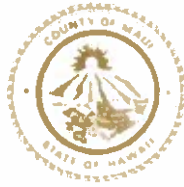


**RICHARD T. BISSEN, JR.**  
Mayor

**MARCY MARTIN**  
Director

**MARIA E. ZIELINSKI**  
Deputy Director



**DEPARTMENT OF FINANCE**  
COUNTY OF MAUI  
200 SOUTH HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
PHONE: (808) 270-7722  
[www.MauiCounty.gov](http://www.MauiCounty.gov)

July 9, 2025

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

**APPROVED FOR TRANSMITTAL**

 7-10-25  
Mayor Date

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 July 2, 2025, regarding the above-referenced matter, below are the responses to the following questions:

1. Which of the bond-funded projects listed in the attachment are included in the Fiscal Year 2026 Budget?

*Response: The projects on the last page of the Preliminary Report highlighted in green are the CIP included in the FY2026 budget.*

- a. Why were these projects included in the upcoming bond issuance?

*Response: The projects selected were deemed to be high priority.*

- b. What criteria were used for selecting these projects?

*Response: The priority of projects is based on a review and ranking by the coordinating department.*

- c. What are the advantages and disadvantages of including FY 2026 projects in the upcoming bond issuance? Please explain.

*Response: The advantage of utilizing bond proceeds for FY2026 budgeted projects is that the County will not have to make temporary loan transfers using County funds to pay for capital projects. Making such advances reduces the County's liquidity and possibly net investment earnings. Additionally, oftentimes the return on the County's investments (in its portfolio) is greater than the interest rate paid on the debt issued. This results in an opportunity for greater interest income to the County. There are no known disadvantages to including FY 2026 projects in the upcoming bond issuance.*

2. What is the time frame for utilizing bond proceeds? Does the in-service date apply to a project that is proposed for bond issuance? Please explain.

*Response: Approximately \$114.7 million of bond proceeds (subject to change as additional temporary transfers are made) will be reimbursed to the County on or about August 13, 2025. This represents funds spent to pay for CIP earmarked for bond funding from current and prior fiscal years. The remainder of approximately \$205.3 million will be used to fund earmarked bond-funded CIP as outlined on the Preliminary Schedule. Some of the CIP has already been placed in service while others have not.*

3. Does the Department expect all projects included in the bond issuance to be completed within the allowable time frame to avoid arbitrage liability or other penalties? If not, please identify which projects are at risk and what steps are being taken to reduce that risk.

*Response: The projects included in the bond issuance were identified and selected by the Management Department CIP Coordinator. These projects can reasonably be expected to be completed within three years. Provided that the County continues to monitor its rebate liabilities and file timely reports there should be no penalties. If the County earns more than the arbitrage yield on the 2025 Bonds, expected to be around 4%, the earnings in excess of 4% may be subject to rebate in five years.*

4. What specific strategies will the County pursue to minimize arbitrage liability for the planned bond issuance? Please explain whether the County will pursue spend-down exceptions, project substitutions, yield restriction strategies, permitted calculations, or other methods allowed by the Internal Revenue Service. Please explain.

*Response: It is unlikely that there will be a rebate liability relating to the planned bond issuance as the expected arbitrage yield is 4% as compared to the 2-year Treasury bill which is currently trading at 3.88%. The County will work to spend the bond proceeds as soon as possible to take advantage of any temporary periods allowable in the tax law.*

5. How does the County manage arbitrage liabilities associated with bond issuances, including who is responsible for tracking and calculating the liability?

*Response: The County has engaged Hawkins Delafield and Wood (also our current bond counsel) to manage the calculation and reporting of any arbitrage liabilities associated with bond issuances.*

6. How is the arbitrage liability calculated, including the assumptions and benchmarks used in the calculation?

*Response: The Tax Division of Hawkins Delafield and Wood handles all calculations, analysis and rebate reporting. Generally, if investment earnings on bond proceeds exceed the arbitrage yield on the bonds, after 5 years the County will be required to rebate any excess earnings to the Federal Government. The County will keep any investment earnings up to the arbitrage yield.*

7. What is the anticipated timeline for monitoring unspent bond proceeds, managing project completion, and completing the next arbitrage rebate calculation and payment, if required?

*Response: The Finance Department, together with the coordinating agency, will work to complete projects as soon as possible and fund those projects from bond proceeds. All rebate monitoring and reporting is performed by Hawkins Delafield and Wood on an ongoing basis.*

8. Does the County plan to spend at least 85 percent of the proceeds from the 2025 Bond Issuance within the three-year IRS spend-down period for tax-exempt compliance? Please explain.

Chair Sugimura and Members of the BFED Committee  
Response to BFED-20(9)  
July 9, 2025  
Page 4

*Response: The prioritization performed by the Management Department was based on the IRS requirement that the County has a reasonable expectation that 85% of the bond proceeds will be spent within three years. The County is always subject to an IRS tax compliance audit. If audited, the County's reasonable expectation could be challenged. This requirement is unrelated to rebate liability.*

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Marcy Martin', with a stylized flourish extending to the right.

MARCY MARTIN  
Director of Finance

## BFED Committee

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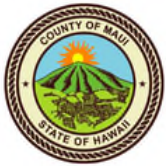
**From:** Estrelita B. Dahilig <Estrelita.B.Dahilig@co.maui.hi.us>  
**Sent:** Thursday, July 10, 2025 10:50 AM  
**To:** BFED Committee; Yukilei Sugimura  
**Cc:** Marcy L. Martin; Maria E. Zielinski; Stacey M. Vinoray; Josiah K. Nishita; Erin A. Wade; Cynthia E. Sasada; Kelii P. Nahooikaika  
**Subject:** TRANSMITTAL: COUNTY BOND ISSUANCE FOR CALENDAR YEAR 2025 (BFED-20(9)  
**Attachments:** MT#11120.Sugimura.Yuki.BFED.Chair.pdf

Aloha,

Please see attached transmittal dated July 9, 2025, from Director of Finance Marcy Martin regarding the above subject matter.

Thank you and have a great day!

Mahalo,  
Lita



**Lita B. Dahilig**

Secretary

County of Maui  
Office of the Mayor  
808-270-7855  
estrelita.b.dahilig@co.maui.hi.us