**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 3, 2025**

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

*The delivery of the Series 2025A Bonds and the Series 2025B Bonds (collectively, the "Series 2025A/B Bonds") and the Series 2025C Bonds and the Series 2025D Bonds (collectively, the "Series 2025C/D Bonds") is subject to the opinion of Katten Muchin Rosenman LLP, Bond Counsel, to the effect that under existing law, interest on the Series 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D 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 2025A Bonds and the Series 2025C Bonds is an item of tax preference for purposes of computing alternative minimum tax, (ii) interest on the Series 2025A Bonds and the Series 2025C 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, and (iii) interest on the Series 2025B Bonds and the Series 2025D Bonds is not an item of tax preference for purposes of the alternative minimum tax; however, such interest is included in the adjusted financial statement income of those corporations subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, under the existing statutes, interest on the Series 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D Bonds or income therefrom. See "TAX MATTERS" herein.*

**$855,000,000***
**STATE OF HAWAII**
**Airports System Revenue Bonds**

consisting of

| | | | |
|---|---|---|---|
| **$325,000,000*** | **$310,000,000*** | **$165,000,000*** | **$55,000,000*** |
| **Series 2025A** | **Series 2025B** | **Refunding** | **Refunding** |
| **(AMT)** | **(Non-AMT)** | **Series 2025C** | **Series 2025D** |
| | | **(AMT)** | **(Non-AMT)** |

The $325,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2025A (AMT) (the "*Series 2025A Bonds*"), $310,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2025B (Non-AMT) (the "*Series 2025B Bonds*"), $165,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2025C (AMT) (the "*Series 2025C Bonds*"), and $55,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2025D (Non-AMT) (the "*Series 2025D Bonds*" and, collectively with the Series 2025A Bonds, the Series 2025B Bonds, and the Series 2025C Bonds, the "*Series 2025 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 2025 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 2025 Bonds. The Series 2025 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, 2025. The Series 2025 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 2025 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 2025 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 2025 Bonds will initially be made in denominations of $5,000 or integral multiples thereof. Beneficial owners of the Series 2025 Bonds will not receive physical delivery of Series 2025 Bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2025 Bonds. So long as DTC or its nominee is the registered owner of the Series 2025 Bonds, payment of the principal of, and premium, if any, and interest on, the Series 2025 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 2025 BONDS – Book-Entry Only System**" herein).

**The Series 2025 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 2025 Bonds. Neither the real property nor the improvements comprising the Airports System have been pledged or mortgaged to secure payment of the Series 2025 Bonds.**

All purchasers of the Series 2025 Bonds, by their purchase of the Series 2025 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 2025 BONDS – Amendment to the Certificate**" herein.

This cover page contains certain information for quick reference only. It is not a summary of the bond issue. Prospective investors must read the entire Official Statement (including the Appendices) to obtain information essential to the making of an informed investment decision.

*The Series 2025 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 2025A and the Series 2025B Bonds in definitive form will be available for delivery on or about February __, 2025 and that the Series 2025C Bonds and the Series 2025D Bonds in definitive form will be available for delivery on or about April __, 2025.*

## Barclays    BofA Securities

Dated: ____________, 2025

* Preliminary, subject to change.

**$325,000,000***
**STATE OF HAWAII**
**AIRPORTS SYSTEM REVENUE BONDS,**
**SERIES 2025A**
**(AMT)**

| Maturity Date (July 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP (419794) † |
|---|---|---|---|---|---|

$_______ ____% Term Bonds due July 1, 20__, Priced: _____ to yield _____%, CUSIP† ________

**$310,000,000***
**STATE OF HAWAII**
**AIRPORTS SYSTEM REVENUE BONDS,**
**SERIES 2025B**
**(Non-AMT)**

| Maturity Date (July 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP (419794) † |
|---|---|---|---|---|---|

$_______ ____% Term Bonds due July 1, 20__, Priced: _____ to yield _____%, CUSIP† ________

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* Preliminary, subject to change.

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**$165,000,000***
**STATE OF HAWAII**
**AIRPORTS SYSTEM REVENUE BONDS,**
**REFUNDING SERIES 2025C**
**(AMT)**

| Maturity Date (July 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP (419794) † |
|---|---|---|---|---|---|

$_______ ____% Term Bonds due July 1, 20__, Priced: _____ to yield _____%, CUSIP† ________

**$55,000,000***
**STATE OF HAWAII**
**AIRPORTS SYSTEM REVENUE BONDS,**
**REFUNDING SERIES 2025D**
**(Non-AMT)**

| Maturity Date (July 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP (419794) † |
|---|---|---|---|---|---|

$_______ ____% Term Bonds due July 1, 20__, Priced: _____ to yield _____%, CUSIP† ________

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* Preliminary, subject to change.

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## 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 2025 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 2025 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 2025 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 2025 Bonds are further qualified by reference to the information with respect thereto contained in the Certificate (including the Thirty-Fifth 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 2025 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 2025 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 2025 Bonds. No assurance can be given that the CUSIP numbers will remain the same after the date of issuance and delivery of the Series 2025 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**

Josh Green, Governor

Sylvia Luke, Lieutenant Governor

**DEPARTMENT OF TRANSPORTATION**

| | |
|---|---|
| Director | Edwin H. Sniffen |
| Deputy Director, Airports | Curt T. Otaguro |
| Deputy Director, Harbors | DreanaLee Kalili |
| Deputy Director, Highways | Robin K. Shishido |
| Deputy Director, Administration | Tammy L. Lee |
| Administrator, Airports Division | Ford Fuchigami |

**SPECIAL SERVICES**

**Paying Agent and Registrar**
U.S. Bank Trust Company, National Association
Seattle, Washington

**Airport Consultant**
ICF Incorporated, L.L.C.
Cambridge, Massachusetts

**Bond Counsel**
Katten Muchin Rosenman LLP
New York, New York

**Municipal Advisor**
Frasca & Associates, LLC
New York, New York

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**OFFICIAL STATEMENT**

**\$855,000,000***
**STATE OF HAWAII**
**Airports System Revenue Bonds**
consisting of

| | | | |
|---|---|---|---|
| **\$325,000,000*** <br> **Series 2025A** <br> **(AMT)** | **\$310,000,000*** <br> **Series 2025B** <br> **(Non-AMT)** | **\$165,000,000*** <br> **Refunding** <br> **Series 2025C** <br> **(AMT)** | **\$55,000,000*** <br> **Refunding** <br> **Series 2025D** <br> **(Non-AMT)** |

## 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 \$325,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2025A (AMT) (the "*Series 2025A Bonds*"), \$310,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2025B (Non-AMT) (the "*Series 2025B Bonds*"), \$165,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2025C (AMT) (the "*Series 2025C Bonds*"), and \$55,000,000* aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2025D (Non-AMT) (the "*Series 2025D Bonds*" and, collectively with the Series 2025A Bonds, the Series 2025B Bonds, and the Series 2025C Bonds, the "*Series 2025 Bonds*"). See "**DESCRIPTION OF THE SERIES 2025 BONDS**" below for a description of the principal terms of the Series 2025 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 2025 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-Fifth Supplemental Certificate, dated as of February 1, 2025 (the "*Thirty-Fifth Supplemental Certificate*"). Pursuant to the Certificate, the State has previously issued 46 Series of State of Hawaii Airports System Revenue Bonds (the "*Prior Bonds*"). As of January 1, 2025, \$1,666,885,000 of the Prior Bonds were outstanding. The outstanding Prior Bonds, the Series 2025 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 2025 Bonds are being issued: (i) to pay or reimburse 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 2025A Bonds and the Series 2025B Bonds, (iii) to fund a deposit into the Debt Service Reserve Account, (iv) to provide for the refunding of all or a portion of the outstanding State of Hawaii Airports System Revenue Bonds, Series 2015A (AMT) and/or State of Hawaii Airports System Revenue Bonds, Series 2015B (Non-AMT) (the "*Refunded Bonds*"), and (v) to pay certain costs of issuance relating

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* Preliminary, subject to change.

to the Series 2025 Bonds. See "**DESCRIPTION OF THE SERIES 2025 BONDS – Sources and Uses of Funds**" below.

The Bonds, including the Series 2025 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 2025 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 2025 Bonds. All Bonds, including the Series 2025 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*") on Oahu, 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[1], the Department prepares a capital improvements program 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.

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 capital improvements program and projects developed in coordination with the signatory airlines; summaries of the Series 2025 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 2025 Bonds are qualified by the definitive forms of such Certificate and the Series 2025 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 2025, dated February 3, 2025 (the "*Report of the Airport Consultant*"), prepared by ICF Incorporated, L.L.C. (the "*Airport Consultant*"); Appendix B – Audited Financial Statements; Appendix C – General Economic

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[1] 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 Official Statement, "fiscal year" refers to the calendar year in which such fiscal year ended. For example, "fiscal year 2024" means the fiscal year that began July 1, 2023 and ended June 30, 2024.

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 Opinions; Appendix G – Form of Continuing Disclosure Certificate; and Appendix H – Provision for Book-Entry Only System.

**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. Plante & Moran, PLLC, independent auditors, which audited the Airports Division's financial statements, has neither examined nor compiled this prospective financial information and, accordingly, Plante & Moran, PLLC does not express an opinion or offer any other form of assurance with respect thereto. The Plante & Moran, PLLC 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 2025 BONDS

**General Provisions Regarding the Series 2025 Bonds**

The Series 2025 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 2025 Bonds will be available in denominations of $5,000 and integral multiples thereof. Interest on the Series 2025 Bonds will be payable on July 1, 2025, and on each January 1 and July 1 thereafter.

The Depository Trust Company ("*DTC*") will act as securities depository for the Series 2025 Bonds. The Series 2025 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 2025 Bonds, all payments of principal, premium, if any, and interest on the Series 2025 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 2025 BONDS – Book-Entry Only System**" below and Appendix H – Provision for Book-Entry Only System.

**Redemption**

***Optional Redemption.*** The Series 2025A 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, 20__ 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 2025B 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, 20__ 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 2025C 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, 20__ 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 2025D 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, 20__ 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.

***Sinking Fund Account Redemption.*** The Series 2025A Bonds maturing July 1, 20__ and bearing interest at the rate of ______% 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:

**$________**
**Series 2025A Bonds**
**Maturing July 1, 20__ (______% per annum)**

| Year | Principal Amount |
|---|---|
| * | |

*Stated maturity.

The Series 2025B Bonds maturing July 1, 20__ and bearing interest at the rate of ______% 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:

**$________**
**Series 2025B Bonds**
**Maturing July 1, 20__ (______% per annum)**

| Year | Principal Amount |
|---|---|
| * | |

*Stated maturity.

The Series 2025C Bonds maturing July 1, 20__ and bearing interest at the rate of ______% 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:

**$________**
**Series 2025C Bonds**
**Maturing July 1, 20__ (______% per annum)**

| Year | Principal Amount |
| --- | --- |
| * | |

*Stated maturity.

The Series 2025D Bonds maturing July 1, 20__ and bearing interest at the rate of ______% 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:

**$________**
**Series 2025D Bonds**
**Maturing July 1, 20__ (______% per annum)**

| Year | Principal Amount |
| --- | --- |
| * | |

*Stated maturity.

***Notice of Redemption.*** In the event of redemption of the Series 2025 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 2025 Bond in whose name the Series 2025 Bond is registered in the books of registry. No exchanges or transfers of the Series 2025 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 2025 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 2025 BONDS – Book-Entry Only System**" below.

***Selection of Series 2025 Bonds for Redemption.*** If less than all of a maturity of the Series 2025 Bonds is to be redeemed, the Series 2025 Bonds of such maturity to be redeemed will be selected by lot. See "**DESCRIPTION OF THE SERIES 2025 BONDS – Book-Entry Only System**" below for a description of DTC's practices.

***Effect of Redemption.*** If a Series 2025 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 2025 Bond are held for such purpose by U.S. Bank Trust Company, National Association, Seattle, Washington, as the Paying Agent and Registrar, such Series 2025 Bond so called for redemption shall become due and payable, and interest on such Series 2025 Bond shall cease to accrue on the redemption date designated in such notice.

Upon surrender of any Series 2025 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 2025 Bond or Series 2025 Bonds representing the unredeemed principal amount of the Series 2025 Bond surrendered.

**Sources and Uses of Funds**

The following table sets forth the sources and uses of the proceeds of the Series 2025 Bonds:

| SOURCES: | Series 2025A Bonds | Series 2025B Bonds | Series 2025C Bonds | Series 2025D Bonds | Total |
|---|---|---|---|---|---|
| Par Amount | $ | $ | $ | $ | $ |
| Premium/Discount | | | | | |
| Other Available Money | | | | | |
| Total Sources | $ | $ | $ | $ | $ |
| | | | | | |
| USES: | | | | | |
| Deposit to Project Fund | $ | $ | $ | $ | $ |
| Deposit to Escrow Fund | | | | | |
| Deposit to Interest Account(1) | | | | | |
| Deposit to Debt Service Reserve Fund | | | | | |
| Issuance Expenses(2) | | | | | |
| Total Uses | $ | $ | $ | $ | $ |

(1) To pay part of the interest on the Series 2025A Bonds and the Series 2025B Bonds through ______, 20__.
(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 2025C Bonds and the Series 2025D Bonds, together with other available money, will be deposited with U.S. Bank Trust Company, National Association, as escrow agent (the "*Escrow Agent*"), in two escrow funds (the "*Series 2025C Escrow Fund*" and the "*Series 2025D Escrow Fund*" respectively, and collectively, the "*Escrow Funds*") 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 2025 Bonds, by and between the Department and the Escrow Agent, to be applied to the redemption of the Refunded Bonds. Subject to final determination in connection with the pricing of the Series 2025C Bonds and the Series 2025D Bonds, the Department has identified the bonds set forth below as potential refunding candidates. The Refunded Bonds will be selected based upon market conditions, bond structure or other factors at the time of pricing and the Department's internal policies for issuing refunding bonds. Selection of the Refunded Bonds is at the sole and absolute discretion of the Department. The following table sets forth the preliminary schedule of Refunded Bonds.

*[Remainder of page intentionally left blank.]*

**Schedule of Refunded Bonds***

| Series | Maturity Date | Amount Outstanding ($) | Amount to be Refunded ($) | Interest Rate (%) | Redemption Date | Redemption Price | CUSIP Number† |
|---|---|---|---|---|---|---|---|
| 2015A | 7/1/2041 | 70,865,000 | 70,865,000 | 5.000% | 7/1/2025 | 100.000 | 419794ZN5 |
| 2015A | 7/1/2045 | 1,685,000 | 1,685,000 | 4.125% | 7/1/2025 | 100.000 | 419794ZM7 |
| 2015A | 7/1/2045 | 162,585,000 | 162,585,000 | 5.000% | 7/1/2025 | 100.000 | 419794ZL9 |
| 2015B | 7/1/2045 | 9,125,000 | 9,125,000 | 4.000% | 7/1/2025 | 100.000 | 419794ZP0 |

* Preliminary, subject to change.
† 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 2025 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 2025 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 2025 Bonds, the Series 2025 Bonds will be exchangeable for other fully registered certificated Series 2025 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 2025 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 2025 Bonds, payment of interest will be made by wire transfer as directed by such Holder. Payment of principal of the Series 2025 Bonds will be made upon presentation and surrender of such Series 2025 Bonds at the office of the Paying Agent and Registrar.

NEITHER THE DEPARTMENT NOR U.S. BANK TRUST COMPANY, 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 2025 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 2025 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 2025 BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2025 BONDS; OR (vi) ANY OTHER MATTER RELATING TO DTC OR THE BOOK-ENTRY ONLY SYSTEM.

**Transfer of Series 2025 Bonds**

So long as Cede & Co., as nominee for DTC (or other nominee of DTC), is the Bondholder of record of the Series 2025 Bonds, beneficial ownership interests in the Series 2025 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 2025 Bond certificates will be delivered to the Beneficial Owners as described in the Certificate. Thereafter, the Series 2025 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 2025 Bonds of the same maturity and of any Authorized Denominations.

In all cases in which the privilege of exchanging or transferring Series 2025 Bonds is exercised, the Department shall execute and authenticate and deliver the Series 2025 Bonds in accordance with the provisions of the Certificate. For every such exchange or transfer of Series 2025 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-Fifth 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-Fifth Supplemental Certificate provides the terms of the Series 2025 Bonds including the principal amounts, the interest rates, the maturities, the redemption provisions and the covenants of the Department. The Series 2025 Bonds are being issued pursuant to the Certificate, the Thirty-Fifth 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 2025 Bond, each purchaser of a Series 2025 Bond, by his or her acceptance thereof, will consent to the proposed amendment contained in the Thirty-Fifth Supplemental Certificate and waive any revocation rights relating to such consent. After delivery of the Series 2025 Bonds, holders representing approximately ____% of the total amount of Bonds outstanding at such time will have consented to the proposed amendment and such amendment shall be effective upon the delivery of the Series 2025 Bonds. 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 methodology for selection of redemption of the Series 2025 Bonds is set forth under the subcaption "**Redemption – Selection of Series 2025 Bonds for Redemption**" above or for any of the previously issued and outstanding Prior Bonds.

## SECURITY FOR THE BONDS

### General

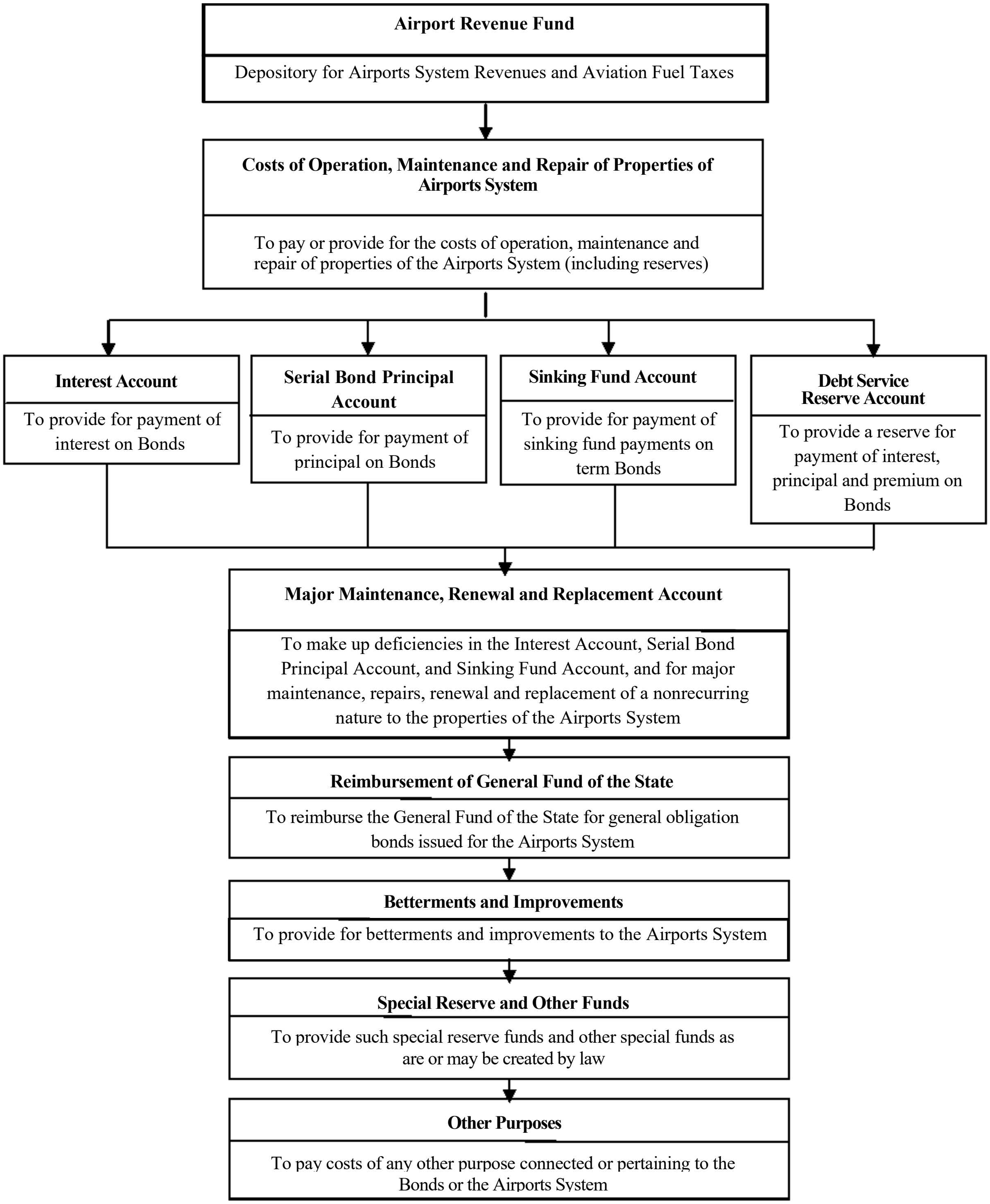
The Bonds, including the Series 2025 Bonds, are special limited obligations of the State, payable solely from and secured solely by the Revenues and Aviation Fuel Taxes. The Bonds, including the Series 2025 Bonds, are equally and ratably secured by a lien and charge on the Revenues and Aviation Fuel 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 2025 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 2025 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 2025 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:




*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 2025 Bonds, there will be $_________ 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 2025 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 2025 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 2025 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 2025 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 2025 Bonds are being issued as Additional Bonds through the use of the historical coverage test described above.

