Refunding Bonds of 2012, Series EF | $396,990,000 | Dec-2012 | Financial Advisor |
| Tax. General Obligation Bonds of 2012, Series EG | $26,000,000 | Dec-2012 | Financial Advisor |
| **Sub-Total** | **$5,457,263,064** | | |
| DOT-Airports | | | |
| Airports System Revenue Bonds, Series 2020A | $113,140,000 | Oct-2020 | Financial Advisor |
| Airports System Revenue Bonds, Series 2020B | $165,885,000 | Oct-2020 | Financial Advisor |
| Airports System Revenue Bonds, Series 2020C | $20,295,000 | Oct-2020 | Financial Advisor |
| Airports System Revenue Bonds, Refunding Series 2020D | $184,855,000 | Oct-2020 | Financial Advisor |
| Airports System Revenue Bonds, Refunding Series 2020E | $98,315,000 | Oct-2020 | Financial Advisor |
| Customer Facility Charge Revenue Bonds, Series 2019A | $194,710,000 | Aug-2019 | Financial Advisor |
| Airport System Revenue Bonds, Series 2018A | $388,560,000 | Aug-2018 | Financial Advisor |
| Airport System Revenue Bonds, Series 2018B | $26,125,000 | Aug-2018 | Financial Advisor |
| Airport System Revenue Bonds, Refunding Series 2018C | $93,175,000 | Aug-2018 | Financial Advisor |
| Airport System Revenue Bonds, Refunding Series 2018D | $142,150,000 | Aug-2018 | Financial Advisor |

| Debt Transaction | Par | Closing | Role |
|---|---|---|---|
| Customer Facility Charge Revenue Bonds, Series 2017A | $249,805,000 | Jul-2017 | Financial Advisor |
| Lease Revenue COPs (ESCO Project) | $48,646,463 | Mar-2017 | IRMA |
| Airport System Revenue Bonds, Series 2015A | $235,135,000 | Nov-2015 | Pricing Advisor |
| Airport System Revenue Bonds, Series 2015B | $9,125,000 | Nov-2015 | Pricing Advisor |
| Airport System ConRAC 2014 EB-5 Loan | $76,000,000 | Aug-2014 | Financial Advisor |
| **Sub-Total** | **$2,045,921,463** | | |
| DOT-Harbors | | | |
| 2016 Direct Purchase | $100,000,000 | Dec-2016 | IRMA |
| **Sub-Total** | **$100,000,000** | | |
| DOT-Highways | | | |
| Highway Revenue Bonds, Series 2021 | $137,205,000 | May-2021 | Financial Advisor |
| Highways Revenue Bonds, Series 2011A | $112,270,000 | Dec-2011 | Pricing Advisor |
| Highways Revenue Bonds, Series 2011B | $5,095,000 | Dec-2011 | Pricing Advisor |
| **Sub-Total** | **$254,570,000** | | |
| DHHL | | | |
| Certificates of Participation, 2017 Series A | $15,125,000 | Aug-2017 | Pricing Advisor |
| Revenue Bonds, Series 2017 | $30,940,000 | Aug-2017 | Pricing Advisor |
| **Sub-Total** | **$46,065,000** | | |
| University of Hawai'i | | | |
| University Revenue Bonds, Series 2015A | $8,575,000 | Sep-2015 | Pricing Advisor |
| University Revenue Bonds, Series 2015B | $47,010,000 | Sep-2015 | Pricing Advisor |
| University Revenue Bonds, Taxable Series 2015C | $17,585,000 | Sep-2015 | Pricing Advisor |
| University Revenue Bonds, Taxable Series 2015D | $25,715,000 | Sep-2015 | Pricing Advisor |
| University Revenue Bonds, Series 2015E | $67,400,000 | Sep-2015 | Pricing Advisor |
| **Sub-Total** | **$166,285,000** | | |
| **Grand Total** | **$8,144,524,527** | | |

## TEAM QUALIFICATIONS

We have always devoted the time necessary to effectively manage projects on a timely basis for all of our clients and the County of Hawaii would be no exception. The PFM Team has the resources and capacity to be responsive and attentive to the County. PFM brings a team of senior experts to best serve the needs of the County. Brian Gallucci, Managing Director in San Francisco, will serve as engagement manager. He will ensure that the full resources of PFM are available to the County. Christine Choi, Director in San Francisco, will provide project management and day-to-day support. Supporting them will be Mudra Patel, Senior Managing Consultant in San Francisco, who will provide project support and extensive quantitative capabilities including technical analysis, debt capacity scenarios, capital program modeling, and credit-related research. PFM's team members are Series 50 Registered Municipal Advisors.

