

RICHARD T. BISSEN, JR.
Mayor

MARCY MARTIN
Director

MARIA E. ZIELINSKI
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DEPARTMENT OF FINANCE
COUNTY OF MAUI
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June 26, 2025

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

A handwritten signature in black ink, appearing to read "Richard T. Bissen, Jr.", written over a horizontal line. To the right of the signature, the date "7-3-25" is handwritten. Below the signature, the word "Mayor" is printed in green, and below the date, the word "Date" is printed in green.

For Transmittal to:

Honorable Yuki Lei K. Sugimura, Chair
and Members of the Budget, Finance, and Economic Development Committee
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Sugimura and Members:

SUBJECT: COUNTY BOND ISSUANCE FOR CALENDAR YEAR 2025
(BFED-20(9))

Pursuant to your letter dated June 24, 2025, regarding the above-referenced matter, below are the responses to the following questions:

1. Is the Department on track to proceed with the planned bond issuance in August 2025? What is the anticipated bond amount?

Response: Yes, we are on track with a \$300 million bond issuance. The bond issue is expected to be sold at a premium and generate \$320 million in net proceeds for projects and reimbursements. Currently we are anticipating a closing date of August 13, 2025.

2. If the bond issuance is delayed, will the Fiscal Year 2026 General Budget Provisions need to be amended?

Response: At this point in time, we do not anticipate a delay or a need to amend the General Budget Provisions.

3. What are the County's current bond ratings?

Response: Our current credit rating agency ratings are: Standard & Poor's AA+, Fitch AA+, and Moody's AA2. The Administration met with the three rating agencies in late June and anticipate updated ratings for our upcoming bond issuance no later than July 11th.

4. Have the recurring material weaknesses and significant deficiencies reported in the audit reports affected the County's bond rating or ability to market the bonds?

Response: The rating agencies have access to and have reviewed the County's 2024 audits and currently adopted FY2026 budget. They have not expressed concern or inquired about the findings in the Single Audit Report. Their primary focus is on the County's Annual Comprehensive Financial Report (ACFR). We do not believe that the findings in the Single Audit Report will be a factor in the ratings particularly since those findings result from staffing issues and software limitations which are both being addressed.

- a. Has the County sought and received updated guidance from its municipal advisor or bond counsel regarding the audit findings and their potential effect on the bond issuance? What was the guidance received?

Response: The Municipal Advisor has been informed that both the staffing and software limitation issues are being addressed by the Finance Department. The Municipal Advisor does not believe these findings will have a material impact on the County's ability to market its bonds. The findings do not impede the ability or willingness of the County to pay debt service on the bonds and are not an issue with the bond rating agencies. Underwriters and investors have access to the Single Audit Report. The County's bond official statement includes the County's ACFR.

- b. If needed, what steps is the County taking to mitigate potential impacts on borrowing costs or investor confidence?

Response: Not applicable.

5. Are there changes in market conditions or interest rate assumptions that may affect the size, structure, or timing of the issuance?

Response: Bonds will be sold to net the County \$320 million in bond proceeds. Under current bond market conditions, the County should be able to market the bonds at interest rates that reflect the County's very strong bond ratings. At this point in time we are not aware of any factors that may impede the bond issuance timing or pricing. However, our Municipal Advisor is actively monitoring economic events and the upcoming calendar of other municipal bond issuances to ensure a favorable bid date and execution of our bond issuance. The Federal Reserve will be re-examining the Federal Funds rate in mid-July and there is a possibility of an interest-rate decrease. If that occurs, it could have a favorable impact on our cost of debt.

6. Are there any credit-rating agency reviews scheduled or anticipated prior to the upcoming bond issuance?

Response: The Administration met with all three credit rating agencies on June 23rd and June 24th. We expect to receive their updated credit ratings no later than July 11th.

7. Will the County pursue a negotiated sale or a competitive interest rate for the bond issuance?

Response: We will be issuing the bonds using competitive bidding.

8. What criteria will the County use to determine which bond sale method is most advantageous?

Response: The County considered both a negotiated and a competitive sale approach. The Government Financial Officers Association's (GFOA's) recommended best practice is to go with a competitive bid sale for the County's GO Bonds given the County's very high bond ratings unless bond market conditions dictate otherwise. Bond market conditions are currently stable and support a competitive sale. It is expected that multiple bids will be received. All active municipal bond underwriters will be notified and have an opportunity to bid on the County's bonds ensuring transparency and typically lower interest rates achievable by a competitive sale.

9. How will the bond issuance affect debt-service coverage requirements?

Response: The debt service for this bond issuance will be within the financial limits and metrics in accordance with the County's Debt Management Policy. Likewise, debt principal paydown is expected to be at or better than 50% in ten years including the new bond issuance.

10. Are there any financial limits or risks that bond counsel or the municipal advisor recommends the Council monitor during FY 2026?

Response: The current debt levels, management practices and the County's adopted Debt Management Policy are consistent with other bond issuers with similarly very strong bond ratings. Our Municipal Advisor will be present for the upcoming BFED Committee meeting and can further address this question.

Should you have any questions, please feel free to contact me or Deputy Director Maria Zielinski at extension 7722.

Sincerely,



MARCY MARTIN
Director of Finance

MM:mez

BFED Committee

From: Michelle L. Santos <Michelle.Santos@co.maui.hi.us>
Sent: Thursday, July 3, 2025 3:40 PM
To: BFED Committee
Cc: Cynthia E. Sasada; Erin A. Wade; Josiah K. Nishita; Kelii P. Nahooikaika; Marcy L. Martin; Maria E. Zielinski; Stacey M. Vinoray
Subject: MT#11105 COUNTY BOND ISSUANCE FOR CALENDAR YEAR 2025
Attachments: MT#11105-BFED Committee.pdf