**Subordinate 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 its $167,740,000 original aggregate principal amount of Series 2013 Lease Revenue Certificates of Participation in December 2013, $8,056,521 original aggregate principal amount of Series 2016 Lease Revenue Certificates of Participation in April 2016 and $51,473,427 original aggregate principal amount of 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.

**Other Indebtedness**

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 rental car customer facilities charges ("*CFCs*") and are not secured by Revenues and Aviation Fuel Taxes.

## DEPARTMENT OF TRANSPORTATION

### Department Organization

The Department is one of 19 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 for Administration. The Director and Deputy Director of Transportation for Administration 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, 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, security, safety management systems and firefighting functions of the Airports Division. The Airports Information Technology Office, managed by the Information Technology Specialist, is responsible for the development, implementation and maintenance of information technology systems and data processing. The Visitor Information Program Office, managed by a Visitor Information Program Officer, is responsible for visitor information services at the primary airports and at harbors serving cruise ships. Currently the position of Visitor Information Program Officer is vacant. The Engineering Branch, managed by the Engineering Program Manager, is responsible for design and construction, special maintenance, planning, environmental and drafting functions of the Airports Division, including design and construction of the ConRACs. The Airports Administrator, Administrative Services Officer, Airports Operations Officer, Information Technology Specialist, Visitor Information Program Officer, 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:

***Edward H. Sniffen, Director of Transportation***, has served as Director since December 2022. As Director, he is responsible for the State Transportation Infrastructure - Airports, Commercial Harbors, and Highways. Previously, Mr. Sniffen served as Hawaii Department of Transportation's Deputy Director for Highways, overseeing an agency responsible for the effectiveness of a system of approximately 2,500 lane miles of state highways across the islands. Mr. Sniffen was previously executive assistant to Honolulu Mayor Kirk Caldwell. He also served as DOT Highways Division administrator and as technical design engineer in the Highways Division Design Branch. He is a civil engineer, having received his B.S. in Civil Engineering from Santa Clara University.

***Curt T. Otaguro, Deputy Director – Airports,*** was appointed in June 2024 to lead the Airports System. Prior to joining the Department, Mr. Otaguro served as State Comptroller (2019 – 2022) and Deputy Superintendent of Operations at the Hawaii Department of Education (2022 – 2024). The majority of Mr. Otaguro's professional career was spent in the financial industry for 37.5 years. He retired from First Hawaiian Bank as an Executive Vice President in 2018. Mr. Otaguro graduated from the University of Redlands with a B.S. degree in Management in 1981.

***Ford Fuchigami, Administrator – Airports***, assumed his present position in October 2023. Prior to assuming this position, Mr. Fuchigami served various leadership positions within the Airports Division, the State Legislature and the Governor's Office. His leadership roles date back to January 2011 when he served as Deputy Director to Airports. Through his leadership positions, he has successfully implemented various programs such as Safe Travels Program during COVID-19, managed operations and maintenance budget of $1 billion and initiated the advancement of the $2.7 billion Hawaii Airports Modernization Program. He received his Bachelor of Arts in Journalism and minor in Communications from the University of Hawaii at Manoa.

***Karen Honda, Acting Fiscal Management Officer – Airports***, assumed her present position in June 2023. Prior to assuming this position, Ms. Honda served as the Management Analyst for the Airports Division since 2018. Prior to joining the Airports Division, she served in various leadership positions in the private sector. She received her Bachelor of Arts in Business Administration from University of Puget Sound and Master of Science in Management Information Systems from Hawaii Pacific University.

***Nathan C. Kaneshige, Engineering Program Manager – Airports***, has been employed at the Airports Division for 19 years. Prior to becoming the Engineering Program Manager in January 2024, Mr. Kaneshige was the Design Engineer for the Airports Division since 2019. He spent nine years in the private sector prior to joining the Airports Division. Mr. Kaneshige graduated from the University of Hawaii 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 Law Enforcement.

- 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, 2025 for bargaining units with the State's Airports Division employees are as follows:

Unit 1 (blue collar employees): An agreement on an amendment to extend the two-year agreement (July 1, 2021 – June 30, 2023) through June 30, 2025 was ratified by the United Public Workers ("UPW") in February 2022 and approved by the State. The amended agreement provided for a $1,000 one-time lump sum payment to all employees employed on July 1, 2021; across-the-board ("ATB") wage increases of 3.72% per month effective October 1, 2022; wage increases of 5% ATB per month effective July 1, 2023; and wage increases of 5% ATB per month effective July 1, 2024. The agreement also provided for increases in employer contributions to the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund") plans for fiscal years 2022 – 2025. Initial proposals for a successor agreement were exchanged on June 28, 2024. An initial negotiation meeting was held on December 16, 2024. Negotiations are ongoing.

Unit 2 (blue collar supervisors): An agreement on an amendment to extend the two-year agreement (July 1, 2021 – June 30, 2023) through June 30, 2025 was ratified by the Hawaii Government Employees Association ("HGEA") in April 2022, and approved by the State. The amended agreement provided for a 1% one-time lump sum payment for all employees employed on July 1, 2021; salary increases of 3.72% ATB effective July 1, 2022; salary increases of 5% ATB effective July 1, 2023; and salary increases of 5% ATB effective July 1, 2024. The agreement also provided for increases in employer contributions to the Trust Fund plans for fiscal years 2022 – 2025. An initial negotiation meeting was held on September 25, 2024. Negotiations are ongoing.

Unit 3 (white collar employees): An agreement on an amendment to extend the two-year agreement (July 1, 2021 – June 30, 2023) through June 30, 2025 was ratified by the HGEA in April 2022, and approved by the State. The amended agreement provided for a $1,000 one-time lump sum payment for all employees employed on July 1, 2021; salary increases of 3.72% ATB effective October 1, 2022; salary increases of 5% ATB effective July 1, 2023; and salary increases of 5% ATB effective July 1, 2024. The agreement also provided for increases in employer contributions for Trust Fund plans for fiscal years 2022 – 2025. An initial negotiation meeting was held on September 25, 2024. Negotiations are ongoing.

Unit 4 (white collar supervisors): An agreement on an amendment to extend the two-year agreement (July 1, 2021 – June 30, 2023) through June 30, 2025 was ratified by the HGEA in April 2022, and approved by the State. The amended agreement provided for a 1% one-time lump sum payment for all employees employed on July 1, 2021; salary increases of 3.72% ATB effective July 1, 2022; salary increases of 4.96% ATB effective July 1, 2023; and salary increases of 5% ATB effective July 1, 2024. The agreement also provided for increases in uniform maintenance and meal allowances; and increases in employer contributions for Trust Fund plans for fiscal years 2022 – 2025. Initial proposals for a successor agreement were exchanged on June 28, 2024. An initial negotiation meeting was held on September 24, 2024. Negotiations are ongoing.

Unit 11 (firefighters): An arbitration award for the HFFA was issued on April 4, 2022, for the four-year period from July 1, 2021 through June 30, 2025, and approved by the State. The award provided for the continuation of step movements effective July 1, 2021; salary increases of 3% ATB and continuation of step movements effective July 1, 2022, salary increases of 4% ATB and continuation of step movements effective July 1, 2023; and salary increases of 4% ATB and continuation of step movements effective July 1, 2024. The parties also agreed to increase the employer contributions for Trust Fund plans for part of fiscal years 2022 – 2025. Initial proposals for a successor agreement were exchanged on July 31, 2024. An initial negotiation meeting was held on September 6, 2024. Impasse was declared by the Hawaii Labor Relations Board on November 8, 2024. A date for the arbitration hearing has not yet been scheduled.

Unit 13 (professional and scientific employees): An agreement on an amendment to extend the two-year agreement (July 1, 2021 – June 30, 2023) through June 30, 2025 was ratified by the HGEA in April 2022, and approved by the State. The amended agreement provided for a 2% one-time lump sum payment based on June 30, 2021 annual base pay for employees who were employed on Step M as of June 30, 2021 and continue to be employed as of July 1, 2021; step movements effective July 1, 2022 for employees who were eligible for step movements during the period July 1, 2021 to June 30, 2022; continuation of step movements for eligible employees effective July 1, 2022; salary increases of 2% ATB effective July 1, 2022; deletion of Step C, and salary increases of 4% ATB effective July 1, 2023; and salary increases of 3.59% ATB effective July 1, 2024. The agreement also provided for increases in employer contributions for Trust Fund plans for fiscal years 2022 – 2025. An initial negotiation meeting was held on September 25, 2024. Negotiations are ongoing.

Unit 14 (State law enforcement officers and State and county ocean safety and water safety officers): An agreement on an amendment to extend the two-year agreement (July 1, 2021 – June 30, 2023) through June 30, 2025 was ratified by the HGEA in April 2022, and approved by the State. The amended agreement provided for a 1% lump sum payment effective July 1, 2021; across the board increases of 3.20% effective July 1, 2022, 3.44% effective July 1, 2023, and 2.775% effective July 1, 2024; and catch-up/continuation of the step movement plan beginning July 1, 2022. The first step is also being deleted from the salary schedule. An agreement on the EUTF re-opener provided for increased Employer EUTF contributions for fiscal years 2024 and 2025. Initial proposals for a successor agreement were exchanged on June 28, 2024. An initial negotiation meeting was held on October 4, 2024. Negotiations are ongoing.

COVID-19 Class Grievance. A settlement for class grievances relating to hazard pay during the COVID-19 pandemic was reached for bargaining units 2, 3, 4, 8, 9, 13, and 14 for Executive Branch departments (with the exception of the Department of Education), Hawaii Health Systems Corporation, University of Hawaii, and the Judiciary. A portion of the payments related to this settlement were paid on October 4, 2024. A settlement relating to hazard pay during the COVID-19 pandemic was reached for bargaining unit 11 on November 7, 2024. This settlement is pending funding by the State Legislature. Arbitration for class grievances relating to hazard pay during the COVID-19 pandemic is in progress for UPW bargaining unit 1.

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

**Proposed Legislation**

Legislation has been introduced in the current legislative session, which proposes to establish an airports corporation to assume operations of the Airports System from the Airports Division. The

Department cannot predict at this time whether such legislation may be enacted or in what form. 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 99.2% of total enplaned passengers in the Airports System in Fiscal Year 2024.

The other airports in the Airports System are Port Allen Airport on the Island of Kauai, Kawaihapai Airfield (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 Kawaihapai Airfield serve only general aviation, while the others provide interisland airline service.

### Primary Airports

***Daniel K. Inouye International Airport.*** Daniel K. Inouye International, the principal 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 56.5% of all passengers enplaned in the Airports System in Fiscal Year 2024. In calendar year 2023, according to the Federal Aviation Administration (the "*FAA*"), Daniel K. Inouye International was the thirty-first busiest airport in the United States in revenue enplaned passengers. In Fiscal Year 2024, approximately 10.9 million passengers were enplaned at Daniel K. Inouye International – 7.4 million overseas passengers and 3.5 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[1], 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

[1] Alaska Airlines completed its acquisition of Hawaiian Airlines on September 18, 2024, but the Alaska Air Group plans to maintain the two airlines as separate brands.

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. A ConRAC facility was opened in December 2021. 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. A ConRAC facility was opened in May 2019. It is a three-story structure located to 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 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, which enables potential direct international flights without pre-clearance. Kona and Daniel K. Inouye International are the only two ports of entry in the State for international visitors.

***Hilo International Airport.*** Hilo International 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, 2024, the Airports Division's current capital improvements program extends from Fiscal Year 2025 through Fiscal Year 2031 and includes projects approved by the Legislature and other projects subject to future approval. As of June 30, 2024, the current capital improvements program had a total estimated cost of $2.475 billion (excluding projects in the close-out stage or those funded by CFC revenues), of which approximately 25.5% ($630 million) had been expended through June 30, 2024. For purposes of this Official Statement and Appendix A – Report of the Airport Consultant attached hereto, such $2.475 billion is referred to as the "*Base CIP*". For financial forecasting purposes, the Airport

Consultant has separately identified and assumed an additional $2 billion of capital projects (the "*Additional Allowance*") allocated for airfield and terminal enhancement projects that have not yet received appropriation from the Legislature or concurrence from the Signatory Airlines. Such Additional Allowance is not reflected in the discussion set forth under "**Description of Major Capital Improvement Projects**," "**Special Maintenance Projects**" and "**Funding of the Base CIP**" of this section. See Appendix A – Report of the Airport Consultant attached hereto for more information relating to the Base CIP and the Additional Allowance.

**Capital Budget Process**

The capital improvements program 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 capital improvements program. 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 capital improvements program.

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 capital improvements program for the ensuing six Fiscal Years, including projects that the Airports Division plans to undertake during that period. The Base 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 2025), the Airports Division identifies the projects in the first two years of the capital improvements program (such as Fiscal Year 2026 and Fiscal Year 2027) 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 2026 for Fiscal Year 2027 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 Improvements Program

The following table presents the estimated funding sources for the major components of the Base CIP, as well as the $2 billion Additional Allowance allocated for airfield and terminal enhancement projects that have not yet received appropriation from the Legislature or concurrence from the Signatory Airlines. The table is followed by a description of the major capital improvement projects at each Airport.

**AIRLINE PROJECTS BY AIRPORT**

Through Fiscal Year 2031

State of Hawaii, Department of Transportation, Airports Division

(as of June 30, 2024; in thousands)

| | | Remaining Costs as of June 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Project Title | Status | Proposed 2025 Bonds | Future Bonds | Total Bonds | Grants | PFC Paygo | Cash | Subtotal | Spent as of 6/30/2024 | Current Working Estimates |
| HNL | | | | | | | | | | |
| HNL, Diamond Head Extension | Planning | $ 30,926 | $ 234,229 | $ 265,155 | $ - | $ 45,000 | $ - | $ 310,155 | $ 26,845 | $ 337,000 |
| HNL, Ticket Lobby Renovation | Construction | 67,569 | 22,523 | 90,092 | - | - | - | 90,092 | 122,303 | 212,395 |
| HNL, Runway 8L Widening | Construction | 27,518 | - | 27,518 | 3,309 | - | 1,141 | 31,968 | 153,391 | 185,360 |
| HNL, Runway and Taxiway Shoulder Rehabilit | Construction | 51,356 | - | 51,356 | 63,418 | - | - | 114,774 | 21,172 | 135,946 |
| HNL, Terminal 2 Parking Structure Impr. | Design | 5,000 | 100,000 | 105,000 | - | - | - | 105,000 | - | 105,000 |
| HNL, Terminal Roadway Improvements | Varies | 35,125 | 18,879 | 54,004 | 29,563 | - | - | 83,567 | 5,108 | 88,675 |
| HNL, Other Projects | Varies | 83,878 | 152,251 | 236,129 | - | - | 706 | 236,835 | 93,897 | 330,732 |
| Subtotal | | $ 301,371 | $ 527,883 | $ 829,254 | $ 96,291 | $ 45,000 | $ 1,847 | $ 972,392 | $ 422,716 | $ 1,395,107 |
| ITO Projects | Varies | $ 15,301 | $ 16,382 | $ 31,683 | $ 25,164 | $ - | $ - | $ 56,846 | $ 13,345 | $ 70,191 |
| KOA, Runway 17-35 Rehabilitation | Bid/award | $ 15,365 | $ 12,571 | $ 27,936 | $ 70,478 | $ - | $ - | $ 98,414 | $ 3,001 | $ 101,415 |
| KOA, Other Projects | Varies | 22,333 | 6,070 | 28,403 | 1,226 | - | 6 | 29,635 | 43,022 | 72,657 |
| Subtotal | | $ 37,697 | $ 18,642 | $ 56,339 | $ 71,705 | $ - | $ 6 | $ 128,050 | $ 46,023 | $ 174,072 |
| LIH, Relocate Runway 3-21 | Construction | $ 51,725 | $ 46,799 | $ 98,524 | $ 76,295 | $ - | $ (0) | $ 174,820 | $ 4,870 | $ 179,690 |
| LIH, Other Projects | Various | 20,124 | 85,029 | 105,154 | 1,506 | - | 1,541 | 108,200 | 17,456 | 125,656 |
| Subtotal | | $ 71,850 | $ 131,828 | $ 203,678 | $ 77,801 | $ - | $ 1,540 | $ 283,020 | $ 22,326 | $ 305,346 |
| OGG, Holdroom and Gate Improvements | Construction | $ 14,619 | $ - | $ 14,619 | $ - | $ - | $ - | $ 14,619 | $ 57,898 | $ 72,517 |
| OGG, South TSA Checkpoint | Bid/award | 12,512 | 20,101 | 32,613 | 22,000 | - | - | 54,613 | 3,308 | 57,921 |
| OGG, Runway 2-20 Improvements Design | Design | 28,539 | 4,008 | 32,548 | - | - | - | 32,548 | 9,524 | 42,072 |
| OGG, Other Projects | Varies | 41,327 | 70,391 | 111,718 | - | - | - | 111,718 | 13,106 | 124,824 |
| Subtotal | | $ 96,997 | $ 94,500 | $ 191,497 | $ 22,000 | $ - | $ - | $ 213,497 | $ 83,836 | $ 297,333 |
| Other Airports' Projects | Varies | $ 30,305 | $ 43,191 | $ 73,496 | $ 12,887 | $ - | $ - | $ 86,383 | $ 3,951 | $ 90,334 |
| Statewide Projects | Varies | $ 48,973 | $ 53,501 | $ 102,474 | $ 2,375 | $ - | $ 67 | $ 104,916 | $ 37,396 | $ 142,312 |
| **Base CIP** | | $ 602,493 | $ 885,927 | $ 1,488,420 | $ 308,223 | $ 45,000 | $ 3,460 | $ 1,845,103 | $ 629,592 | $ 2,474,696 |
| Additional Allowance | Planning | - | 1,800,000 | 1,800,000 | - | 200,000 | - | 2,000,000 | - | 2,000,000 |
| **TOTAL CIP (a)** | | $ 602,493 | $ 2,685,927 | $ 3,288,420 | $ 308,223 | $ 245,000 | $ 3,460 | $ 3,845,103 | $ 629,592 | $ 4,474,696 |

*Note: (a) Does not include remaining costs for the Daniel K. Inouye International Diamond Head Extension Program and other potential Daniel K. Inouye International terminal projects. See Appendix A – Report of the Airport Consultant attached hereto.*
*Source: Airports Division.*

**Description of Major Capital Improvement Projects**

The major capital improvement projects of the Base CIP at each airport are described below.

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

- ***Diamond Head Extension Program – Initial Phase*:** Estimated at $337.0 million, with $26.8 million spent as of June 30, 2024. In 2017, the Airports Division received airline concurrence for $1.1 billion for the planning, design, and construction of the new Diamond Head Extension at Daniel K. Inouye International, including all enabling projects, contingent on collaboration with the Signatory Airlines. The Airports Division has initiated planning and advanced two components due to operational needs: the Daniel K. Inouye International Parking Structure at Ualena Street for employee parking, and the Daniel K. Inouye International Wiki-Wiki Bus Maintenance Facility. Both are targeted for completion in 2028 with a combined cost estimate of $272.0 million. No other components are planned to begin before 2028, and ongoing collaboration with the Signatory Airlines will guide further implementation. Remaining components are excluded from the Base CIP.