There are several professionals that may provide value to the County in specific areas of expertise at some point on this engagement and will be brought in when needed. Todd Fraizer, Managing Director, heads our pricing desk and prices more transactions than any other financial advisory and underwriting firm and is involved in nearly every negotiated transaction for which PFM is financial advisor – several hundred annually. In addition, Mr. Fraizer provides valuable input on bidding parameters for competitive sales to maximize bidder interest while preserving issuer flexibility. Peter Shellenberger, Managing Director, is an expert in surface transportation and transit.

Please see below for full resumes the core PFM Team members: Brian Gallucci, Christine Choi, and Mudra Patel.

**Brian Gallucci, Managing Director, San Francisco – Engagement Manager**

Mr. Gallucci joined PFM in 2005 and is currently staffed in the San Francisco office. Mr. Gallucci has been working with PFM clients for 15 years. Mr. Gallucci works primarily with airport and seaport clients, and helped form PFM's Airport Group, but also has experience advising the State of Hawaii on its Airport Revenue, Highway Revenue, and General Obligation bond issues. During his tenure at PFM, he has been involved the debt structuring of over $12 billion in bond issues. Although working primarily with transportation issuers, Mr. Gallucci has a thorough understanding of the State of Hawaii, serving as the State's IRMA, and providing insight and analysis on the State's many different credits.

Mr. Gallucci will provide technical and quantitative analysis, assist with financial and strategic planning, work on credit and investor materials, and help monitor the capital markets. In addition to his work with the State, Mr. Gallucci works with the San Francisco International Airport, the Port of Portland, the Massachusetts Port Authority, the Los Angeles International Airport, the McCarran Las Vegas International Airport, the Salt Lake City International Airport, the San José International Airport, and other transportation issuers.

Mr. Gallucci received his Bachelor's degree in Business Administration from the Kenan-Flagler Business School at the University of North Carolina. Mr. Gallucci is a Series 50 Registered Municipal Advisor.

**Christine Choi, Director, San Francisco – Co-Project Manager**

Christine Choi joined PFM's San Francisco office in 2007. Ms. Choi provides financial advisory project management for general municipal and transportation issuers including the City and County of San Francisco, City of Napa, City of Saint Helena, San Francisco International Airport, Los Angeles International Airport, Port of San Francisco, the Port of San Diego, San Francisco Municipal Transportation Agency, New Mexico Department of Transportation, and the State of Hawaii, among others.

Ms. Choi's responsibilities involve transaction management and strategic financial planning for municipal clients. During her tenure at PFM, Ms. Choi has been involved in the debt structuring of over $11 billion in bond issues. Her experience includes general obligation, certificates of participation, lease revenue, airport revenue, port revenue, state transportation revenue, sales tax revenue, and water revenue bond transactions. In addition, Ms. Choi has worked with several large issuers with complex debt and swap portfolios. She has worked closely with issuers to analyze development scenarios, assist in long-term financial planning associated with capital projects and debt capacity, financial projection implications, and bond transaction planning.

Ms. Choi received her Bachelor's degree in Molecular and Cell Biology from the University of California at Berkeley and a Bachelor's degree in Business Administration from the University of California at Berkeley. Ms. Choi is a Series 50 Registered Municipal Advisor.

**Mudra Patel, Senior Managing Consultant, San Francisco – Project Manager Support**

Mudra Patel joined PFM in 2015 and is currently located in the San Francisco office. She utilizes her technical capabilities to support quantitative analysis and financial modelling for the team. Her responsibilities include maintaining debt profiles of clients, refunding analysis, debt capacity analysis, bond sizing and structuring, credit analysis and rating presentation support.

Mudra also provides financial modelling support to toll revenue clients, airports and other transportation agencies on cash flow analysis, capacity analysis, feasibility analysis, evaluation of alternative project delivery structures and sensitivity analysis.

