

Very strong budgetary flexibility

Maui County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2017 of 26% of operating expenditures, or \$77.3 million.

We expect that the county's budgetary flexibility will remain very strong, as the county continues to build up its contingency reserves to 20% of expenditures. Included in the available reserves is the portion of the committed reserves that is committed for contingencies.

Very strong liquidity

In our opinion, Maui County's liquidity is very strong, with total government available cash at 58.0% of total governmental fund expenditures and 8.3x governmental debt service in 2017. In our view, the county has strong access to external liquidity if necessary.

The county does not have plans to spend down reserves significantly, and we do not expect that liquidity will deteriorate. The county primarily invests in highly rated federal and local government bonds, which we do not consider to be aggressive. The county does not have any variable-rate or other debt that we believe could lead to a liquidity risk.

Strong debt and contingent liability profile

In our view, Maui County's debt and contingent liability profile is strong. Total governmental fund debt service is 7.0% of total governmental fund expenditures, and net direct debt is 64.9% of total governmental fund revenue. Overall net debt is low at 0.7% of market value, and approximately 67.0% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

We expect that the county's debt profile will remain strong, although the county plans to issue up to \$80 million in 2019 to fund a redevelopment project in Wailuku.

In our opinion, a credit weakness is Maui County's large pension and OPEB obligation. Maui County's combined required pension and actual OPEB contributions totaled 13.0% of total governmental fund expenditures in 2017. Of that amount, 6.7% represented required contributions to pension obligations, and 6.3% represented OPEB payments. The county made its full annual required pension contribution in 2017. The funded ratio of the largest pension plan is 54.8%.

The county participates in the state's employees' retirement system for pension and other postemployment benefits (OPEBs), which is a multiple-employer defined-benefit plan. Although the 2017 audit shows high pension and OPEB spending (13% of expenditures), this is due to the county fully funding its OPEB annual required contribution (ARC) payments. Due to its full funding of the OPEB ARC and to a one-time \$97 million payment in fiscal 2014, the county OPEB funded ratio is now 39.3%. The county continues to budget for full funding of its pensions and OPEBs.

Strong institutional framework

The institutional framework score for Hawaii counties is strong.

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Submitted by Managing Director