- ***Ticket Lobby Renovation*:** Estimated at $212.4 million, with $122.3 million spent as of June 30, 2024. This project continues the renovations of Terminal 2 ticket lobbies 7 and 8 by updating lobbies 4, 5, and 6, enhancing operations, maintenance, safety, and passenger experience. Improvements include upgraded baggage handling systems in Terminals 1 and 2. The project is under construction, with completion expected in 2026.

- ***Runway 8L Widening, Phases 1 and 2*:** Estimated at $185.4 million, with $153.4 million spent as of June 30, 2024. This project widens Runway 8L to a minimum of 200 feet to accommodate FAA design group VI aircraft, repaves shoulder areas, and updates striping, signage, and lighting. The project is substantially complete.

- ***Runway and Taxiway Shoulder Rehabilitation*:** Estimated at $135.9 million, with $21.2 million spent as of June 30, 2024. This project rehabilitates runway and taxiway shoulders at HNL, incorporating herbicide treatment, crack sealing, new pavement, and markings to comply with 14 CFR Part 139. The project is in the construction phase and is scheduled for completion in 2025.

- ***Terminal 2 Parking Structure Improvement*:** Estimated at $105.0 million, with no funds spent as of June 30, 2024. This project includes full concrete rehabilitation of the parking deck, targeted concrete spall repairs, drainage and sewer system enhancements, and upgrades to electrical infrastructure. It is in the design phase, with completion targeted for 2029.

- ***Terminal Roadway Improvements*:** Estimated at $88.7 million, with $5.1 million spent as of June 30, 2024. This project involves upgrades to the second and third level roadways at the Ewa and Diamond Head Concourses, including roadway spall repairs. The first phase is under construction, scheduled for completion in 2025, with spall repair completion expected by 2027.

- ***Other Projects*:** Estimated at $330.7 million, with $93.9 million spent as of June 30, 2024. This group includes 22 projects, each with remaining costs under $40 million, covering phase 2 of restroom improvements, terminal spall repairs, roofing repairs, equipment modernization, and other miscellaneous upgrades throughout Daniel K. Inouye International. These projects are in various stages, with completion expected by 2028.

Hilo International: Projects at Hilo International have a total cost estimate of $70.2 million, with $13.3 million spent as of June 30, 2024. This group of projects includes runway and taxiway lighting replacement, drainage and wind cone improvements, and other miscellaneous upgrades. The projects are in various stages, with completion scheduled through 2027.

Key projects at Kona include the following:

- ***Runway 17-35 Rehabilitation***: Estimated at $101.4 million, with $3.0 million spent as of June 30, 2024. This project involves rehabilitating Runway 17-35 at Kona, based on the pavement management system. The project is under construction, with an expected completion for 2026.

- ***Other Projects*****:** Estimated at $72.7 million, with $43.0 million spent as of June 30, 2024. This group includes projects such as south ramp taxiway and ramp improvements, restroom upgrades, a USDA inspection building, and other miscellaneous improvements. These projects are in various stages, with completion expected by April 2026.

Key projects at Lihue Airport include the following:

- ***Lihue Airport Runway 3-21 Relocation*****:** Estimated at $179.7 million, with $4.9 million spent as of June 30, 2024. This project will displace the Runway 3 take-off threshold 855 feet westward to create a standard 1,000-foot Runway Safety Area ("*RSA*") on the east end, while keeping the landing threshold in its current location. It will also displace the Runway 21 threshold by 455 feet to provide a standard 600-foot RSA on the east end. The project is in the construction phase, with completion scheduled for 2027.

- **Other Projects:** Estimated at $125.7 million, with $17.5 million spent as of June 30, 2024. This group includes projects such as an inline checked baggage belt system, base yard building structure repairs, runway and taxiway rehabilitation, and other miscellaneous improvements. These projects are in various stages, with completion expected by 2028.

Key projects at Kahului include the following:

- ***Holdroom and Gate Improvements*****:** Estimated at $72.5 million, with $57.9 million spent as of June 30, 2024. This project expands the seating capacity of the holdrooms by enclosing the exterior walkway and connecting several existing holdroom areas. It also increases the number of gates by repositioning and adding loading bridges and strengthens second-floor support. The project is substantially complete.

- ***South TSA Checkpoint*****:** Estimated at $57.9 million, with $3.3 million spent as of June 30, 2024. This project adds a new checkpoint, including a bridge over the service road to Hold Rooms A and B. It has been awarded and awaits permits to proceed with work. The anticipated completion is scheduled for 2027.

- ***Runway 2-20 Improvements Design*****:** This project involves design and planning for the reconstruction of Runway 2-20 without disrupting flight operations. The Airports Division is working with airlines and the FAA to evaluate options but has not yet selected a final solution.

- ***Other Projects***: Estimated at $124.8 million, with $13.1 million spent as of June 30, 2024. This group includes projects such as apron light replacement, aircraft firefighting training pit replacement, perimeter fence replacement, improvements to the inbound baggage handling system, and other miscellaneous projects. These projects are in various stages, with completion expected by 2028.

Other Airports: Projects at other airports of the Airports System have a total cost estimate of $90.3 million, with $4.0 million spent as of June 30, 2024. This group of projects includes utility system improvements, repaving certain runways and taxiways, apron light replacement, perimeter fence replacement, and other miscellaneous projects. These projects are in various stages, with completion scheduled through 2027.

Statewide Projects: This group of projects include statewide projects such as a wastewater and water treatment system, fire alarm system replacement and upgrades, supporting design, program management, construction management, and planning projects, with a total cost estimate of $142.3 million.

**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 $56.7 million for Fiscal Year 2024 and $71.7 million for Fiscal Year 2025, with expectations for future years to exceed $70 million annually. The Base CIP does not include special maintenance projects.

**Funding of the Base CIP**

The following table summarizes the sources of funds to finance projects in the Base CIP through June 30, 2031. Totals may vary from the preceding table due to rounding. The approximately $1.5 billion of revenue bond funding includes 855* million from the Series 2025 Bonds and $645* million from the proceeds of Additional Bonds (which will be on a parity basis with all outstanding Bonds, including the Series 2025 Bonds).

Sources of Funds (millions)(unaudited)

| | Expended as of June 30, 2024 | To be Spent | Total |
|---|---|---|---|
| Revenue Bonds | $ 435 | $ 1,488 | $ 1,923 |
| Federal Grants | 173 | 308 | 481 |
| Special Funds | 15 | 4 | 19 |
| PFC Pay-as-you-go | 7 | 45 | 52 |
| Total | $ 630 | $ 1,845 | $ 2,475 |

Source: Department of Transportation – Airports Division

The funding sources expected to be available to finance projects in the Base 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

* Preliminary, subject to change.

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 received a total of $17.0 million, $75.0 million and $93.4 million of federal capital grants in federal fiscal years 2022, 2023 and 2024, respectively.

On November 15, 2021, the Infrastructure Investment and Jobs Act (H.R. 3684) was signed into law. The Airports Division was allocated $49.3 million, $49.3 million, $50.4 million, and 50.4 million from the Infrastructure Investment and Jobs Act for federal fiscal year 2022, 2023, 2024 and 2025, respectively through formula allocation, as well as a total of $58.8 million through the Airport Terminals Program. The Airports Division anticipates receiving an additional year of Infrastructure Investment and Jobs Act grant, which will be the last year of the program. The Department also received $1.0 million from the Contract Tower Competitive Grant in federal fiscal year 2022.

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. However, in the event that any federal grants related to the approximately $308 million for the Base CIP is not available, is reduced or is delayed, the Department intends to adjust capital projects, revise other funding sources and/or use alternative interim funding and liquidity. 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. As of June 30, 2024, the Airports Division had a total PFC collection authority of $1.3 billion, of which $667.3 million had been collected. The Airports Division has spent $466.9 million on a pay-as-you-go basis and for eligible Bond debt service, with an ending balance of $200.4 million. The Airports Division plans to submit further PFC applications in the future for other PFC-eligible projects in the Base 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. The Airports Division collected total PFC revenues and interests of $39.1 million, $46.4 million, and $45.3 million in Fiscal Years 2022, 2023 and 2024, respectively. In Fiscal Years 2022, 2023 and 2024, respectively, $11.7 million, $16.9 million and $20.6 million of PFC revenues were used for the payment of eligible debt service.

***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, 2024, the Airports Division had unaudited cash and investments of $600.7 million in unrestricted accounts. Several accounts are classified as restricted assets for accounting purposes, but could be available for operating expenses, including:

- $140.8 million in an operating reserve; and

- $29.4 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 $3.5 million in internal cash for the Base CIP. The Airports Division has advanced $100.0 million in internal cash to the bond fund in Fiscal Year 2024 and $100.0 million in Fiscal Year 2025, and is expected to reimburse these amounts upon the closing of the Series 2025 Bonds.

***Revenue Bonds***. The Airports Division plans to fund approximately $1.5 billion of the Base CIP costs from Bond proceeds, including approximately $855* million from the proceeds of the Series 2025 Bonds and $645* million from the proceeds of Additional Bonds.

*[Remainder of page intentionally left blank.]*

* Preliminary, subject to change.

## 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 2020 through 2024.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2024 vs 2023 % | 2024 vs 2020 % |
|---|---|---|---|---|---|---|---|
| **Enplaned Passenger Activity** | | | | | | | |
| **By Airport** | | | | | | | |
| Daniel K. Inouye International Airport | 7,981,984 | 3,143,228 | 7,919,496 | 10,176,286 | 10,868,465 | 6.8% | 36.2% |
| Kahului Airport | 2,952,905 | 1,493,511 | 3,802,624 | 4,379,071 | 3,502,985 | -20.0% | 18.6% |
| Ellison Onizuka Kona Int'l Airport at Keahole | 1,550,092 | 728,664 | 1,849,375 | 2,132,355 | 2,126,843 | -0.3% | 37.2% |
| Lihue Airport | 1,250,074 | 407,953 | 1,552,745 | 1,920,411 | 1,849,919 | -3.7% | 48.0% |
| Hilo International Airport | 478,886 | 211,528 | 530,429 | 728,508 | 715,159 | -1.8% | 49.3% |
| All Others | 177,593 | 84,113 | 152,889 | 168,126 | 156,863 | -6.7% | -11.7% |
| Total Enplaned Passengers | 4,391,534 | 6,068,997 | 15,807,558 | 19,504,757 | 19,220,234 | -1.5% | 33.6% |
| Daniel K. Inouye International Airport as a Percentage of Total Enplaned Passengers | 55.5% | 51.8% | 50.1% | 52.2% | 56.5% | | |
| **By Region and Market** | | | | | | | |
| Domestic Overseas | 6,444,997 | 3,689,798 | 9,410,409 | 9,883,687 | 9,321,626 | -5.7% | 44.6% |
| International | 2,300,731 | 71,878 | 545,194 | 1,658,826 | 2,130,985 | 28.5% | -7.4% |
| Total Overseas | 8,745,728 | 3,761,676 | 9,955,603 | 11,542,513 | 11,452,611 | -0.8% | 31.0% |
| Interisland | 5,645,806 | 2,307,321 | 5,851,955 | 7,962,244 | 7,767,623 | -2.4% | 37.6% |
| Total Enplaned Passengers | 14,391,534 | 6,068,997 | 15,807,558 | 19,504,757 | 19,220,234 | -1.5% | 33.6% |
| % of Total | | | | | | | |
| Domestic Overseas | 44.8% | 60.8% | 59.5% | 50.7% | 48.5% | | |
| International | 16.0% | 1.2% | 3.5% | 8.5% | 11.1% | | |
| Interisland | 39.2% | 38.0% | 37.0% | 40.8% | 40.4% | | |
| 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 | 267,772 | 205,950 | 271,775 | 323,066 | 316,855 | -1.9% | 18.3% |
| Kahului Airport | 122,532 | 95,427 | 149,020 | 147,258 | 122,628 | -16.7% | 0.1% |
| Ellison Onizuka Kona Int'l Airport at Keahole | 113,879 | 90,228 | 101,995 | 108,011 | 116,680 | 8.0% | 2.5% |
| Lihue Airport | 89,127 | 44,666 | 112,752 | 126,601 | 127,540 | 0.7% | 43.1% |
| Hilo International Airport | 44,140 | 26,016 | 42,875 | 46,431 | 44,748 | -3.6% | 1.4% |
| All Others | 232,096 | 242,157 | 243,617 | 260,455 | 275,234 | 5.7% | 18.6% |
| Total Aircraft Operations | 869,546 | 704,444 | 922,034 | 1,011,822 | 1,003,685 | -0.8% | 15.4% |
| Daniel K. Inouye International Airport as a Percentage of Total Aircraft Operations | 30.8% | 29.2% | 29.5% | 31.9% | 31.6% | | |

Source: Department of Transportation – Airports Division Planning Section.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **By Airport** | | | | | |
| Daniel K. Inouye International Airport | 14,996,678 | 10,236,375 | 15,982,336 | 17,917,143 | 19,229,263 |
| All Other Airports | 9,518,479 | 7,237,591 | 13,080,586 | 13,406,616 | 12,531,619 |
| Total Landed Weights | 24,515,157 | 17,473,966 | 29,062,922 | 31,323,759 | 31,760,882 |
| Daniel K. Inouye International Airport as a Percentage of Total Landed Weights | 61.2% | 58.6% | 55.0% | 57.2% | 60.5% |
| | | | | | |
| **By Market** | | | | | |
| Overseas | 15,359,818 | 10,311,861 | 18,570,513 | 19,061,910 | 19,195,260 |
| Interisland | 9,155,339 | 7,162,105 | 10,492,409 | 12,261,849 | 12,565,622 |
| Total Landed Weights | 24,515,157 | 17,473,966 | 29,062,922 | 31,323,759 | 31,760,882 |
| % of Total | | | | | |
| Overseas | 62.7% | 59.0% | 63.9% | 60.9% | 60.4% |
| Interisland | 37.3% | 41.0% | 36.1% | 39.1% | 39.6% |
| Total Percentage | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Department of Transportation – Airports Division Planning Section.

### Maui Wildfires

In August 2023, a series of wildfires occurred in Maui, resulting in the tragic destruction of the town of Lahaina, a major tourism destination in the northwest Maui. The State implemented certain travel restrictions, which were lifted in October 2023. Average daily domestic visitors to Maui initially decreased to 30% of 2022 levels following the wildfires but have since recovered to approximately 93% of 2022 levels as of December 2024. Statewide visitor counts initially fell to 84% of 2022 levels following the wildfires but have since recovered to approximately 106% of 2022 levels as of December 2024. The Maui wildfires did not cause any damage or destruction to the Airports System facilities.

### Los Angeles Wildfires

In January 2025, a series of wildfires and high-wind conditions impacted the Los Angeles-Long Beach area. Visitors to the State from the State of California comprise approximately 30% of all visitors to the State in calendar year 2024. Visitors to the State from the Los Angeles-Long Beach-Anaheim area comprise approximately 9% of all visitors to the State in calendar year 2024.

See "**CERTAIN INVESTMENT CONSIDERATIONS**" below for a discussion of factors that may impact passenger traffic to the Airports System.

### 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 40.4% of enplaned passengers in Fiscal Year 2024. Overseas service, including flights to both the continental United States and international destinations, accounted for 48.5% and 11.1% of enplaned passengers in the Airports System for Fiscal Year 2024. The number of passengers enplaned in the Airports System in Fiscal Year 2024 decreased 1.5% over Fiscal Year 2023, but increased 33.6% over Fiscal Year 2020.

The State was served by twenty-nine Signatory Airlines (as parties to separate airport-airline lease agreements executed effective January 1, 2008, as extended) during Fiscal Year 2024. Of the Signatory Airlines, twenty-one are passenger airlines, including seven major domestic and national U.S. airlines (including airlines with multiple leases following mergers), one airline only provides interisland service, and thirteen are foreign-flag airlines. Two of the thirteen foreign airlines suspended operations in Fiscal Year 2024 due to low traffic levels. The four primary airports other than Daniel K. Inouye International are served by a total of eleven scheduled passenger airlines, including seven major and national airlines, one regional and commuter airline, and three foreign-flag airlines.

The following signatory airlines served the State with scheduled or charter overseas passenger flights during Fiscal Year 2024: Air Canada, Air New Zealand, Ltd., Air Pacific, Ltd., AirAsia X Berhad (suspended), Alaska Airlines, Inc., All Nippon Airways Co., Ltd., American Airlines, Inc., Asiana Airlines, Inc., China Airlines, Ltd. (suspended), Delta Air Lines, Inc., Hawaiian Airlines, Inc., Japan Airlines International Co., Ltd., Jetstar Airways Pty Limited, 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 Southern Airways Express, LLC (former Mokulele Flight Service, Inc.). See "**CERTAIN INVESTMENT CONSIDERATIONS**" below.

In Fiscal Year 2024, interisland flights accounted for 31.8% of enplaned passengers at Daniel K. Inouye International and 40.4% of all enplaned passengers in the Airports System. Overseas (both domestic and international) flights accounted for 68.2% of enplaned passengers at Daniel K. Inouye International and 59.6% of enplaned passengers in the Airports System. Hawaiian Airlines had 44.2% market share of all enplaned passengers followed by Southwest Airlines (16.4%), United Airlines (11.6%), Alaska Airlines (7.4%), Delta Air Lines (6.2%), and American Airlines (5.0%). Other airlines together had 9.1% 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 72.6% in Fiscal Year 2024, declined from 83.9% 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 2024, Southwest accounted for 23.2% of total interisland enplaned passengers.

Cargo service providers pay applicable landing fees 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 Non-signatory Airlines in Fiscal Years 2020 through 2024.

*[Remainder of page intentionally left blank.]*

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Signatory Airlines (1)** | | | | | |
| Hawaiian Airlines, Inc. | 9,146,981 | 5,039,444 | 9,401,748 | 10,287,297 | 10,463,162 |
| Southwest Airlines Co. | 1,341,072 | 2,219,811 | 3,896,040 | 4,630,160 | 4,694,433 |
| United Airlines, Inc. | 2,541,392 | 1,844,700 | 3,809,985 | 3,415,211 | 3,093,721 |
| Delta Air Lines, Inc. | 1,235,653 | 916,029 | 1,344,856 | 1,524,965 | 1,638,035 |
| Alaska Air, Inc. | 1,207,640 | 806,628 | 1,483,819 | 1,432,658 | 1,505,276 |
| United Parcel Service Co. | 1,150,627 | 1,142,945 | 1,535,748 | 1,376,958 | 1,453,789 |
| Aeko Kula, Inc. | 973,916 | 890,528 | 1,064,764 | 1,073,337 | 1,237,029 |
| American Airlines, Inc. | 1,285,131 | 1,141,949 | 1,671,398 | 1,310,562 | 1,164,723 |
| Federal Express Corporation | 820,471 | 962,664 | 946,621 | 933,480 | 852,325 |
| All Nippon Airways Co. Ltd. | 520,275 | 26,435 | 112,585 | 371,918 | 719,654 |
| Japan Airlines International Co., Ltd. | 656,170 | 31,470 | 184,610 | 480,590 | 565,070 |
| Southern Airways Express LLC (2) | 250,826 | 172,321 | 304,037 | 401,195 | 358,079 |
| Atlas Air, Inc. | - | 172,574 | 529,916 | 124,105 | 300,939 |
| Kalitta Air, LLC | 336,253 | 357,164 | 270,366 | 268,566 | 291,257 |
| Singapore Airlines, Inc. | - | - | - | 12,650 | 255,875 |
| Westjet | 205,356 | 16,177 | 230,761 | 244,470 | 248,707 |
| Qantas Airways, Ltd. | 238,545 | 178,946 | 219,374 | 263,213 | 227,050 |
| Korean Airlines Company, Ltd. | 310,707 | - | 75,700 | 245,760 | 221,925 |
| Northern Air Cargo, LLC | - | 12,062 | 155,176 | 193,323 | 164,630 |
| Air Canada | 170,471 | 7,652 | 231,336 | 194,005 | 163,124 |
| Asiana Airlines, Inc. | 108,148 | - | 17,992 | 413,876 | 120,642 |
| Philippine Airlines, Inc. | 72,100 | 11,124 | 48,627 | 113,106 | 109,592 |
| JetStar Airways | 113,494 | - | 32,540 | 94,367 | 100,291 |
| Air New Zealand, Ltd. | 74,938 | - | - | 67,721 | 66,854 |
| Air Pacific, Ltd. | 15,152 | - | 3,209 | 19,406 | 23,990 |
| China Airlines, Ltd. | 53,045 | - | - | - | 456 |
| Sun Country, Inc. | 2,926 | 9,217 | 14,337 | - | - |
| AirAsia X Berhad | 104,002 | - | - | - | - |
| Polar Air Inc. | 19,939 | - | - | - | - |
| Jin Air Co. Ltd | 11,500 | - | - | - | - |
| Air China Limited | 9,610 | - | - | - | - |
| Total Then-Current Signatory Airlines | 22,976,340 | 15,959,840 | 27,585,545 | 29,492,899 | 30,040,628 |
| Total Then-Current Non-signatory Airlines | 1,538,817 | 1,514,126 | 1,477,377 | 1,830,860 | 1,720,254 |
| Total All Airlines | 24,515,157 | 17,473,966 | 29,062,922 | 31,323,759 | 31,760,882 |

Source: Department of Transportation – Airports Planning Section.
(1) Indicating signatory status during Fiscal Year 2024, or when operation ceased. Statistics for prior years may be under non-signatory status.
(2) Including Southern Airways and Mokulele Flight Service.