Prior to PFM, Mudra was a credit analyst at Standard and Poor's (S&P) Rating Services. During her four years at S&P, she worked on several GO bonds, special tax bonds and revenue bonds issued by Cities, Counties, School Districts and Special Districts in the west and south-west regions of United States.

Mudra has a master's degree in Finance from Leavey School of Business at Santa Clara University (California) as well as an MBA in Finance from Mumbai University. She has also passed the Series 50 exam and is a certified municipal advisor representative.

## 4. A LIST OF RECENT PROJECTS AND THE NAMES OF UP TO FIVE CLIENTS WHO MAY BE CONTACTED, INCLUDING AT LEAST TWO FOR WHOM SERVICES WERE RENDERED DURING THE PRECEDING YEAR; AND

The County is welcome to contact any of the PFM clients referenced in this proposal for more information about our services. As requested, we have provided references below.

**COUNTY OF MAUI** **2020-Present**

200 S. High Street, Kalana O Maui Building, 6th FL, Wailuku, HI 96793
Contact: Scott Teruya, Director, Department of Finance
(808) 270-7722 or Scott.Teruya@co.maui.hi.us
Reference for: Brian Gallucci, Christine Choi, and Mudra Patel

PFM has served as the County's financial advisor since early 2020. PFM helped the County navigate its 2020 General Obligation Bond issuance in the midst of the pandemic. In addition to supporting development of appropriate COVID-19 disclosure, PFM developed a comprehensive credit strategy to address rating agency concerns with Hawaii credits generally.

**STATE OF HAWAII – DEPARTMENT OF TRANSPORTATION AIRPORTS** **2011-Present**

400 Rodgers Boulevard, Suite 700, Honolulu, HI 96819
Contact: Kurt Yamasaki, Acting Fiscal Management Officer
(808) 838-8646 or kurt.yamasaki@hawaii.gov
Reference for: Brian Gallucci, Christine Choi, and Mudra Patel

Starting 2013, PFM served as the financial advisor to the Airport in planning and executing the multi-year multi-location Consolidated Rental Car facilities project including advising on Rental Car Lease Agreement and Indenture, an EB-5 loan and two installments of bond issuance in 2017 and 2019. In addition, PFM has served as financial advisor or pricing advisor on other recent airport bonds issuances.

**STATE OF HAWAII** **2011-Present**

Department of Budget and Finance
250 South Hotel Street, Room 302, Honolulu, HI 96813
Contact: Marilyn Chock, Public Debt Manager
(808) 586-1615 or marilyn.e.chock@hawaii.gov
Reference for: Brian Gallucci, Christine Choi and Mudra Patel

PFM has assisted the State of Hawaii on the development of a comprehensive debt policy and debt affordability study. In addition, PFM has served as pricing advisor on several of the State's bond issuances.

**STATE OF HAWAII DEPARTMENT OF TRANSPORTATION HIGHWAYS DIVISION 2021-Present**

Hawai'i Department of Transportation - Highways Division
869 Punchbowl Street Room 202, Honolulu, Hawai'i 96813
Contact: Tammy Lee, Esq., Administrative Services Officer
(808) 587-2218 or Tammy.L.Lee@hawaii.gov
Reference for: Brian Gallucci, Christine Choi

PFM recently worked with the State of Hawaii Department of Transportation, Highways Division on a new money financing. We evaluated potential advance refunding opportunities as well as bond structure alternatives. The Highways Division locked in an all-in borrowing cost of 2.48%.