## TABLE 4
## Enplaned Passengers by Airlines
## Fiscal Year Ended June 30

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Signatory Airlines (1)** | | | | | |
| Hawaiian Airlines, Inc. | 6,841,506 | 2,594,041 | 6,714,934 | 8,488,625 | 8,486,994 |
| Southwest Airlines Co. | 962,584 | 717,002 | 2,557,290 | 3,367,461 | 3,150,986 |
| United Airlines, Inc. | 1,757,524 | 888,239 | 2,273,201 | 2,407,829 | 2,239,073 |
| Alaska Air, Inc. | 1,120,965 | 581,651 | 1,312,719 | 1,428,240 | 1,430,635 |
| Delta Air Lines, Inc. | 939,639 | 452,314 | 999,797 | 1,137,529 | 1,197,288 |
| American Airlines, Inc. | 967,927 | 638,785 | 1,200,143 | 1,119,041 | 957,972 |
| Japan Airlines International Co., Ltd. | 354,877 | 4,596 | 32,655 | 192,037 | 287,418 |
| All Nippon Airways Co. Ltd. | 269,813 | 4,070 | 14,366 | 134,762 | 285,332 |
| Mokulele Flight Service, Inc. (2) | 148,932 | 144,494 | 309,082 | 319,165 | 273,530 |
| Westjet | 195,572 | 4,441 | 131,547 | 223,087 | 230,445 |
| Air Canada | 104,500 | 901 | 107,290 | 177,689 | 147,270 |
| Korean Airlines Company, Ltd. | 151,494 | - | 21,488 | 99,140 | 96,027 |
| JetStar Airways | 82,055 | - | 20,560 | 71,762 | 79,500 |
| Philippine Airlines, Inc. | 32,951 | 2,858 | 18,576 | 60,556 | 64,646 |
| Asiana Airlines, Inc. | 56,798 | - | 8,951 | 59,733 | 64,206 |
| Qantas Airways, Ltd. | 52,148 | 120 | 14,111 | 70,884 | 59,906 |
| Air New Zealand, Ltd. | 39,585 | - | - | 35,430 | 35,445 |
| Air Pacific, Ltd. | 8,345 | - | 894 | 14,789 | 18,762 |
| Air Premia Inc. | - | - | - | - | 9,589 |
| Sun Country, Inc. | 26,801 | 8,347 | 15,218 | 1,852 | 2,306 |
| United Parcel Service Co. | - | - | - | - | 384 |
| Atlas Air, Inc. | - | 150 | 69 | 655 | 258 |
| Kalitta Air, LLC | - | - | - | - | 109 |
| Northern Air Cargo, LLC | - | - | - | - | 13 |
| Singapore Airlines, Inc. | - | - | - | - | 2 |
| AirAsia X Berhad | 71,080 | - | - | - | - |
| China Airlines, Ltd. | 28,137 | - | - | - | - |
| Jin Air Co. Ltd | 26,801 | - | - | - | - |
| Air China Limited | 4,165 | - | - | - | - |
| Total Then-Current Signatory Airlines | 14,224,489 | 6,042,009 | 15,752,891 | 19,410,266 | 19,410,266 |
| **Non-Signatory Airlines** | | | | | |
| Western Aircraft, Inc. | - | 20,611 | 38,023 | 36,426 | 41,777 |
| Zipair Tokyo Inc. | - | 130 | 4,923 | 36,139 | 43,004 |
| Trans Air | 2,488 | 2,089 | 4,305 | 11,508 | 10,902 |
| Omni Air International | 34,415 | 1,815 | 5,128 | 8,417 | 3,041 |
| Air Transport International | 2,045 | 1,524 | 1,851 | 1,885 | 2,447 |
| Kamaka Air, Inc. | - | - | - | - | 967 |
| Big Island Air | 893 | 135 | 437 | 116 | - |
| Makani Kai Helicopters | 88,142 | 684 | - | - | - |
| China Eastern | 38,494 | - | - | - | - |
| Uzbekistan Airways | 568 | - | - | - | - |
| Total Then-Current Non-signatory Airlines | 167,045 | 26,988 | 54,667 | 94,491 | 102,138 |
| Total All Airlines | 14,391,534 | 6,068,997 | 15,807,558 | 19,504,757 | 19,220,234 |

Source: Department of Transportation – Airports Planning Section.
(1) Indicating signatory status during Fiscal Year 2024, or when operation ceased. Statistics for prior years may be under non-signatory status.
(2) Mokulele Flight Service, Inc. paused all of its flights on January 15, 2025 for precautionary safety concerns, but resumed flights on January 20, 2025.

## 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 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 2020 through 2024.

*[Remainder of page intentionally left blank.]*

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Revenues and Taxes: (1)** | | | | | |
| Concession fees: | | | | | |
| Duty-free | $ 35,625 | $ - | $ 951 | $ 4,241 | $ 18,140 |
| Other concessions | 115,400 | 59,180 | 167,751 | 178,716 | 139,060 |
| Airport landing fees | 74,357 | 61,735 | 81,184 | 98,213 | 126,188 |
| Aeronautical rentals | 124,978 | 130,056 | 152,024 | 170,606 | 239,911 |
| Non-aeronautical rentals | 22,784 | 21,854 | 27,177 | 26,802 | 31,363 |
| Aviation fuel tax | 2,191 | 1,642 | 3,119 | 3,066 | 2,624 |
| Airports system support charges | - | - | - | - | - |
| Interest income (2) | 24,055 | 5,706 | 12,718 | 47,822 | 69,537 |
| Federal operating grants (3) | 51,506 | 152,191 | 93,763 | 46,372 | 3,871 |
| Miscellaneous | 7,623 | 8,155 | 9,850 | 8,588 | 9,352 |
| Total Revenues and Taxes | $ 458,519 | $ 440,519 | $ 548,537 | $ 584,424 | $ 640,046 |
| **Operating and Maintenance Expenses:** | | | | | |
| Salaries, wages and pension | $ 126,441 | $ 131,907 | $ 105,998 | $ 108,832 | $ 130,193 |
| Other personal services | 92,697 | 114,234 | 107,042 | 96,971 | 111,069 |
| Utilities | 36,533 | 32,223 | 43,594 | 51,450 | 51,407 |
| Special Maintenance | 8,464 | 9,485 | 13,643 | 21,998 | 19,058 |
| Repairs & maintenance | 38,531 | 48,484 | 43,935 | 38,149 | 61,910 |
| Materials and supplies | 6,255 | 5,745 | 12,541 | 11,823 | 11,355 |
| DOT administrative expenses | 7,727 | 6,102 | 11,482 | 8,513 | 8,871 |
| State of Hawaii surcharge of gross receipts | 14,384 | 8,042 | 17,041 | 17,547 | 18,068 |
| Insurance | 2,402 | 2,503 | 3,165 | 3,478 | 5,152 |
| Others | 5,609 | 5,713 | 5,038 | 13,214 | 22,793 |
| Total operating & maintenance expenses (4) | $ 339,043 | $ 364,438 | $ 363,479 | $ 371,975 | $ 439,876 |
| Operating expenses for Special Facility (5) | (6,590) | (6,812) | (10,721) | (22,898) | (23,738) |
| Non-cash pension and OPEB expenses (6) | (8,503) | (19,712) | 5,624 | 8,631 | 18,158 |
| Operating expenses paid from major maintenance, renewal and replacement account | (1,605) | - | - | - | (1) |
| Major maintenance, renewal and replacement account reserve reimbursement | 2,334 | - | 195 | - | 3,393 |
| Total Deductions | $ 324,679 | $ 337,914 | $ 358,577 | $ 357,708 | $ 437,688 |
| **Net Revenues and Taxes** | $ 133,840 | $ 102,605 | $ 189,960 | $ 226,716 | $202,358 |
| Funded coverage account (7) | 27,598 | 26,865 | 26,865 | 29,376 | 29,376 |
| **Adjusted Net Revenues and Taxes (A)** | $ 161,438 | $ 129,470 | $ 216,825 | $ 256,092 | $ 231,734 |
| **Debt Service Requirement:** | | | | | |
| Airports system revenue bonds | $ 96,441 | $ 54,377 | $ 62,281 | $ 99,578 | $ 110,186 |
| Less credit to the interest account (8) | (18,114) | (16,083) | (11,712) | (16,868) | (20,623) |
| **Total Debt Service Requirement (B)** | $ 78,327 | $ 38,294 | $ 50,569 | $ 82,710 | $ 89,563 |
| **Debt Service Coverage (A)/(B)** | 2.06 | 3.38 | 4.29 | 3.10 | 2.59 |
| Debt service coverage requirement | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |

Source: Department of Transportation – Airports Fiscal Section.

(1) Including the impact of implementing Governmental Accounting Standards Board Statement No. 87 Leases, which presents revenues differently from actual receipts.

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

(3) Included COVID-19 relief grants of $50.0 million in Fiscal Year 2020, $148.0 million in Fiscal Year 2021, $92.3 million in Fiscal Year 2022, and $46.9 million in Fiscal Year 2023

(4) Does not include depreciation.

(5) Operating expenses related to Special Facility, such as a ConRAC, are excluded from the debt service requirement calculation.

(6) 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.

(7) Includes rolling coverage, see "SECURITY OF THE BONDS – Rate Covenant; Pledge of Revenues and Aviation Fuel Taxes."

(8) Passenger Facility Charge (PFC) Revenues used to pay debt service.

**Revenues**

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 ("*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 including 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.

**Non-Aeronautical Revenues – 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. During the COVID-19 pandemic, the Airports Division provided a waiver of the MAGs through April 30, 2022, with the exception of the Duty-Free contract, which had MAG waived until December 31, 2023, due to low international traffic. Due to the Maui wildfire, the Airports Division waived MAGs for eligible concessionaries operating at Kahului Airport starting November 1, 2023, but has reinstated all MAGs at Kahului Airport as of January 2025.

The following table sets forth the concession fees and their percentage of total Concession Revenues for Fiscal Years 2020 through 2024. The Fiscal Year 2024 results reflect certain issues such as the application of $11.5 million of the American Rescue Plan ("*ARP*") Act concession relief grants recorded as reduction to the concession fees, accounting issues due to the impact of implementing Governmental Accounting Standards Board Statement No. 87 Leases ("*GASB 87*") and recognition of duty-free MAG billed, as more fully in Appendix A – Report of the Airport Consultant attached hereto.

*[Remainder of page intentionally left blank.]*

**Concessions**
**Fiscal Year Ended June 30; Dollars in thousands**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Concession Fees** | | | | | |
| Duty-free | $ 35,625 | $ - | $ 951 | $ 4,241 | $ 18,140 |
| Rental Car | 58,876 | 38,250 | 113,392 | 108,490 | 75,906 |
| Parking | 22,394 | 11,826 | 27,107 | 30,945 | 31,740 |
| Retail (Non Duty-free) (1) | 12,850 | 1,532 | 9,576 | 12,718 | 12,145 |
| Food & Beverage | 8,654 | 2,355 | 7,202 | 12,264 | 7,086 |
| Ground Transportation | 2,685 | 1,354 | 2,600 | 3,277 | 3,568 |
| Other | 9,941 | 3,863 | 7,874 | 11,021 | 8,616 |
| Total Concession Fees | $ 151,025 | $ 59,180 | $ 168,702 | $ 182,956 | $ 157,201 |
| **% of Total** | | | | | |
| Duty-free | 23.6% | 0.0% | 0.6% | 2.3% | 11.5% |
| Rental Car | 39.0% | 64.6% | 67.2% | 59.3% | 48.3% |
| Parking | 14.8% | 20.0% | 16.1% | 16.9% | 20.2% |
| Retail (Non Duty-free) (1) | 8.5% | 2.6% | 5.7% | 7.0% | 7.7% |
| Food & Beverage | 5.7% | 4.0% | 4.3% | 6.7% | 4.5% |
| Ground Transportation | 1.8% | 2.3% | 1.5% | 1.8% | 2.3% |
| Other | 6.6% | 6.5% | 4.6% | 6.0% | 5.5% |
| 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 2020-2024.
(1) Includes gift shop revenues, which was included in Other under Airports Division's audited financial statements.

***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*") has been operating the in-bond concessions at Daniel K. Inouye International, Kona and two off-airport locations under the existing contract since 2007. DFS received a MAG waiver similar to other eligible concessionaires, which was reinstated starting January 2024. For January 2024 to June 2024, the Airports Division recognized the MAG billed, but recorded an anticipated bad debt in operating expenses.

Duty-Free stores were all closed beginning in April 2020 due to the low air traffic levels. On-airport stores have been fully reopened as of January 2025. The off-site location in downtown Waikiki was opened with limited capacity as of January 2025. DFS generated $79.9 million of gross sales off-airport, including the downtown Waikiki location, in the contract year ended May 31, 2019, compared $34,000 in the contract year ended May 31, 2024. The Airports Division and DFS have executed an amendment to the existing contract that provides that (1) the existing duty-free contract is expected to end on March 31, 2025, (2) DFS shall pay $15.0 million for the duty-free operation between January 2004 through October 2024 in addition to percentage fees, in lieu of the MAG, and (3) DFS shall pay percentage fees between November 2024 and March 2025. The contract provides that the Department may permit DFS to operate the duty-free concession in holdover while the Airports Division procures a new concessionaire. The Department cannot predict the timing of and any terms of any future duty-free contract. Additionally, the Department cannot predict whether a new duty-free contract will be entered into upon termination of the existing contract with DFS.

***Rental Car Concessions.*** In Fiscal Years 2022, 2023 and 2024, car rental concession revenues were $113.4 million, $108.5 million, and $75.9 million respectively, accounting for approximately 67.2%, 59.3% and 48.3% of concession fees in each fiscal year. The decreased revenue in Fiscal Year 2024 was driven primarily by the Lahaina wildfire at Maui and lower daily rental rates, as well as the impact of implementing GASB 87. 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 and the Daniel K. Inouye International ConRAC opened in December 2021. Rental car companies moved into the facilities and started paying annual ground rent in addition to MAGs. There are ten rental car brands (Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, Sixt and Thrifty) operating at Kahului and Daniel K. Inouye International. Existing car rental concession agreements 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. Existing car rental concession agreement in effect at Molokai Airport with Alamo as the sole on-airport car rental operator was extended month-to-month.

Off-airport rental car operations pay fees in accordance with Chapter 19-20.1 of the Hawaii 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 Airport and Kahului are managed by ABM Parking Services (formerly Ampco System Parking), while SP Plus Corporation manages parking facilities at Kona and Hilo International. 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 60% from Hilo International. The Airports Division collected $31.7 million of parking revenues in Fiscal Year 2024, or 20.2% 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, 2031, with a MAG of approximately $7.0 million. Host also has food and beverage concession agreements at Kahului (extended to September 30, 2028) and Lihue Airport (amended to September 30, 2025). Volume Services dba Centerplate operates food and beverage concessions at Hilo International and Kona. Food and beverage revenues were $7.1 million in Fiscal Year 2024, or 4.5% of total concession fees, after a reduction of $7.3 million due to the ARP Act grants distributed.

***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 with a scheduled contract expiration date of March 2025, but may continue to operate in holdover while the Airports Division procures a new concessionaire. DFS also operates retail concessions at Kahului through August 31, 2026. Travel Traders, Inc. held the retail concession at Lihue Airport through June 30, 2021, and was extended through September 30, 2027. Tiare Enterprises, Inc. concession agreement contract was extended for Hilo International and Ellison Onizuka Kona International (expires on August 31, 2025). Retail concession revenues in Fiscal Year 2024 were $12.1 million, or 7.7% of total concession fees at the Airports System.

***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 $3.6 million in Fiscal Year 2024, 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 $8.6 million in Fiscal Year 2024, or 5.5% 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 non-signatory 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 non-signatory 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 can be 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 2020 through 2024.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Aeronautical Revenues** (Net of Aviation Fuel Tax Credit) | | | | | |
| Airport landing fees and Airports System Support Charges | $ 74,357 | $ 61,735 | $ 81,184 | $ 98,213 | $ 126,188 |
| Aeronautical rentals | 124,978 | 191,791 | 152,024 | 170,605 | 239,910 |
| Total Aeronautical Revenues | $ 199,335 | $ 191,791 | $ 233,208 | $ 268,818 | $ 366,098 |
| **% of Total Revenues and Taxes** | | | | | |
| Airport landing fees and Airports System Support Charges | 16.2% | 14.0% | 14.8% | 16.8% | 19.7% |
| Aeronautical rentals | 27.3% | 29.5% | 27.7% | 29.2% | 37.5% |
| Total Percentage | 43.5% | 43.5% | 42.5% | 46.0% | 57.2% |

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2020-2024.

***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 2024, there were 29 Signatory Airlines, including 21 passenger airlines (2 suspended operations). 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 expected to be 54% by Fiscal Year 2025, 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 hybrid 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."

Non-signatory 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 non-signatory airline fees and charges would be 125% of Signatory Airline fees and charges. The Airports Division has revised the rate methodologies for non-signatory commercial air carriers pursuant to Chapter 261-7(e), HRS, effective January 1, 2012.

*[Remainder of page intentionally left blank.]*

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Aeronautical Revenues** (Net of Aviation Fuel Tax Credit) | | | | | |
| Signatory | $ 179,046 | $ 167,876 | $ 206,923 | $ 238,440 | $ 334,117 |
| Non-Signatory | 20,289 | 23,915 | 26,304 | 30,419 | 31,172 |
| Total Aeronautical Revenues | $ 199,335 | $ 191,791 | $ 233,227 | $ 268,859 | $ 365,289 |
| **% of Total** | | | | | |
| Signatory | 89.8% | 87.5% | 88.7% | 88.7% | 91.5% |
| Non-Signatory | 10.2% | 12.5% | 11.3% | 11.3% | 8.5% |
| Total Percentage | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2020-2024.

***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 Prepaid Airport Use Charge Fund ("*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 as of June 30, 2024 was $35.9 million, of which $18.7 million will be transferred to the Airports Revenue Fund in Fiscal Year 2025 to cover the underpayment in Fiscal Year 2024. The balance may be used to reduce payments from Signatory Airlines in future years.

***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 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 2020 through 2024.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Total Aviation Fuel Taxes | $ 2,191 | $ 1,642 | $ 3,119 | $ 3,066 | $ 2,624 |
| % of Total Revenues and Taxes | 0.5% | 0.4% | 0.6% | 0.5% | 0.4% |

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2020-2024.

Both Signatory Airlines and non-signatory 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 non-signatory 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 for inflation are adjusted in proportion with the consumer price index.

The following table sets forth the non-aeronautical rental revenues and its percentage of total Revenues and Taxes for Fiscal Years 2020 through 2024.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Non-Aeronautical Rental Revenues Other Than Concession Fees | $ 22,784 | $ 21,853 | $ 27,177 | $ 26,802 | $31,363 |
| % of Total Revenues and Taxes | 5.0% | 5.0% | 5.0% | 4.6% | 4.9% |

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2020-2024.

***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 $9.4 million in Fiscal Year 2024.

***Other Non-Operating Revenues***. Certain interest income and federal operating grants are included as Revenues under the Director's Certificate. In Fiscal Year 2024 interest income was $70.2 million, federal operating grants were $15.6 million.

***The Coronavirus Aid, Relief, and Economic Security ("CARES") Act Grants.*** The CARES Act 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 Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act Grants.*** 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 American Rescue Plan 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 Airport Division distributed $11.5 million of ARP Act concession relief grants to the tenants in July 2024, which were reflected as reductions to Fiscal Year 2024 concession revenues.

All CARES Act grants, CRRSA Act Grants and ARP Act grants have been requested and distributed, except for $0.1 million of ARP Act concession relief grants to be requested in Fiscal Year 2025.

**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 was $18.2 million for the Airports System in Fiscal Year 2024.

Airports System operating expenses are composed primarily of salaries and wages, other personal services, utilities, repairs and maintenance and other expenses. In Fiscal Years 2023 and 2024, cost of operation, maintenance and repair were $357.7 million and $434.3 million, respectively.

**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 2020 through 2024. 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

Table 6 presents a summary of cash and cash equivalents and investments for Fiscal Years 2020 to 2024, which information has been derived from the Department's Audited Financial Statements. Table 7 presents a summary of total cash available and days cash on hand, which information has been derived from the Department's unaudited internal reports.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Cash, Cash Equivalent and Investments** | | | | | |
| Petty Cash | $ 5 | $ 5 | $ 5 | $ 5 | $ 5 |
| Cash in State Treasury | 1,258,418 | 1,147,824 | 1,374,078 | 1,405,473 | 1,366,466 |
| Certificates of Deposit | 75,154 | 25,305 | 11,000 | 74,186 | 5,700 |
| U.S. Government Securities | 27,316 | 82,155 | 106,501 | 43,317 | 128,803 |
| Money Market Funds | 19,771 | 19,281 | 18,876 | 19,057 | 2,693 |
| Total Cash, Cash Equivalents and Investments | $ 1,380,664 | $ 1,274,570 | $ 1,510,460 | $ 1,542,038 | $ 1,503,667 |
| Reflected in the Balance Sheet as Follows: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Unrestricted | $ 494,687 | $ 432,727 | $ 551,754 | $ 653,753 | $ 601,911 |
| Restricted | 547,358 | 606,384 | 730,163 | 656,280 | 649,861 |
| Total Cash and Cash Equivalents | $ 1,042,045 | $ 1,039,111 | $ 1,281,917 | $ 1,310,033 | $ 1,251,772 |
| Investments | 338,619 | 235,459 | 228,543 | 232,005 | 251,895 |
| Total Cash, Cash Equivalents and Investments | $ 1,380,664 | $ 1,274,570 | $ 1,510,460 | $ 1,542,038 | $ 1,503,667 |

Source: Department of Transportation – Airports Division: Audited Financial Statements for Fiscal Years 2020-2024.

**TABLE 7**
**Total Cash Available (Unrestricted Cash and Available Restricted Funds)**
Fiscal Year Ended June 30; Dollars in thousands

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Cash** | | | | | |
| O&M Reserve | $ 104,711 | $ 104,711 | $ 112,718 | $ 107,230 | $ 140,751 |
| Funded Coverage Account | 27,598 | 26,865 | 29,376 | 29,376 | 29,376 |
| Other/Unrestricted | 494,872 | 434,664 | 550,459 | 686,213 | 600,651 |
| **Total Available Cash** | **$ 627,181** | **$ 566,241** | **$ 692,553** | **$ 822,819** | **$ 770,777** |
| Costs of Operation, Maintenance and Repair | 322,345 | 337,914 | 358,381 | 357,708 | 434,296 |
| **Days Cash on Hand** | **710** | **612** | **705** | **840** | **648** |

Source: Department of Transportation – Airports Division: Unaudited Internal Reports for Fiscal Years 2020-2024.

### Outstanding Airports System Revenue Bonds

As shown below, as of January 1, 2025, $1,666,885,000 of Airports System Revenue Bonds were outstanding. All Bonds were issued as fixed rate debt. After the issuance of the Series 2025 Bonds, $________ will be outstanding (taking into account the redemption of the Refunded Bonds). The Department anticipates issuing Additional Bonds to finance a portion of future capital projects. See "**CAPITAL IMPROVEMENTS PROGRAM**."

**Airports System Revenue Bonds (as of January 1, 2025)**

| Series | Final Maturity | Outstanding Par |
|---|---|---|
| 2015A [(1)] | July 1, 2045 | $ 235,135,000 |
| 2015B [(1)] | July 1, 2045 | 9,125,000 |
| 2018A | July 1, 2048 | 388,560,000 |
| 2018B | July 1, 2027 | 26,125,000 |
| 2018C | July 1, 2028 | 74,020,000 |
| 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 |
| 2022A | July 1, 2051 | 209,280,000 |
| **TOTAL** | | **$ 1,666,885,000** |

[(1)] All or a portion of the outstanding Series 2015A Bonds and/or Series 2015B Bonds may be refunded with a portion of the proceeds of the Series 2025C and Series 2025D Bonds.

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The following table sets forth the principal and interest requirements for the Bonds following the issuance of the Series 2025 Bonds.

**TABLE 8**
**TOTAL BONDS DEBT SERVICE[(1)]**

| FYE June 30, | Existing Bonds Debt Service[(2)] | Series 2025A Bonds | | Series 2025B Bonds | | Series 2025C Bonds | | Series 2025D Bonds | | Total Debt Service |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2025 | $117,497,929 | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| 2026 | 117,499,224 | | | | | | | | | |
| 2027 | 117,501,745 | | | | | | | | | |
| 2028 | 117,502,457 | | | | | | | | | |
| 2029 | 117,502,426 | | | | | | | | | |
| 2030 | 117,498,632 | | | | | | | | | |
| 2031 | 117,500,090 | | | | | | | | | |
| 2032 | 117,500,340 | | | | | | | | | |
| 2033 | 117,502,090 | | | | | | | | | |
| 2034 | 117,498,590 | | | | | | | | | |
| 2035 | 117,498,090 | | | | | | | | | |
| 2036 | 105,820,040 | | | | | | | | | |
| 2037 | 105,818,040 | | | | | | | | | |
| 2038 | 105,817,440 | | | | | | | | | |
| 2039 | 105,818,140 | | | | | | | | | |
| 2040 | 105,819,740 | | | | | | | | | |
| 2041 | 105,821,790 | | | | | | | | | |
| 2042 | 105,819,890 | | | | | | | | | |
| 2043 | 105,819,540 | | | | | | | | | |
| 2044 | 105,821,390 | | | | | | | | | |
| 2045 | 105,817,040 | | | | | | | | | |
| 2046 | 83,818,751 | | | | | | | | | |
| 2047 | 83,821,834 | | | | | | | | | |
| 2048 | 83,820,324 | | | | | | | | | |
| 2049 | 83,820,147 | | | | | | | | | |
| 2050 | 83,817,760 | | | | | | | | | |
| 2051 | 40,818,750 | | | | | | | | | |
| **TOTAL** | **$2,810,612,229** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |

Note: The totals may not add due to rounding.
(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) Includes 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 2016 COPs and the 2017 COPs were direct purchases. 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 January 1, 2025, $122.6 million 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 June 30, 2024, there were no 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 capital projects.

***Customer Facility Charge Revenue Bonds.*** The Department has issued approximately $445 million of CFC Bonds to finance the construction of the ConRACs and may issue additional CFC Bonds in the future. The CFC Bonds are secured by CFC collections and are not secured by the Revenues or Aviation Fuel Taxes. As of January 1, 2025, $381.4 million of CFC Bonds were outstanding.

***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 $250,000,000 for war, hijacking and other perils. The annual premium for Fiscal Year 2024 was $1.13 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*") $3.75 million for Fiscal Year 2024. DAG's insurance policy covers cyber liability with a $10,000,000 aggregate limit. The Airports Division has no control over DAGS's insurance premium.

## 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 of 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 retiree pension costs attributable to excess non-base pay during the last years of service before retirement.

At June 30, 2024, the Airports Division reported a liability of $168,533,071 for its proportionate share of the net pension liability. The net pension liability was determined by an actuarial valuation as of June 30, 2023. The actual pension contributions by the Airports Division to the ERS for the year ended June 30, 2024, was $18,246,316.

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 $17.385 billion as of June 30, 2020, $21.936 billion as of June 30, 2021, $21.855 billion as of June 30, 2022, $22.425 billion as of June 30, 2023, $23.701 billion as of June 30, 2024, and $24.038 billion as of September 30, 2024. Actuarial certification of assets was $18.084 billion as of June 30, 2020, $19.909 billion as of June 30, 2021, $21.318 billion as of June 30, 2022, $22.515 billion and as of June 30, 2023, and $23.841 billion as of June 30, 2024. As of June 30, 2024, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the Retirement System amounted to approximately $14.008 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 the higher 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 22-year funding period. Act 192, SLH 2024 recently enacted by the Hawaii Legislature decreased the maximum funding period from 30 years to 25 years effective June 30, 2024, and began the process to reduce the maximum funding period to 20 years as of June 30, 2029. The 22-year projected funding period is below the level at which ERS would be required to request the Legislature to increase contribution rates or modify future benefits. Assuming a constant employment base, the number of employees entitled to pre-2012 retirement benefits should now be less than the number of employees entitled to post-2012 retirement benefits. 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 22-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 ("*OPEB*") 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, 2024 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, 2024 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, 2024 is $5.927 billion. The corresponding ARC for the fiscal years ending June 30, 2026 and 2027 are $838.5 million and $846.9 million, respectively. The Trust Fund Report estimates the "pay-as-you-go" funding amounts for fiscal years ending June 30, 2026 and 2027 are $516.8 million and $551.9 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, 2024 actuarial valuation was $5.20 billion and 46.7%, respectively. Investment returns net of fees on OPEB assets during fiscal year 2024 was 8.2% 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 years ending June 30, 2021, 2022 and 2023, the State and counties were only required to contribute their share of the monthly "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 an additional OPEB prefunding 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 OPEB prefunding amount of the ARC for the fiscal year ending June 30, 2022 in advance. In addition to the $390 million additional OPEB prefunding payment credited for fiscal year 2021, the State contributed $112.1 million of the $440.8 million OPEB prefunding amount of the fiscal year 2022 ARC. The $112.1 million contribution plus the $390 million additional payment in fiscal year 2021 has a similar effect to funding $502.1 million, or $61.3 million more than the fiscal year 2022 OPEB prefunding requirement. The State paid the full ARC amount (benefit payment and prefunding payment) for the fiscal year ending June 30, 2024.

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.

At June 30, 2024, the Airports Division reported a liability of $149,221,999 for its proportionate share of the State's net OPEB liability. The net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The actual contributions by the Airports Division to the ARC for the year ended June 30, 2024, was $17,134,412.

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 2015 — 2027**

| Fiscal Year | ARC | Benefit Payment** | Act 268 Prefunding Requirement %* | Act 268 Prefunding Requirement $ | Total Prefunding Contribution** | Total Contributions** |
|---|---|---|---|---|---|---|
| 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 | 436,439,260 | 100% | 440,753,740 | 112,111,493*** | 548,550,753 |
| 2023 | 839,445,000 | 428,181,899 | 100% | 411,263,101 | 411,263,110*** | 839,445,000 |
| 2024 | 821,984,000 | 428,544,396 | 100% | 393,439,604 | 393,439,604 | 821,984,000 |
| 2025 | 830,204,000 | 490,228,000 | 100% | 339,976,000 | 339,976,000 | 830,204,000 |
| 2026 | 838,506,000 | 516,759,000 | 100% | 321,747,000 | 321,747,000 | 838,506,000 |
| 2027 | 846,891,000 | 551,863,000 | 100% | 295,028,000 | 295,028,000 | 846,891,000 |

*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 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023 and 2024 are actual, and 2025, 2026 and 2027 are projected based on the 2024 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 suspended these requirements for fiscal years 2022 and 2023.

**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 cannot make such payments from Revenues and Aviation Fuel Taxes.

**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's infrastructure, the Airports System is vulnerable to the effects of sea level rise, extreme climate conditions and extreme weather events. These impacts may affect the Airports System's operations and infrastructure, directly, or indirectly, such as by disrupting access or demand for the Airports System or interrupting operations at other airports that have ripple effects in the air transportation industry. In response to these 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.

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 40% by 2030 and 70% by 2040. The State had achieved a statewide RPS level of approximately 34% at the close of 2022.

In June 2022, 14 young plaintiffs, between the ages of 9 to 18 at the time of filing, brought a claim against the Department seeking to reduce greenhouse gas emissions and decarbonize the transportation sector in the State, in reliance upon the State's constitutional public trust doctrine, which requires the State and its political subdivisions to conserve and protect the State's environment and natural resources. In June 2024 the parties announced a settlement of the case, *Navahine v. Hawai'i Department of Transportation*, under which the State committed to implementing specific plans and programs to decarbonize the transportation system and reduce greenhouse gas emissions and fossil fuel dependence, including developing a greenhouse gas reduction plan within one year of the agreement to decarbonize the State's transportation system by 2045, and making investments in clean transportation infrastructure, including dedicating least $40 million to expanding the public electric vehicle charging network by 2030.

On October 21, 2024, the Department announced that Daniel K. Inouye International has achieved Airport Carbon Accreditation Level 3 status from the Airports Council International. This recognition was preceded by achievement of Level 1 status in 2016 for mapping and Level 2 status in 2017 for a 46% reduction in carbon emissions from 2009 baseline level. Level 3 status is a recognition of the Airports Division for the following achievements: (i) Set a goal to reduce airport-controlled carbon emissions by 50% by 2030 and net-zero airport-controlled carbon emissions by 2045; (ii) Engaged more than 29 operational stakeholders on their sustainability plans and explored ways to support; (iii) Inventoried non-airport-controlled carbon emissions sources, including flights and ground transportation, to get a better understanding of carbon emissions overall; and (iv) Set strategies for emission reductions prioritized by ease of implementation and guided by values in the 2023 Hawaii Pathways to Decarbonization report.

For coordination on climate adaptation and mitigation across State agencies, the Hawaii Climate Change Mitigation and Adaptation Commission (the "*Climate Commission*") was created in 2017 by Act 32. This legislation also marked Hawaii as the first state to enact legislation to mitigate and adapt to climate change in accordance with the Paris Agreement, and formed and tasked the Climate Commission. On March 1, 2024, the Climate Commission published its Priority Climate Action Plan. The Plan described 17 priority measures that State and county governments could implement to reduce greenhouse gas emissions in Hawaii. Together with the Comprehensive Climate Action Plan, expected to be released in the second half of 2025, these action plans will inform and prioritize State actions on adaptation and mitigation across a range of economic sectors.

***The Hawaii Clean Energy Initiative ("HCEI")***. HCEI is a framework of statutes and regulations supported by a diverse group of stakeholders committed to the State's clean energy future. The initiative was launched in 2008 when the State and the U.S. Department of Energy signed a Memorandum of Understanding to collaborate on the reduction of the State's dependence on imported fossil fuels. In 2014, the Hawaii State Energy Office renewed the State's commitment to setting clean energy goals through a Memorandum of Understanding Re-commitment that includes achieving the nation's first-ever 100 percent RPS by 2045. In 2023, the Governor again renewed the State's commitment to achieving the nation's first-ever 100 percent RPS by the year 2045. 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 the State. The State and the Department embraced innovative technologies in the clean transportation sector, including working with hybrid-electric aircraft engine developers, fuel producers and electric sea-gliders to promote development of sustainable flights.

***Hawaii 2050 Sustainability Plan***. In early 2022, the State of Hawaii Office of Planning and Sustainable Development launched an update of the "Hawaii 2050 Sustainability Plan" for the 2021-2030 decade to serve as the State's climate and sustainability strategic action plan. The plan includes climate-related recommendations such as promoting a sustainable economic recovery through strategies that support green workforce development and education and regenerative and sustainable tourism, reducing greenhouse gas emissions in the energy, transportation and waste sections, and improving climate resilience of the natural and built environments and their occupants. The plan also incorporates a review of Hawaii's laws and plans, public outreach efforts via informational sessions throughout the islands and coordination with stakeholder groups to focus on and mitigate challenges that may arise from climate change.

## REPORT OF THE AIRPORT CONSULTANT

The Airports Division retained ICF Incorporated, L.L.C. to serve as an airport consultant in connection with the issuance of the Series 2025 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 2025 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2025 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 "**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 2025 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.*

### 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 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.

As a result of the incident that led to the grounding of MAX aircraft described under "**Airline Information**" below, the FAA announced increased oversight of Boeing's manufacturing processes and stated that it will not permit the company to increase aircraft production rates until the FAA is satisfied that adequate manufacturing quality controls are in place. Such restriction will constrain Boeing's ability to deliver aircraft as planned and could delay the ability of some airlines to upgrade their fleets with more fuel-efficient aircraft and increase capacity. The eight-week Boeing mechanist union member strike that began in September 2024 and ended in early November 2024 also slowed commercial aircraft manufacturing by Boeing and future labor activity may result in delays. Delays in availability of aircraft, and of more fuel-efficient aircraft for these or other reasons, may affect the financial condition of airlines and their ability to increase service. Similarly, groundings of aircraft such as the grounding of MAX aircraft described below, may affect the ability of airlines to maintain their flight schedules.

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. 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 2025 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.

***Mergers, Acquisitions and Restructuring of Air Carriers***. Certain airlines serving the Airports System have consolidated in recent years. On September 18, 2024, Alaska Airlines completed its acquisition of Hawaiian Airlines. This merger may affect traffic, flight availability and flight pricing within the Airports System, as Alaska Airlines may optimize aircraft usages and capacity on overlapping routes with Hawaiian Airlines. The full impact of this merger on the Airports System is unclear at this time as of the date of this Official Statement. Alaska Airlines Group, Inc., the parent company of Alaska Airlines, plans to maintain both airlines' brands while aiming for integrating operations under a single platform, labor rules and operating certificate in 2025. If as a result of the merger the combined entity was 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 the combined entity or another airline to cease or significantly cut back operations at the Airports System, Revenues, PFC collections and costs for other airlines serving the Airports System could be adversely affected.

***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 non-signatory 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. 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.

In January 2024, the FAA ordered the temporary grounding of Boeing 737-9 MAX aircraft operated by U.S. airlines or in the U.S. territories following an accident on Alaska Airlines during which a door plug malfunctioned. On January 24, 2024, the FAA approved an inspection and maintenance process that each Boeing 737-9 MAX aircraft must undergo before being eligible to return to service. In March 2024, the FAA halted production expansion of the Boeing 737 MAX and continued its increased onsite presence at Boeing's facility and Spirit AeroSystems' facility. Future safety issues (or the perception thereof) with respect to aircraft which serve the Airport, as well as any associated manufacturing and product impacts could result in reduced passenger traffic.

Aviation industry supply chain issues are also impacting the airline industry, including, but not limited to, engines, airframes and other parts. At this time, it is uncertain when supply chain issues will resolve.

**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 improvements 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 Base CIP that are not presently included in the Base CIP and expects that it will undertake other major capital projects following the completion of the current Base 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 Base 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 COVID-19 pandemic has had material adverse effects on passenger traffic and Airports System operations and financial performance. Due to the negative effects of the COVID-19 pandemic on air traffic, monthly enplaned passengers dropped to less than 5 percent of historical levels in April 2020, but had recovered to above 2019 levels since October 2022. Total Fiscal Year 2024 enplaned passengers were 2.6% higher than FY 2019. Although total traffic was fully recovered, international traffic in Fiscal Year 2024 was 34.3% lower than Fiscal Year 2019. While air travel volumes have substantially recovered, any resurgence of COVID-19 or any other pandemic 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.

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. 3935 (P.L. 118-63), the FAA Reauthorization Act of 2024, was signed into law on May 16, 2024. It extended FAA's funding and authorities through September 30, 2028. The bill increases appropriations for AIP to $4 billion a year, or $20 billion over the five-year period. Further, the bill directs the FAA to hire and train 3,000 new air traffic controllers and to implement certain advanced data communication systems by 2026 and aeronautical information management systems by 2027. The legislation also requires airlines to pay refunds to customers for flight delays.

This five-year authorization of the FAA, following the FAA Reauthorization Act of 2018, represents the second significant multi-year reauthorization since the FAA Modernization and Reform Act of 2012 (P.L. 112-95), and the second 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 Airports 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 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.

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.