## 5. ANY PROMOTIONAL OR DESCRIPTIVE LITERATURE WHICH THE INDIVIDUAL OR FIRM DESIRES TO SUBMIT.

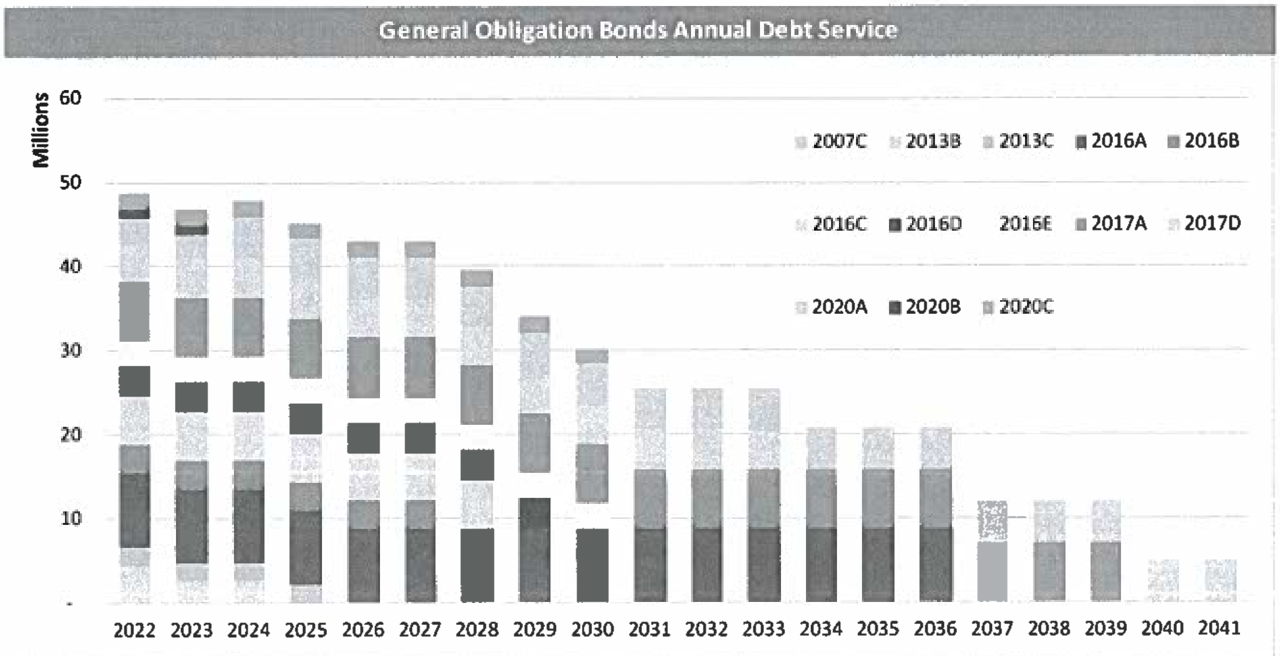
### DEBT OVERVIEW

PFM has utilized its Debt Profile model to monitor the County's debt portfolio. Hawaii County currently has 13 series of General Obligation Bonds outstanding for a total par amount of $412.5 million. We present a summary of the outstanding debt in the table below.

**The County of Hawaii's General Obligation Bond Debt**

| Series | Tax Status | Purpose | Issue Size | Delivery Date | Final Maturity | Outstanding Par | Call Date | Callable Par |
|---|---|---|---|---|---|---|---|---|
| 2007C | Tax-Exempt | Refunding | 16,540,000 | 1/30/2007 | 7/15/2021 | 1,840,000 | - | - |
| 2013B | Tax-Exempt | Refunding | 21,010,000 | 2/12/2013 | 9/1/2023 | 7,275,000 | 9/1/2022 | 2,525,000 |
| 2013C | Tax-Exempt | Refunding | 18,470,000 | 2/12/2013 | 9/1/2024 | 8,300,000 | 9/1/2022 | 4,315,000 |
| 2016A | Tax-Exempt | New Money | 99,620,000 | 2/18/2016 | 9/1/2035 | 95,440,000 | 3/1/2026 | 71,095,000 |
| 2016B | Tax-Exempt | Refunding | 26,995,000 | 2/18/2016 | 9/1/2026 | 17,660,000 | 3/1/2026 | 3,265,000 |
| 2016C | Tax-Exempt | Refunding | 44,835,000 | 2/18/2016 | 9/1/2027 | 33,650,000 | 3/1/2026 | 10,840,000 |
| 2016D | Tax-Exempt | Refunding | 28,860,000 | 2/18/2016 | 9/1/2028 | 24,180,000 | 3/1/2026 | 10,215,000 |
| 2016E | Tax-Exempt | Refunding | 25,415,000 | 2/18/2016 | 9/1/2029 | 23,355,000 | 3/1/2026 | 11,385,000 |
| 2017A | Tax-Exempt | New Money | 90,000,000 | 7/6/2017 | 9/1/2037 | 81,530,000 | 3/1/2027 | 60,230,000 |
| 2017D | Tax-Exempt | Refunding | 43,475,000 | 7/6/2017 | 9/1/2032 | 43,475,000 | 3/1/2027 | 24,435,000 |
| 2020A | Tax-Exempt | New Money | 59,815,000 | 11/4/2020 | 9/1/2040 | 59,815,000 | 9/1/2030 | 39,545,000 |
| 2020B | Taxable | Refunding | 2,315,000 | 11/4/2020 | 9/1/2022 | 2,315,000 | - | - |
| 2020C | Tax-Exempt | Refunding | 13,620,000 | 11/4/2020 | 9/1/2029 | 13,620,000 | - | - |
| **Total** | | | **490,970,000** | | | **412,455,000** | | **237,850,000** |