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 January 11, 2021, the EPA issued a final rule titled "Control of Air Pollution from Airplanes and Airplane Engines: GHG Emission Standards and Test Procedures." Within this rule, the EPA adopted GHG emission standards applicable to certain classes of engines used by certain civil subsonic jet airplanes and certain civil larger subsonic propeller-driven airplanes. These standards are equivalent to the airplane carbon dioxide (CO2) standards adopted by the International Civil Aviation Organization in 2017 and apply to both new type design airplanes and in-production airplanes, effectuating alignment with the international community on GHG emissions from aviation. The fuel efficiency-based standards are designed by the EPA to achieve "the highest practicable degree" of international uniformity in aviation regulations and standards and meet the EPA's obligation under section 231 of the Clean Air Act.

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 2025 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 the past, the State has experienced hurricanes, mudslides, flash flooding, volcanic eruptions and, most recently, in August 2023, a series of wildfires occurred in Maui.

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 2025 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.

**Foreign Exchange Rates**

Fluctuations in exchange rates, particularly the U.S. dollar to Japanese yen, from time to time, have influenced and could influence international travel to the State. Japan is a leading source of international visitors to the State. However, recently, the yen has experienced significant depreciation, reaching a 38-year low in 2024 and falling 20 percent from its early 2015 levels, which has made travel to the State more expensive for Japanese tourists. Rising interest rates in Japan, coupled with the weakening yen, could further increase the cost of international travel for Japanese consumers and reduce demand for travel to the State in the future. Such an event could result in decreased international air traffic and reduced revenue for the Airports System. The Department is not able to determine if, or to what extent, fluctuations in exchange rates in the future will adversely affect the Revenues of the Airports System.

**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 2025 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 2025 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 2025 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or may cause interest on the Series 2025 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 2025 Bonds. Prospective purchasers of the Series 2025 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 2025 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 2025 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 2025 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 2025 Bonds or affecting the validity of the Series 2025 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 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D 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 2025A Bonds and the Series 2025C Bonds is an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2025A Bonds and the Series 2025C 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). Interest on the Series 2025B Bonds and the Series 2025D Bonds is not an item of tax preference for purposes of the alternative minimum tax; however, such interest is included in the adjusted financial statement income of those corporations subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, under the existing statutes, interest on the Series 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2025A/B Bonds and the Series 2025C/D Bonds. These requirements relate to the use and investment of the proceeds of the Series 2025A/B Bonds and the Series 2025C/D Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2025A/B Bonds and the Series 2025C/D Bonds and the use of the property financed with the proceeds of the Series 2025A/B Bonds and the Series 2025C/D Bonds. Among these specific requirements are the following:

(a) Investment Restrictions. Except during certain "temporary periods," proceeds of the Series 2025A/B Bonds and the Series 2025C/D 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 2025 Bonds.

(b) Rebate of Permissible Arbitrage Earnings. Earnings from the investment of the "gross proceeds" of the Series 2025A/B Bonds and the Series 2025C/D 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 2025 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 2025A/B Bonds and the Series 2025C/D Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series

2025C/D Bonds. Such provisions may restrict future changes in the use of any property financed or refinanced with the proceeds of the Series 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D Bonds.

***Risk of Non Compliance***. In the event that the State fails to comply with the requirements of the Code, interest on the Series 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D Bonds or payment of any additional interest or penalties to the owners of the Series 2025A/B Bonds and the Series 2025C/D Bonds.

***Federal Income Tax Consequences***. Pursuant to Section 103 of the Code, interest on the Series 2025A/B Bonds and the Series 2025C/D Bonds is not includible in the gross income of the owners thereof for federal income tax purposes (except for interest on any Series 2025A Bond or Series 2025C 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 2025A Bonds or the Series 2025C Bonds). However, the Code contains a number of other provisions relating to the treatment of interest on the Series 2025A/B Bonds and the Series 2025C/D 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 2025 BONDS.

(a) *Cost of Carry*. Owners of the Series 2025A/B Bonds or the Series 2025C/D 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 2025A/B Bonds or the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D Bonds.

(b) *Corporate Owners*. The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the "adjusted financial statement income" of any corporation (other than an S corporation, a regulated investment company and a real estate investment trust) having an average "adjusted financial statement income" exceeding $1,000,000,000 over such corporation's three preceding taxable years. The corporate alternative minimum tax is effective for taxable years beginning after December 31, 2022. Interest tax-exempt bonds, such as the Series 2025B Bonds and the Series 2025D Bonds, is included in the calculation of a corporation's "adjusted financial statement income". In addition, interest on the Series 2025B Bonds and the Series 2025D 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 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D Bonds held by such a company is properly allocable to the shareholder.

Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2025A/B Bonds and the Series 2025C/D Bonds.

***Information Reporting and Back-up Withholding***. Payments of interest on the Series 2025A/B Bonds and the Series 2025C/D Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2025A/B Bond owner or a Series 2025C/D Bond 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 2025A/B Bonds and Series 2025C/D 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 2025 Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Series 2025 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 2025 Bond, the difference between the two is known as "bond premium;" if the Offering Price is lower than the principal amount of a Series 2025 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 2025 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 2025 Bond and is subtracted from the owner's tax basis in the Series 2025 Bond, as the case may be. 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 2025 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 2025 Bond. A Series 2025 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 2025 Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Series 2025 Bond).

Owners who purchase Series 2025 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 2025 Bonds. In addition, such owners of Series 2025 Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Series 2025 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.

***State and Local Income Tax Consequences***. In the opinion of Bond Counsel, interest on the Series 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D 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 2025A/B Bonds and the Series 2025C/D Bonds.

***Changes of Law and Post Issuance Events***. Certain requirements and procedures referred to in the Certificate, the Thirty-Fifth Supplemental Certificate and the Tax Compliance Certificate and certain other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel, Katten Muchin Rosenman LLP expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of any such change occurring, or such action or other action taken or not taken, upon the advice or approval of bond counsel other than Katten Muchin Rosenman LLP.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2025A/B Bonds or the Series 2025C/D Bonds may adversely affect the value of, or status of, interest on the Series 2025A/B Bonds and the Series 2025C/D Bonds. 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 2025A/B Bonds or the date the Series 2025C/D 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 2025A/B Bonds or the Series 2025C/D Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of owners.

Current and future legislative proposals, if enacted into law, administrative actions or court decisions, either at the federal or state level, may cause interest on the Series 2025A/B Bonds and the Series 2025C/D Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to state income taxation, or otherwise to have an adverse impact of the potential benefits of the exclusion from gross income of the interest on the Series 2025 A/B Bonds and the Series 2025 C/D Bonds for federal or state income tax purposes. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Series 2025A/B Bonds and the Series 2025C/D Bonds. Prospective owners of any of the Series 2025 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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 2025A/B BONDS AND THE SERIES 2025C/D BONDS.

## UNDERWRITING

Barclays Capital Inc. and BofA Securities, Inc. (collectively, the "*Underwriters*") have agreed to purchase the Series 2025 Bonds for $____________ (representing the principal amount of the Series 2025 Bonds, less underwriters' discount of $____________ and [plus/less] [net] [premium/discount] of

$____________). The Underwriters will be obligated to purchase all the Series 2025 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 2025 Bonds may be changed from time to time by the Underwriters prior to the Delivery Date. The Underwriters may offer and sell the Series 2025 Bonds to certain dealers (including dealers depositing Series 2025 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.

BofA Securities, Inc., one of the Underwriters of the Series 2025 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 2025 Bonds.

## LEGALITY FOR INVESTMENT

The Series 2025 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 2025 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 2025 Bonds are subject to the approval of Katten Muchin Rosenman LLP, New York, New York. Copies of the approving opinions of Bond Counsel will be available at the time of delivery of the Series 2025 Bonds and will be delivered with the Series 2025 Bonds. A proposed form of the opinions of Bond Counsel is annexed as Appendix F – Form of Bond Counsel Opinions. 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-Fifth Supplemental Certificate of the Director dated as of February 1, 2025, providing for the issuance of the Series 2025 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 "Aa3," with a stable outlook, "AA-," with a stable outlook and "AA-," with a stable outlook, respectively, to the Series 2025 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 2025 Bonds.

## MUNICIPAL ADVISOR

The Department has retained Frasca & Associates, LLC, as municipal advisor with respect to the issuance of the Series 2025 Bonds. Frasca & Associates, 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. Frasca & Associates, LLC is an independent financial advisory firm. The fee of Frasca & Associates, LLC with respect to the Series 2025 Bonds is contingent upon the issuance and delivery of the Series 2025 Bonds.

## 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 2025 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 2025 Bonds.

A failure by the Department to comply with the Continuing Disclosure Certificate will not constitute an event of default of the Series 2025 Bonds, although any Beneficial Owner of the Series 2025 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 2025 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2025 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, 2024 set forth in Appendix B – Audited Financial Statements have been audited by Plante & Moran, PLLC, independent auditors, as stated in their report.

DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII

By: ________________________________________
Edwin H. Sniffen
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 Hawai‘i Department of Transportation

**For and on behalf of its Department of Transportation – Airports**

**Airports System Revenue Bonds**

**Series 2025**

**Prepared for:**

**State of Hawai‘i Department of Transportation – Airports**

**Prepared by:**

ICF

February 3, 2025

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February 3, 2025

Mr. Edwin Sniffen
Director of Transportation
State of Hawaiʻi
869 Punchbowl Street
Honolulu, Hawaiʻi 96813

**Re: Report of the Consultant**
**Proposed Issuance of Airports System Revenue Bonds, Series 2025**
**Hawaiʻi Airports System**

Dear Mr. Sniffen:

ICF Incorporated, LLC (ICF) is pleased to submit this Report of the Consultant (the Report) to support the proposed issuance of the State of Hawaiʻi Airports System Revenue Bonds, Series 2025 (the 2025 Bonds), in an aggregate principal amount of approximately $696.8 million (preliminary and subject to change). At the request of the State of Hawaiʻi Department of Transportation (the Department) on behalf of its airports management (DOTA), ICF has prepared this Report to evaluate the financial impacts of the proposed issuance of the 2025 Bonds, along with certain future bonds (the Future Bonds), through the fiscal year (FY) ending June 30, 2031.[1]

The 2025 Bonds are to be issued as Additional Bonds under the Certificate. Proceeds from the 2025 Bonds will be allocated to (a) fund a portion of project costs for the Hawaiʻi Airports System's capital improvement program, (b) fund the Debt Service Reserve Account associated with the 2025 Bonds, (c) fund capitalized interest on the 2025 Bonds, and (d) cover issuance costs of the 2025 Bonds. This Report does not reflect the impact of any potential refunding transactions that the Department may include in this bond issue or in future issues.

The 2025 Bonds are limited liabilities of the Department and are payable solely from DOTA's Revenues and Aviation Fuel Taxes. The general fund of the State of Hawaiʻi (the State) is not pledged for payment of the Bonds.

## SCOPE OF OUR WORK

The Department engaged ICF to prepare this Report, which forecasts Net Revenues and Taxes and evaluates the financial impacts of the proposed issuance of the 2025 Bonds and planned Future Bonds. ICF developed the traffic forecasts included in this Report, documented the capital projects the Department plans to fund along with related funding sources, and reviewed the Certificate, Airline Agreement, and other relevant

[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 Hawaiʻi 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 Hawaiʻi Airports System, as extended and amended (the Airline Agreement).

documents. Additionally, ICF prepared the financial forecasts, including debt service coverage ratios and costs per enplanement (CPE), through FY 2031. For preliminary debt service estimates related to the 2025 Bonds and planned Future Bonds, ICF relied on Barclays Capital Inc., and for other data included in this Report, ICF relied on DOTA, unless otherwise noted.

This Report is organized as follows:

*Section 1: Airports System Background*

*Section 2: Aviation Environment*

*Section 3: Financial Framework*

*Section 4: Capital Plan and Sources of Funding*

*Section 5: Financial Forecast*

## BACKGROUND

Sections 1, 2, and 3 provide an overview of the Hawaiʻi Airports System (the System), historical air traffic, the Certificate, and the Airline Agreement.

**The Hawaiʻi Airports System and Historical Air Traffic**

The Hawaiʻi Airports System comprises 15 airports operated by DOTA as an enterprise fund of the State. The Department is organized into four groups: Administration, Airports, Harbors, and Highways. This Report focuses on traffic and financial information specific to DOTA, though the Department executes contracts on DOTA's behalf.

The Hawaiʻi Airports System covers all non-military passenger and cargo traffic in Hawaiʻi. Daniel K. Inouye International Airport (HNL) on the island of Oʻahu is the State's largest airport and was classified as a large-hub airport by the Federal Aviation Administration (FAA) based on enplanement data for 2023, ranking as the 31st largest airport in the U.S. Kahului Airport (OGG) on Maui is the State's second-largest airport, classified as a medium hub and ranked 52nd in the U.S. Among the State's small-hub airports are Hilo International Airport (ITO) and Ellison Onizuka Kona International Airport at Keāhole (KOA) on the Big Island, and Lihue Airport (LIH) on Kauaʻi. These airports, along with HNL and OGG, are collectively referred to in this Report as the Primary airports, with those other than HNL designated as the primary neighbor island airports (PNI airports). The remaining 10 non-hub and general aviation airports in the Hawaiʻi Airports System are collectively referred to as the Non-primary airports.

Enplaned passenger counts have historically varied due to economic cycles, shifts in airline services, and other factors. Enplanements reached 17.5 million in FY 2008, then fell to 14.8 million in FY 2009 due to the Global Financial Crisis (GFC) and the closure of Aloha Airlines. Enplaned passenger traffic recovered over the following decade, reaching 18.7 million in FY 2019, surpassing the previous peak of 18.3 million in FY 2000. The COVID-19 pandemic led to two years of declining enplaned passengers, but traffic recovered to a new high of 19.5 million in FY 2023. Impacts to local economies, safety, and tourism due to the Maui wildfires in August 2023, currency exchange rates that were unfavorable to Asia-Pacific visitors, particularly the yen, and other contributing factors led to a decline in enplaned passenger to 19.2 million in FY 2024, a 1.5 percent year-over-year decrease, although still 2.6 percent higher than pre-pandemic 2019 level.

Enplaned passengers can be divided into three segments:

- **Interisland:** Enplaned passengers traveling to other islands within Hawaiʻi, which totaled 7.8 million in FY 2024, or 40.4 percent of all enplaned passengers.
- **Mainland U.S.:** Enplaned passengers traveling to the continental U.S., which totaled 9.3 million in FY 2024, or 48.5 percent of the total.
- **International:** Enplaned passengers traveling to other countries, which totaled 2.1 million in FY 2024, or 11.1 percent of the total.

The mainland U.S. and international segments are collectively referred to as "overseas" passengers.

**Certificate**

The Certificate outlines the annual revenue requirements (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 (known as the flow of funds), and other Department covenants.

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

- 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 principal 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 issued for the Undertaking (currently none outstanding) and carry out the Certificate's provisions and covenants;
- 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.

**Airline Agreement**

The Airline Agreement, initially executed in 1962 with several subsequent amendments, is automatically extended on a quarterly basis unless either the Department or the Signatory Airlines provides sixty days' written notice of termination. In FY 2024, the Signatory Airlines accounted for 95.6 percent of landing fees.

The review process for proposed capital improvement projects is outlined in the Lease Extension Agreement of 1994 (the 1994 Extension). If concurrence is withheld by the Signatory Airlines, the Department may still proceed with the project in the following fiscal year and include the related costs in the airline rate base if the Department deems the project necessary.

The methodology for airline rates and charges is primarily set out in the First Amended Lease Extension Agreement (the 2007 Extension), which includes system-wide residual protection through an Airports System Support Charge (the ASSC), among other provisions, detailed further in Section 3. The ASSC ensures compliance with the Rate Covenant, in case other revenues are insufficient to meet the related requirements. Any operating surplus, after meeting all financial obligations, is retained by DOTA.

### Capital Improvement Program

DOTA maintains a rolling capital improvement program (CIP) to maintain, renovate, and develop facilities within the Hawai'i Airports System. To undertake a capital project, DOTA secures an appropriation from the Legislature, an allotment from the Office of the Governor, and concurrence from the Signatory Airlines. As part of the biennial budget process, DOTA submits a six-year capital plan, with projects planned for the first two years reviewed by the Governor and submitted to the Legislature for approval. Once approved, these projects are added to the capital improvement program, which also includes projects that received appropriations and concurrence in previous years. Completed projects are subsequently removed from the program.

DOTA has been discussing certain capital projects with the Signatory Airlines, as outlined in Section 4. For the purposes of this Report, the CIP includes certain ongoing projects with an estimated remaining cost of $1.85 billion as of June 30, 2024 (the Base CIP) and an additional allowance of $2.0 billion (the Additional Allowance), which is reflected in the financial forecast.

## ASSUMPTIONS, FORECASTS AND CONCLUSIONS

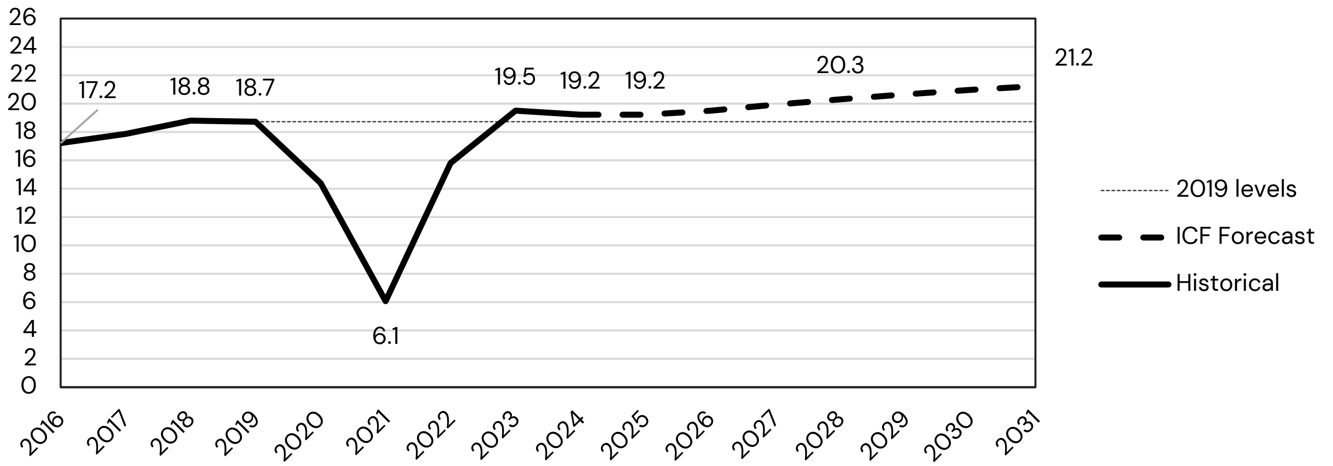
This section discusses the nature of the assumptions detailed in the attachment of this Report, forecast results and conclusions.

### Passenger Traffic

To evaluate the financial impacts of the proposed issuance of the 2025 Bonds, ICF has developed the following traffic forecast, which has been reviewed and agreed to by DOTA management, as illustrated in Exhibit 1.

Total enplaned passenger count recovered post-COVID and exceeded the FY 2019 level in FY 2023, reaching an all-time high of 19.50 million. Enplaned passengers declined slightly to 19.22 million in FY 2024, and is forecast to stay at 19.22 million in FY 2025. The FY 2025 projection is backed by published schedules and the ongoing recovery of international traffic, particularly from Japan. Beyond FY 2025, long-term demand drivers, such as gross domestic product (GDP) growth, are expected to support continued traffic growth, albeit at rates below pre-pandemic averages. Alaska Air Group, inc. announced on September 18, 2024 that it completed the acquisition of Hawaiian Holdings, Inc., which may impact the traffic within the Hawai'i Airports System. The mainland U.S. segment is forecasted to expand, as Alaska Airlines optimizes aircraft usage and capacity on overlapping routes with Hawaiian Airlines, leveraging its merger to enhance efficiency to support Hawai'i demand. In cases where markets may experience reduced services, new connecting flows are anticipated to emerge, driven by sustained demand for Hawai'i as a destination. The international segment is expected to grow between FY 2025 to 2031 approximately 5.3 percent per year, contributing to overall market strength on top of the mainland U.S. continued growth of 1.9 percent per year. The interisland market is expected to experience minimal growth (approximately 0.2 percent per year) as Southwest continues to optimize its operations with fewer available seats, but achieves higher load factors due to aircraft utilization adjustments to accommodate new red-eye flights to the mainland U.S. ICF projects a decline in interisland enplaned passengers for FY 2025 and FY 2026, based on evaluations on recent FY 2025 to date traffic trends and the full-year impact of reduced Southwest seat capacity in FY 2026 given latest forward-looking schedule seats. By FY 2031, total enplaned passengers are projected to reach 21.2 million, an 11 percent increase over the System's FY 2024 levels.

**Exhibit 1: Hawaiʻi Airports System Enplaned Passenger Historical & Forecast Fiscal Years Ended June 30, 2016-2031, in millions**




*Source: DOTA; ICF forecast.*

### Costs of Operation, Maintenance and Repair

The Costs of Operation, Maintenance, and Repair increased from $314.8 million in FY 2019 to $357.7 million in FY 2023 and $434.3 million in FY 2024. The increase of $76.6 million from FY 2023 to FY 2024 included a one-time COVID-19 related hazard pay expense of $16 million and a one-time anticipated bad debt expense of $14.2 million. The hazard pay expenses were paid in FY 2025 but were accrued in FY 2024. Excluding one-time costs, the Costs of Operation, Maintenance and Repair are expected to reach $619.9 million by FY 2031, an average annual growth rate of 6.3 percent between FY 2024 and FY 2031, reflecting additional expenses for security services, cost escalation, and other factors.

### Debt Service and Other Fund Requirements

Currently, annual gross debt service on existing Bonds will remain steady at $117.5 million through FY 2035 and then decline to below $105.9 million thereafter. DOTA anticipates issuing the 2025 Bonds to fund approximately $602.5 million of capital costs with an annual debt service up to $36.6 million (preliminary and subject to change), and three additional series of Future Bonds after the 2025 Bonds during the forecast period. Consequently, total annual gross debt service is projected to rise to $357.4 million in FY 2031 and remain level through FY 2059. DOTA plans to apply a portion of Passenger Facility Charge (PFC) revenue to reduce the annual gross debt service.

Additionally, DOTA is also responsible for annual debt service on subordinate obligations, which will increase from $25.6 million in FY 2025 to $29.8 million in FY 2029, before declining to below $6.0 million starting FY 2030 and being retired by FY 2034. DOTA currently does not plan to issue subordinate obligations during the forecast period.

**Concession Revenues and Non-Terminal Rentals and Fees**

Concession revenues increased from $183.3 million in FY 2019 to $201.6 million in FY 2023, with a $49.4 million rise in rental car revenues more than offsetting a $36.4 million decline in duty-free revenues. Concession revenues then declined from $201.6 million in FY 2023 to $183.5 million in FY 2024, after excluding a $14 million bad debt related to duty-free in FY 2024, the impacts of implementing Governmental Accounting Standards Board Statement No. 87 Leases (GASB 87), and other adjustments.

DOTA expects future concession revenues to be driven by traffic growth, inflation and concession pricing, additional facilities, and contractual arrangements. Concession revenues are forecast to increase to $229.1 million in FY 2031, or 3.2 percent on average annually.

Non-terminal rentals and fees increased from $63.6 million in FY 2019 to $76.9 million in FY 2023 and $82.8 million in FY 2024. This increase was primarily driven by higher land and building rentals from new facilities, such as consolidated rental car facilities (ConRACs), and increased rental rates due to appraisals. These revenues are expected to reach $98.4 million by FY 2031, primarily due to inflation adjustments.

**Conclusions**

Based on the information, expectations and assumptions presented in the Report, we forecast a minimum of 1.46x debt service coverage, which exceeds the Rate Covenant requirement of 1.25x. The following exhibit summarizes the forecast debt service coverage ratios and CPEs.

**Exhibit 2: Summary of Historical and Forecast Results, FY 2023-2031 (enplaned passengers and US$ figures in millions)**

| | | Historical | Forecast | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| **ENPLANED PASSENGERS** | | | | | | | | | |
| Enplaned Passengers | 19.5 | 19.2 | 19.2 | 19.5 | 19.9 | 20.3 | 20.7 | 21.0 | 21.2 |
| % Change vs. Prior Year | 23.4% | -1.5% | 0.0% | 1.5% | 2.2% | 1.9% | 1.7% | 1.5% | 1.3% |
| % Change vs. FY 2019 | 4.2% | 2.6% | 2.7% | 4.2% | 6.4% | 8.4% | 10.3% | 12.0% | 13.4% |
| **DEBT SERVICE COVERAGE CALCULATION** | | | | | | | | | |
| Net Revenues and Taxes | $ 227 | $ 202 | $ 188 | $ 193 | $ 224 | $ 287 | $ 347 | $ 362 | $ 360 |
| Funded Coverage Account Balance | 29 | 29 | 30 | 33 | 43 | 60 | 77 | 88 | 89 |
| Adjusted Net Revenues and Taxes | $ 256 | $ 232 | $ 218 | $ 225 | $ 267 | $ 347 | $ 424 | $ 449 | $ 450 |
| Annual Adjusted Debt Service Requirement | 83 | 90 | 99 | 109 | 143 | 202 | 265 | 303 | 308 |
| Debt Service Coverage | 3.10 | 2.59 | 2.20 | 2.07 | 1.87 | 1.72 | 1.60 | 1.48 | 1.46 |
| **COST PER ENPLANED PASSENGER** | $10.95 | $ 16.04 | $ 15.76 | $17.97 | $19.49 | $22.34 | $25.37 | $26.56 | $27.25 |

*Sources: Historical – DOTA; Forecast – ICF.*

## REPORT LIMITATIONS

The forecasts presented in this Report are based on our interpretation of the information provided by the DOTA, 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 operations, financial operations, among other aspects, all of which have been discussed with and agreed to by the DOTA. Website references in this Report are for informational purposes only and are not incorporated into or part of the Report, unless otherwise specified.

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. ICF believes that the forecasts fairly present the expected financial results given the assumptions in the Report. However, readers of this Report should also rely on their own judgement to assess whether the forecasts are reasonable, and the resulting financial performance of the Hawai‘i Airports System is realistic. ICF has discussed such assumptions and forecasts with the DOTA management, who agree with their reasonableness.

It is important to note that any forecast is subject to uncertainty, and actual results may differ substantially from the forecast results presented in this Report. In this respect, the words “estimate”, “forecast”, “project”, “anticipate”, “intend”, “believe”, and similar expressions are intended to identify forward-looking statements, including any writeups as part of analyses evaluating forward future airline schedules data.

The Report is provided on an as-is basis with no warranty of any kind. ICF, or anyone acting on behalf of ICF, does not warrant the achievability of the forecasts presented in the Report. All estimates, projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Report and the Official Statement.

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. Airports System Background

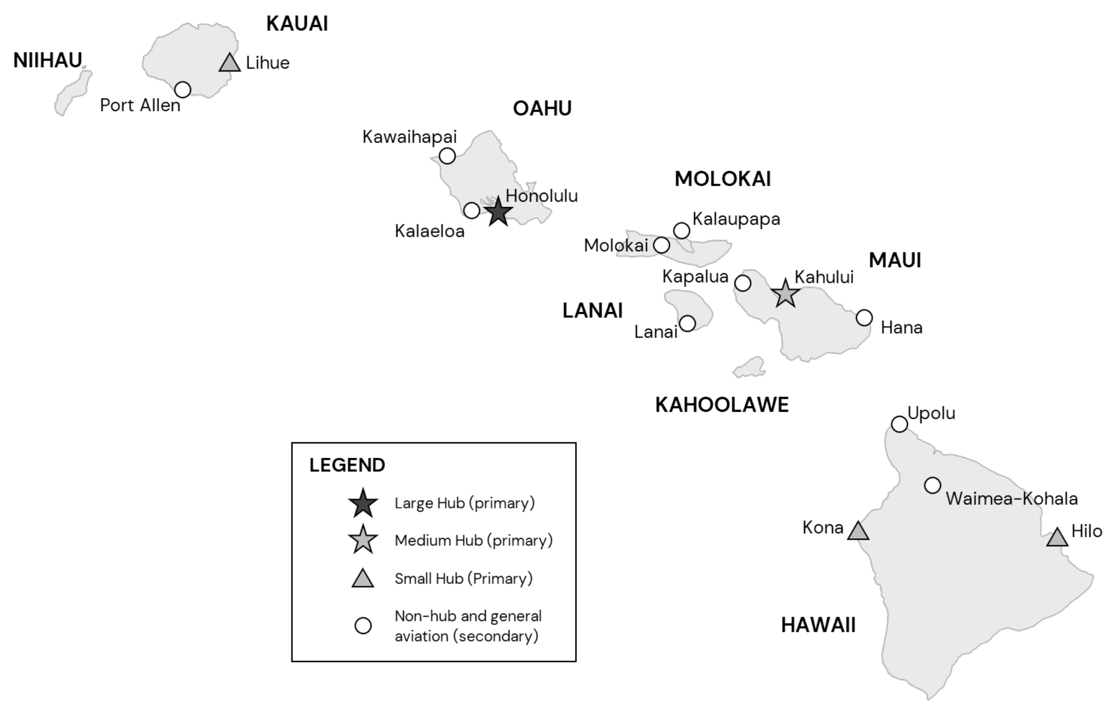
The purpose of this Report is to evaluate the financial impacts on the Hawai‘i Airports System from the proposed issuance of the 2025 Bonds and the Future Bonds, which will fund a portion of the capital project costs.

For this Report, ICF has 1) developed a traffic forecast as the basis of its analysis, which was reviewed with the DOTA management, 2) documented the capital projects that the DOTA intends to fund and related funding sources, 3) reviewed the Certificate and the Airline Agreement, among other documents, and 4) forecasted the financial results, including debt service coverage and CPEs through FY 2031.

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

The State comprises numerous islands spread over 1,500 miles from the island of Hawai‘i in the southeast to Kure Atoll in the northwest. The State is situated in the center of the Pacific Ocean and is recognized as a top global tourism destination. The eight main islands, listed from northwest to southeast, are Niihau, Kaua‘i, O‘ahu, Molokai, Lanai, Kahoolawe, Maui, and Hawai‘i. The island of Hawai‘i, also known as the Big Island, is the largest island in the State. However, the island of O‘ahu has the highest population, accounting for approximately two-thirds of the State’s total population of 1.44 million in 2023. As shown in Exhibit 1-1, the 15 airports are spread across six of the main islands with the larger populations.

**Exhibit 1-1: Hawai‘i Airports System**




*Note: HNL is classified as a large hub by the FAA based on calendar year 2023 enplaned passengers. Kure Atoll and Midway Atoll areas make up the Northwestern Hawaiian Islands not shown in the exhibit above.*

## 1.1 Organization of State Government

The State government includes four branches: the executive branch led by the Governor, the legislative branch (the State Legislature), the judicial branch (the Hawaiʻi State Judiciary), and the Office of Hawaiian Affairs (OHA), a unique fourth branch in Hawaiʻi's government structure dedicated to improving the well-being of Native Hawaiians. The Governor and Lt. Governor (on a joint ticket) are elected statewide every four years with the current Governor elected in 2022. The Governor appoints other state public officials, including the Director and the Deputy Director for administration of the Department. The Department has four Deputy Directors overseeing Administration, Airports, Harbors, and Highways. The Deputy Director-Airports leads the DOTA on behalf of the Department and the State, serving four-year terms conterminous with the Governor's.

The DOTA relies on the central services of the Department for administrative and managerial functions and relies on other departments of the State for other business functions, such as financial services from the Department of Budget and Finance (DBF), human resources services from the Department of Human Resources Development (DHRD), and management and supervision of State programs and activities from the Department of Accounting and General Services (DAGS).

The Hawaiʻi State Legislature consists of the State House of Representatives with 51 members and the State Senate with 25 members. The legislative sessions are held annually in the State Capitol building in Honolulu, with the regular sessions starting on the third Wednesday in January and lasting no more than 60 session days. Among other activities, the Hawaiʻi State Legislature reviews and approves Biennium Appropriations for the executive branch, including the operating and capital budgets for the Airports. Furthermore, the Legislature introduces, assesses, and adopts bills that may influence the operations of the Airports, such as the bill to authorize energy performance contracts.

## 1.2 The Hawaiʻi Airports System

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. There are no commercial airports on the islands of Niihau and Kahoolawe. As shown in Exhibit 1-1, the Hawaiʻi Airports System includes one large-hub airport, one medium-hub airport, three small-hub airports and 10 non-hub and general aviation airports according to the FAA based on calendar year 2023 traffic.

- **Daniel K. Inouye International Airport (HNL)** is the largest airport in the Hawaiʻi Airports System, with 10.9 million enplaned passengers in FY 2024, accounting for 57 percent of the system-wide traffic of 19.2 million. HNL is a large hub airport and the 31st busiest U.S. airport ranked by the FAA based on the 2023 calendar year revenue enplaned passengers. HNL serves as the primary port of entry for international arrivals to the State. Sixty-eight percent of enplaned passengers at HNL head to overseas destinations, including the U.S. mainland and international destinations in North America, Asia, and Oceania. The remaining share of enplaned passengers flew interisland to other airports in the Hawaiʻi Airports System.
- **Kahului Airport (OGG)** is the second busiest airport in the Hawaiʻi Airports System, with 3.5 million enplaned passengers in FY 2024, accounting for 18 percent of system-wide traffic. OGG is the 52nd busiest airport (and classified by the FAA as a medium sized hub) in the U.S. More than half of enplaned passengers (58 percent) at OGG flew overseas to the U.S. mainland or Canada, while the remaining flew interisland.
- **Kona (KOA), Lihue (LIH), and Hilo (ITO)** are the three small-hub airports. KOA and ITO are located on the Island of Hawaiʻi, with airlines at ITO offering only nonstop interisland services. In FY 2024, KOA handled 2.1 million enplaned passengers, 11 percent of the System's total, with 54 percent flying overseas. LIH, on the island of Kauaʻi, recorded 46 percent of its enplaned passengers on overseas flights.
- **Non-primary airports** (outlined in Exhibit 1-2) accounted for less than 1.0 percent of system-wide traffic in FY 2024.

**Exhibit 1-2: Profile of the Hawai‘i Airports System**

| Island | Primary Airports (5) | FY2024 Enplanements | % of Total, FY 2024 | FY2023 Enplanements | % of Total, FY 2023 |
|---|---|---|---|---|---|
| O‘ahu | Daniel K. Inouye International Airport (HNL) | 10,868,465 | 56.5% | 10,176,286 | 52.2% |
| Maui | Kahului Airport (OGG) | 3,502,985 | 18.2% | 4,379,071 | 22.5% |
| Hawai‘i | Ellison Onizuka Kona International Airport at Keahole (KOA) | 2,126,843 | 11.1% | 2,132,355 | 10.9% |
| | Hilo International Airport (ITO) | 715,159 | 3.7% | 728,508 | 3.7% |
| Kaua‘i | Lihue Airport (LIH) | 1,849,919 | 9.6% | 1,920,411 | 9.8% |
| **Total Primary Airports** | | **19,063,371** | **99.2%** | **19,336,631** | **99.1%** |
| **Island** | **Non-Primary Airports (10)** | | | | |
| O‘ahu | Kawaihapai Airfield (HDH) | - | - | - | - |
| | Kalaeloa Airport (JRF) | 3 | 0.0% | 0 | 0.0% |
| Maui | Hana Airport (HNM) | 2,139 | 0.0% | 5,453 | 0.0% |
| | Kapalua Airport/West Maui Airport (JHM) | 2,444 | 0.0% | 6,388 | 0.0% |
| Hawai‘i | Upolu Airport (UPP) | - | - | - | - |
| | Waimea-Kohala Airport (MUE) | 3,863 | 0.0% | 3,893 | 0.0% |
| Kaua‘i | Port Allen Airport (PAK) | - | - | - | - |
| Lanai | Lanai Airport (LNY) | 58,332 | 0.3% | 55,795 | 0.3% |
| Moloka‘i | Molokai Airport (MKK) | 86,764 | 0.5% | 91,638 | 0.5% |
| | Kalaupapa Airport (LUP) | 3,318 | 0.0% | 4,959 | 0.0% |
| **Total Non-Primary Airports** | | **156,863** | **0.8%** | **168,126** | **0.9%** |
| **Total Airports System** | | **19,220,234** | **100.0%** | **19,504,757** | **100.0%** |

*Source: DOTA.*

## 1.3 Daniel K. Inouye International Airport (HNL)

HNL is located on the south shore of the island of Oʻahu. 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 Oʻahu and East Oʻahu. 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, November 2024**

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

*Source: DOTA records.*

**Exhibit 1-4: HNL Layout**


*Source: DOTA records.*

HNL shares runways with Hickam Air Force Base (part of Joint Base Pearl Harbor-Hickam), which is located on the west side of the HNL airfield. The HNL airfield has four runways on land, 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.

HNL has three terminal buildings. The DOTA renamed the terminal buildings, terminal gates, and baggage claim area on June 1, 2018:

- Terminal 1 (formerly the Interisland Terminal) serves both interisland and overseas flights. The DOTA completed a Mauka Concourse in August 2021, which added 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.
- Terminal 3 is the smallest terminal at HNL, a trailer building constructed near Diamond Head Concourse for Mokulele Airlines' operations to the neighbor islands.

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, offering more than 8,000 spaces for public and employee parking. The HNL ConRAC, which was completed in December 2021, is located in front of Terminal 2.

Other facilities at HNL include a complex for general aviation, air cargo, and airport support facilities at the south aircraft 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.

## 1.4 Primary Neighbor Island Airports (PNI)

### 1.4.1 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. OGG occupies 1,391 acres and is located three miles east of the town of Kahului, accessible via the Airport Road connecting 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 DOTA 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 which accommodates the majority of commercial air traffic activities, and the Commuter Terminal which 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.

### 1.4.2 Ellison Onizuka Kona International Airport at Keāhole (KOA) and Hilo International Airport (ITO)

Both KOA and ITO are located on the island of Hawaiʻi, also known as the Big Island. 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 Keāhole 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 DOTA completed a terminal modernization program in 2021, and opened a new international arrival building in October 2021. KOA is the only port of entry for international visitors to the State, other than HNL. It opened a permanent federal inspection service (FIS) facility, in 2021, enabling the resumption of international flights without U.S. pre-clearance.

ITO is located on the east shore of the Island of Hawaiʻi. 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.

### 1.4.3 Lihue Airport (LIH)

LIH is located on the southeast coast of the island of Kauaʻi. It occupies 872 acres and is approximately two 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 eight gates with boarding bridges and four hardstands, and the Commuter Terminal serving interisland traffic. A complex for cargo and general aviation operations is located northeast of the Passenger Terminal.

## 1.5 Non-primary Airports

The Hawaiʻi 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 ( Kawaihapai Airfield, Kalaeloa Airport, Port Allen Airport, and Upolu Airport) serve general aviation, the U.S. Coast Guard, military and other uses.

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# 2. Aviation Environment

ICF examined recent and long-term economic characteristics of Hawai‘i's aviation market, historical passenger and air service data, and the financial health of major airlines serving the State. These are underlying factors that are essential for understanding the Hawaiian Island's traffic growth potential. This section considers airline service patterns, global and local economic challenges and historical exogenous shocks to the aviation industry. To develop its passenger forecasts, ICF considered the global and local airline market, the State's perspective of economic and visitor recovery and projected growth, and other governmental policies that will impact tourism.

Hawai‘i is a globally recognized inbound tourist destination, celebrated for its unique multi-island appeal. Visitors can explore a diverse range of experiences across the islands, ensuring that even if one destination faces temporary setbacks in attracting tourists, the broader state remains an attractive option for tourism and visitor spending. This resilience underpins Hawai‘i's critical role in the global tourism industry, contributing to its economy. Furthermore, the State continues to demonstrate strong socioeconomic performance. GDP levels in the third quarter of 2024 increased 1.9 percent year-over-year (4-quarter averages), exceeding 2019 annual levels by 1.3 percent. Hawai‘i's Department of Business, Economic Development and Tourism (DBEDT) projects in its latest quarterly outlook, released December 4, 2024, annual GDP growth to average 1.9 percent from 2024 to 2027, with full economic recovery to pre-pandemic GDP levels expected by the end of 2024. Although non-farm employment remains slightly below 2019 levels, Hawai‘i has impressively reduced unemployment rates to levels below the national average. DBEDT also anticipates that civilian unemployment will continue to decline further, reaching 2.5 percent by 2027.