The County's debt profile (presented in the chart below) is "tapering" with annual debt service declining over time. We understand that to be a product of the statutory level debt service requirement on the County's GO bonds. As noted in the prior section, PFM worked with the State of Hawaii in developing its debt policy and we are well-versed with the Hawaii Revised Statutes (HRS) and State constitution as they pertain to GO bonds. Furthermore, from our experience working with Maui County as well as the State on GO bond issuances we understand the structuring constraints and parameters that guide the issuance of debt for Hawaii County. That puts us in an advantageous position to help Hawaii County structure any upcoming bonds issuances.




**Refunding Opportunity:** PFM screened the County's outstanding debt. The Series 2013 bonds are callable in 2022 with about $6.8 million aggregate callable par. These bonds may be advance refunded any time on a taxable basis. Alternatively, they can be current refunded with tax-exempt bonds any time on or after June 3, 2022. The next call date after that is in 2026 when Series 2016 bonds are callable. While these bonds may also be advance refunded with taxable debt at any time, the negative arbitrage associated with such long escrows erode savings and are not good candidates for advance refunding.

In the table to the right we present a summary of the refunding analysis. A detailed maturity-by-maturity analysis is presented on the following page.

| Refunding Summary | | |
|---|---|---|
| **Series** | **2013BC** | **2016ABCDE** |
| Call Date | 9/1/2022 | 3/1/2026 |
| Callable Par | 6,840,000 | 106,800,000 |
| Refunded Par | 6,840,000 | 106,800,000 |
| | | |
| <u>Taxable Advanace Refunding</u> | | |
| NPV Savings ($) | 118,456 | (3,688,910) |
| NPV Savings (%) | 1.7% | -3.5% |
| Negative Arbitrage | (56,944) | (8,050,592) |
| | | |
| <u>Current Refunding</u> | | |
| NPV Savings ($) | 242,284 | 13,347,633 |
| NPV Savings (%) | 3.5% | 12.5% |
| | | |
| <u>Current Refunding (+100 bps)</u> | | |
| NPV Savings ($) | 149,148 | 8,828,405 |
| NPV Savings (%) | 2.2% | 8.3% |

A taxable advance refunding of the Series 2013 bonds would yield net present value (NPV) savings of $118,000 or 1.7% of refunded par at current interest rates (as of June 24, 2021). Waiting to current refund those bonds with tax-exempt debt in 2022 would result in slightly better NPV savings of $242,000 or 3.5% of refunded par. If tax-exempt rates increase by about 100 bps (1.0%) between now and March 2022, the NPV savings would be about $149,000 or 2.2% of refunded par. The small amount of callable bonds and limited savings do not support a stand-alone refunding transaction. Rather the County could pursue the refunding alongside any new money transaction that the County may be planning in the near term.

We also evaluated the taxable advance refunding of Series 2016 bonds. However as mentioned before a long escrow (4.5 yrs) with high negative arbitrage ($8.0 million) do not support such a refunding at this time. A future tax-exempt current refunding in 2026 assuming today's interest rates would result in a $13.3 million NPV savings or 12.5% of refunded par. Even if rates were 1% higher than today, the NPV savings would be about $8.8 million or 8.3%.

| Refunded Bond Information | | | | Taxable Advance Refunding | | | Current Refunding | | | Current Refunding (+100 bps) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Series | Maturity | Par | Coupon | PV Savings | | Neg. Arb. | PV Savings | | Breakeven | PV Savings | |
| | | | | $ | % | $ | $ | % | % | $ | % |
| 2013B | 9/1/2023 | 2,525,000 | 3.00% | 10,367 | 0.4% | (18,445) | 43,910 | 1.7% | 1.30% | 18,161 | 0.7% |
| 2013C | 9/1/2023 | 2,115,000 | 4.00% | 29,218 | 1.4% | (15,563) | 57,884 | 2.7% | 1.33% | 36,159 | 1.7% |
| 2013C | 9/1/2024 | 2,200,000 | 4.00% | 78,871 | 3.6% | (22,937) | 140,489 | 6.4% | 1.36% | 94,828 | 4.3% |
| 2016A | 9/1/2026 | 5,645,000 | 5.00% | (248,299) | (4.4%) | (264,589) | 77,016 | 1.4% | NA | 48,059 | 0.9% |
| 2016A | 9/1/2027 | 5,935,000 | 5.00% | (105,342) | (1.8%) | (291,968) | 358,322 | 6.0% | NA | 265,558 | 4.5% |
| 2016A | 9/1/2028 | 6,235,000 | 5.00% | (151,483) | (2.4%) | (445,428) | 654,565 | 10.5% | NA | 490,087 | 7.9% |
| 2016A | 9/1/2029 | 6,555,000 | 5.00% | (138,234) | (2.1%) | (540,378) | 947,481 | 14.5% | NA | 703,491 | 10.7% |
| 2016A | 9/1/2030 | 6,890,000 | 5.00% | (69,945) | (1.0%) | (598,794) | 1,238,219 | 18.0% | NA | 907,168 | 13.2% |
| 2016A | 9/1/2031 | 7,245,000 | 5.00% | 24,034 | 0.3% | (645,782) | 1,539,349 | 21.2% | 3.84% | 1,112,989 | 15.4% |
| 2016A | 9/1/2032 | 7,615,000 | 5.00% | (2,884) | (0.0%) | (746,196) | 1,856,365 | 24.4% | NA | 1,326,095 | 17.4% |
| 2016A | 9/1/2033 | 8,010,000 | 5.00% | 27,891 | 0.3% | (820,116) | 2,166,511 | 27.0% | 3.65% | 1,524,444 | 19.0% |
| 2016A | 9/1/2034 | 8,335,000 | 3.00% | (968,984) | (11.6%) | (842,458) | 1,115,455 | 13.4% | NA | 418,498 | 5.0% |
| 2016A | 9/1/2035 | 8,630,000 | 4.00% | (518,201) | (6.0%) | (929,793) | 1,975,627 | 22.9% | NA | 1,142,895 | 13.2% |
| 2016B | 9/1/2026 | 3,265,000 | 4.00% | (153,665) | (4.7%) | (149,583) | 28,244 | 0.9% | NA | 11,577 | 0.4% |
| 2016C | 9/1/2026 | 5,285,000 | 5.00% | (232,464) | (4.4%) | (247,715) | 72,105 | 1.4% | NA | 44,994 | 0.9% |
| 2016C | 9/1/2027 | 5,555,000 | 5.00% | (98,598) | (1.8%) | (273,274) | 335,379 | 6.0% | NA | 248,555 | 4.5% |
| 2016D | 9/1/2026 | 3,235,000 | 5.00% | (142,294) | (4.4%) | (151,629) | 44,136 | 1.4% | NA | 27,541 | 0.9% |
| 2016D | 9/1/2027 | 3,405,000 | 5.00% | (60,436) | (1.8%) | (167,507) | 205,575 | 6.0% | NA | 152,355 | 4.5% |
| 2016D | 9/1/2028 | 3,575,000 | 5.00% | (86,857) | (2.4%) | (255,398) | 375,312 | 10.5% | NA | 281,004 | 7.9% |
| 2016E | 9/1/2026 | 2,725,000 | 5.00% | (119,861) | (4.4%) | (127,725) | 37,178 | 1.4% | NA | 23,200 | 0.9% |
| 2016E | 9/1/2027 | 2,825,000 | 2.00% | (152,127) | (5.4%) | (129,567) | 43,852 | 1.6% | NA | 951 | 0.0% |
| 2016E | 9/1/2028 | 2,885,000 | 2.25% | (226,779) | (7.9%) | (193,279) | 105,745 | 3.7% | NA | 32,552 | 1.1% |
| 2016E | 9/1/2029 | 2,950,000 | 2.50% | (264,382) | (9.0%) | (229,414) | 171,196 | 5.8% | NA | 66,392 | 2.3% |

We would love the opportunity to support the County in navigating its debt management opportunities and pursuing any financing strategies to further its financial objectives.