The August 8, 2023, Lahaina wildfires devastated West Maui, damaging or destroying structures and disrupting the local community. This led to year-over-year declines in enplanements across all Hawai‘i segments at the start of FY 2024. Recovery efforts prompted some airlines to gradually restore scheduled capacity to OGG in in the latter half of FY 2024 and into FY 2025, with Maui tourism marketing campaigns actively encouraging a mindful return of visitors to the affected Maui areas. Between August and October 2023, OGG recorded 755,000 enplanements, down from over 1 million during the same period in 2022, or 30 percent less year-over-year. Statewide total enplanements reflected a lesser impacted decline of seven percent decline year-over-year. However, local Maui recovery efforts contributed to an 11.4 percent annual increase in enplanements during the August to October 2024 period.

The resulting FY 2024, systemwide enplanements declined by 1.5 percent compared to FY 2023, driven primarily by a 10.5 percent drop in overseas passengers at OGG following the West Maui wildfires. Visitor arrivals by air to Hawai‘i also fell by 3.4 percent year-over-year in FY 2024, according to DBEDT data. This follows a peak in U.S. visitor arrivals in FY 2023, which reached 7.8 million, which remains 7.9 percent above FY 2019 visitor levels. The decline reflects diverging trends, with slower recovery from eastbound Asia-Pacific markets compared to more stable performance from westbound markets, including the U.S., Canada, and Europe. Visitor recovery in the Asia-Pacific region, particularly from Japan, has been progressing slowly due to delayed border re-openings, higher inflation across the U.S., increased living costs in Hawai‘i, the U.S. and other key visitor markets, and unfavorable currency exchange rates. In the first four months to-date in FY 2025, enplaned passenger traffic has declined slightly by 0.5 percent compared to the same period in the prior year. ICF estimated minimal growth for the full FY 2025, with traffic projected to remain largely flat relative to FY 2024.

The State also continues to navigate other challenges including a high cost of living, short-term rental (STR) regulations, high accommodation rates, and slow international tourism recovery. Macroeconomic factors and evolving monetary policies in key inbound markets are beyond the State's control and influence consumer spending and investment patterns. Even as public and private sector responses to shifting demand dynamics based on various air traffic segments continue to evolve, uncertainties in demand growth continue to influence how airlines are responding with their published schedules. Full recovery timing in international enplaned passengers to FY 2019 levels, particularly from Japan, remains uncertain and is influenced by many factors including exchange rates.

Furthermore, the aviation landscape continues to evolve, highlighted by Alaska Airlines having completed its acquisition of Hawaiian Airlines on September 18, 2024. This merger may affect services within Hawaiʻi's Airports System as the combined carrier reassesses its network, particularly across U.S. West Coast markets. The full impact on routes, assigned aircraft, and service frequencies will gain further clarity as the integration progresses, with the two carriers aiming for a single operating certificate in 2025. ICF's traffic forecast considers the consolidation of shared routes by Hawaiian Airlines and Alaska Airlines that have since been published, along with recent schedule adjustments reflecting changes in aircraft usage.

## 2.1 Hawaiʻi Airports Activity

Enplaned passenger levels at the Airports System are the result of (a) the travel demand, including overseas visitors visiting Hawaiʻi and residents traveling to other islands or overseas destinations, and (b) air service offering that is determined by airlines serving the Hawaiʻi market. Overseas traffic trends are strongly influenced by the health of the U.S. and foreign economies, particularly in East Asia and Oceania origin markets, and foreign exchange rates. Interisland passage travel demand is also driven by Hawaiʻi's population, commuter preferences, local economic strength, and visitor's itineraries requiring connecting flights or including plans to explore multiple islands. Hawaiian Airlines estimates that 39 percent of its interisland passengers are Hawaiʻi residents.[2]

This section discusses the trend of overall enplaned passengers reported by DOTA, the growth of interisland the traffic base since 2019, and the characteristics of the overseas visitors and the key source markets provided by DBEDT.

### 2.1.1 Historical Enplaned Passengers

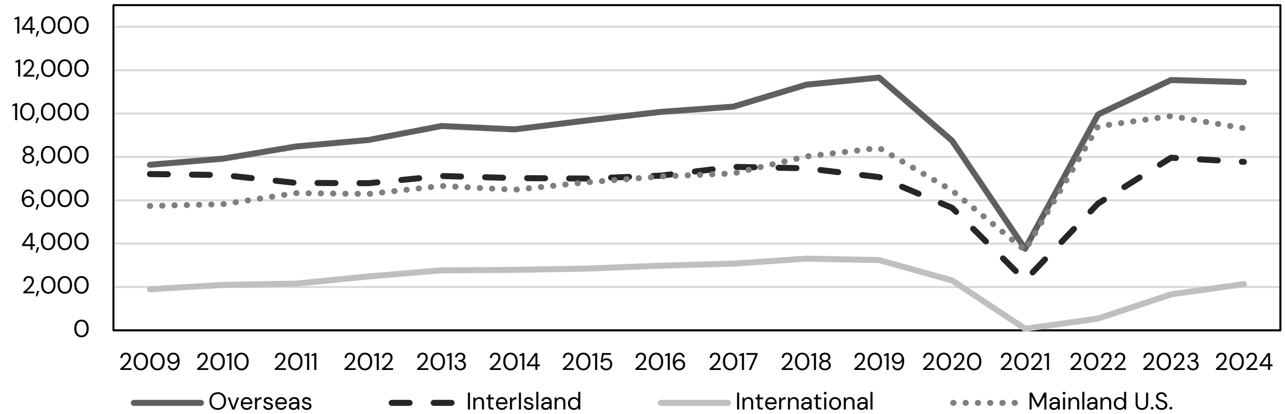
Enplaned passengers can be divided into three segments:

- **Interisland:** Enplaned passengers traveling to other islands within Hawaiʻi, which totaled 7.8 million in FY 2024, or 40.4 percent of all enplaned passengers. As shown in Exhibit 2-1 and Exhibit 2-2, this segment fluctuated between 7.0 million and 7.5 million in the FY 2009-2019 period, and increased to 8.0 million in FY 2023, primarily due to the additional interisland service offered by Southwest Airlines. In FY 2024, volumes declined slightly by 2.4 percent to 7.8 million enplaned passengers.
- **Mainland U.S.:** Enplaned passengers traveling to the continental U.S., which totaled 9.3 million in FY 2024, or 48.5 percent of the total. This segment increased from 5.7 million in FY 2009 to 8.4 million in FY 2019 and peaked at 9.9 million in FY 2023, benefiting from the return of domestic travel demand after the State initiated its Safe Travels Program in October 2020 and additional airline services.
- **International:** Enplaned passengers traveling to other countries totaled 2.1 million representing 11.1 percent of total enplaned passengers in FY 2024 and 66 percent of FY 2019 levels. This segment grew from 1.9 million in FY 2009 to 3.2 million in FY 2019, driven by additional air services and destination promotion, with an average annual growth rate of 5.5 percent. Although FY 2024 enplanements remain 1.1 million below FY 2019, the gap has narrowed from 1.5 million the previous year, reflecting a 28 percent real increase. Among all international markets, Japan remains a key international market with an 85 percent year-over-year increase. However, the slow recovery of Japanese traffic is largely influenced by the depreciating Japanese yen and rising living costs in both Japan and Hawaiʻi impacting visitor spending behaviors. This recovery in Japanese demand remains slow, not only for Hawaiʻi but across other U.S. destinations. In 2024, Japanese outbound

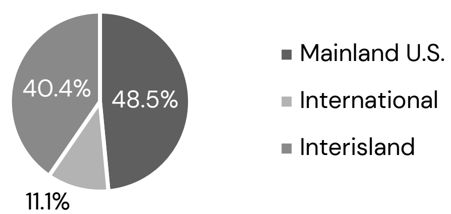
[2] Per Hawaiian Airlines' 90th annual report from 2019.

travel to the U.S. was 50 percent below 2019 levels, similar to Hawaiʻi's 55 percent difference. Comparative analysis of Japanese outbound demand recoveries to other top markets is detailed further in Section 2.3.2.

**Exhibit 2-1: Historical Enplaned Passengers for Hawaiʻi Airports System by Segment**
**Fiscal Year Ending June 30, (in thousands)**




FY 2024 Segment Shares




| | CAGR | | | Pct. Diff |
|---|---|---|---|---|
| | '09-'14 | '14-'19 | '09-'19 | '24 vs '19 |
| Mainland | 2.5% | 5.4% | 3.9% | 10.8% |
| International | 8.0% | 3.0% | 5.5% | -34.3% |
| Interlsland | -0.5% | 0.1% | -0.2% | 9.9% |
| **Total System** | **1.9%** | **2.8%** | **2.4%** | **2.6%** |

*Source: DOTA.*
*Note: CAGR = compound annual growth rate*

Systemwide enplaned passengers grew at an average annual rate of 2.4 percent from FY 2009 to FY 2019, with growth accelerating slightly to 2.8 percent per year between FY 2014 and FY 2019. As of FY 2019, total enplaned passengers in FY 2024 remain 2.6 percent higher than pre-pandemic levels, with all primary airports, except OGG, continuing to surpass their FY 2019 traffic.

At HNL, overseas enplaned passengers increased from 5.6 million in FY 2009 to 7.4 million in FY 2019, with international traffic increasing at an average annual rate of 4.9 percent, while mainland U.S. traffic grew more modestly at 1.6 percent annually. In FY 2024, total overseas traffic grew slightly more than 10 percent compared to the prior year, where the larger mainland U.S. segment contributed a 4.1 percent increase, as shown on Exhibit 2-2. HNL's interisland segment exceeded its FY 2019 total of 3.1 million enplaned passengers, reaching 3.5 million in both FY 2023 and FY 2024. Although interisland traffic fell slightly by 0.9 percent in FY 2024 compared to the previous year, while interisland traffic declined slightly by 0.9 percent in FY 2024 compared to the previous year, increased connectivity to other islands helped offset the decline in interisland traffic at OGG, keeping overall interisland activity relatively steady.

At the PNI airports, overseas enplanements more than doubled from FY 2009 to FY 2019, driven by increased direct flights and growing visitor attraction to destinations beyond Oʻahu. In FY 2023, overseas and interisland enplaned passengers surged to record-highs of 4.9 million and 4.3 million, respectively, fueled by Southwest Airlines' expanded services. While total PNI traffic declined by 10.5 percent in FY 2024 compared to FY 2023, it remained 2.5 percent above FY 2019 levels. This was largely supported by strong activity at KOA and LIH airports, along with over 25 percent growth in interisland enplaned passengers at ITO after United canceled its only nonstop mainland U.S. service to Los Angeles.

### Exhibit 2-2: Historical Enplaned Passengers for the Hawaiʻi Airports System by Airport

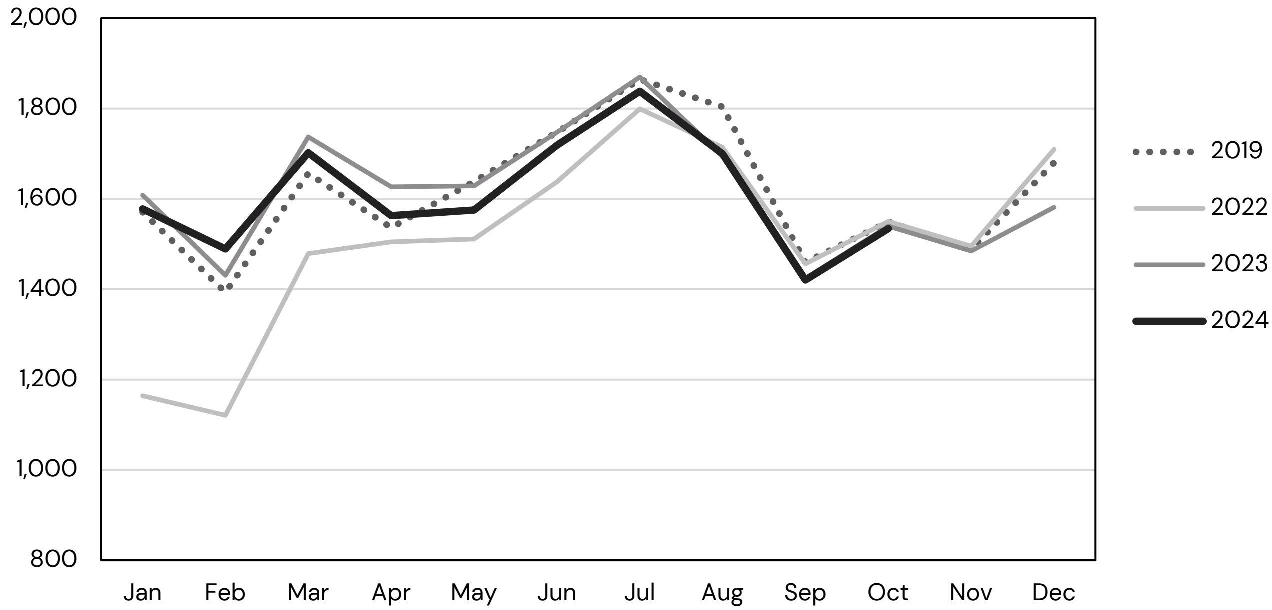
| | Enplaned Passengers (in 000s) Fiscal Year ending June 30 Actual | | | | | | | | | | | | CAGR | | Pct. Change | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | '09-'19 | '14-'19 | '24 vs '19 | '24 vs '23 |
| **Hawaii Airports System** | | | | | | | | | | | | | | | | |
| Overseas | 7,635.3 | 9,272.7 | 9,684.7 | 10,078.0 | 10,318.0 | 11,328.6 | 11,658.5 | 8,745.7 | 3,761.7 | 9,955.6 | 11,542.5 | 11,452.6 | 4.3% | 4.7% | -1.8% | -0.8% |
| *Mainland U.S.* | *5,739.0* | *6,481.5* | *6,834.2* | *7,099.2* | *7,240.4* | *8,020.7* | *8,415.4* | *6,445.0* | *3,689.8* | *9,410.4* | *9,883.7* | *9,321.6* | *3.9%* | *5.4%* | *10.8%* | *-5.7%* |
| *International* | *1,896.3* | *2,791.2* | *2,850.5* | *2,978.8* | *3,077.5* | *3,307.9* | *3,243.1* | *2,300.7* | *71.9* | *545.2* | *1,658.8* | *2,131.0* | *5.5%* | *3.0%* | *-34.3%* | *28.5%* |
| Interisland | 7,206.8 | 7,022.3 | 6,998.1 | 7,137.3 | 7,541.2 | 7,477.7 | 7,068.4 | 5,645.8 | 2,307.3 | 5,852.0 | 7,962.2 | 7,767.6 | -0.2% | 0.1% | 9.9% | -2.4% |
| **Total** | **14,842.2** | **16,295.0** | **16,682.8** | **17,215.4** | **17,859.2** | **18,806.3** | **18,726.9** | **14,391.5** | **6,069.0** | **15,807.6** | **19,504.8** | **19,220.2** | **2.4%** | **2.8%** | **2.6%** | **-1.5%** |
| **Honolulu International Airport** | | | | | | | | | | | | | | | | |
| Overseas | *5,560.0* | *6,503.8* | *6,605.6* | *6,798.3* | *6,865.5* | *7,383.0* | *7,386.7* | *5,473.8* | *2,096.3* | *5,347.7* | *6,684.7* | *7,408.5* | 2.9% | 2.6% | 0.3% | 10.8% |
| *Mainland U.S.* | *3,757.1* | *3,905.5* | *3,961.2* | *4,043.2* | *4,015.4* | *4,392.2* | *4,472.3* | *3,414.7* | *2,028.4* | *4,939.1* | *5,248.3* | *5,461.1* | *1.8%* | *2.7%* | *22.1%* | *4.1%* |
| *International* | *1,802.9* | *2,598.3* | *2,644.5* | *2,755.1* | *2,850.1* | *2,990.8* | *2,914.3* | *2,059.1* | *67.9* | *408.6* | *1,436.4* | *1,947.4* | *4.9%* | *2.3%* | *-33.2%* | *35.6%* |
| Interisland | 3,339.3 | 3,196.4 | 3,101.9 | 3,138.3 | 3,336.4 | 3,272.4 | 3,097.8 | 2,508.2 | 1,047.0 | 2,571.8 | 3,491.6 | 3,460.0 | -0.7% | -0.6% | 11.7% | -0.9% |
| **Total** | **8,899.3** | **9,700.2** | **9,707.5** | **9,936.6** | **10,201.9** | **10,655.5** | **10,484.5** | **7,982.0** | **3,143.2** | **7,919.5** | **10,176.3** | **10,868.5** | **1.7%** | **1.6%** | **3.7%** | **6.8%** |
| **Primary Neighboring Island (PNI) Airports** | | | | | | | | | | | | | | | | |
| Overseas | *2,075.4* | *2,768.9* | *3,079.1* | *3,279.8* | *3,452.5* | *3,945.6* | *4,271.8* | *3,272.0* | *1,665.4* | *4,607.9* | *4,857.8* | *4,044.1* | 7.5% | 9.1% | -5.3% | -16.8% |
| Interisland | 3,665.6 | 3,653.1 | 3,693.2 | 3,779.3 | 3,994.4 | 3,977.6 | 3,724.9 | 2,960.0 | 1,176.2 | 3,127.3 | 4,302.5 | 4,150.8 | 0.2% | 0.4% | 11.4% | -3.5% |
| **Total** | **5,740.9** | **6,422.0** | **6,772.3** | **7,059.1** | **7,446.9** | **7,923.1** | **7,996.7** | **6,232.0** | **2,841.7** | **7,735.2** | **9,160.3** | **8,194.9** | **3.4%** | **4.5%** | **2.5%** | **-10.5%** |
| ***Kahului (OGG)*** | | | | | | | | | | | | | | | | |
| Overseas | *1,254.6* | *1,637.2* | *1,822.2* | *1,949.2* | *2,033.6* | *2,191.0* | *2,364.3* | *1,837.7* | *1,036.4* | *2,587.1* | *2,758.1* | *2,043.8* | 6.5% | 7.6% | -13.6% | -25.9% |
| Interisland | 1,287.7 | 1,371.9 | 1,424.7 | 1,449.7 | 1,486.9 | 1,462.8 | 1,443.8 | 1,115.2 | 457.1 | 1,215.5 | 1,621.0 | 1,459.2 | 1.2% | 1.0% | 1.1% | -10.0% |
| **Total** | **2,542.3** | **3,009.1** | **3,246.9** | **3,399.0** | **3,520.5** | **3,653.8** | **3,808.0** | **2,952.9** | **1,493.5** | **3,802.6** | **4,379.1** | **3,503.0** | **4.1%** | **4.8%** | **-8.0%** | **-20.0%** |
| ***Kona (KOA)*** | | | | | | | | | | | | | | | | |
| Overseas | *456.8* | *561.2* | *649.7* | *707.1* | *778.1* | *961.5* | *1,036.5* | *801.3* | *441.1* | *1,103.9* | *1,154.6* | *1,156.0* | 8.5% | 13.1% | 11.5% | 0.1% |
| Interisland | 875.4 | 854.0 | 841.3 | 859.2 | 951.8 | 969.3 | 858.3 | 748.8 | 287.6 | 745.5 | 977.7 | 970.8 | -0.2% | 0.1% | 13.1% | -0.7% |
| **Total** | **1,332.2** | **1,415.2** | **1,490.9** | **1,566.3** | **1,729.9** | **1,930.7** | **1,894.9** | **1,550.1** | **728.7** | **1,849.4** | **2,132.4** | **2,126.8** | **3.6%** | **6.0%** | **12.2%** | **-0.3%** |
| ***Lihue (LIH)*** | | | | | | | | | | | | | | | | |
| Overseas | *363.9* | *544.6* | *569.9* | *588.4* | *604.8* | *757.3* | *838.9* | *607.7* | *181.4* | *883.8* | *921.9* | *844.3* | 8.7% | 9.0% | 0.6% | -8.4% |
| Interisland | 866.4 | 808.6 | 816.1 | 844.2 | 913.6 | 906.3 | 852.1 | 642.4 | 226.5 | 669.0 | 998.6 | 1,005.7 | -0.2% | 1.1% | 18.0% | 0.7% |
| **Total** | **1,230.4** | **1,353.1** | **1,386.0** | **1,432.6** | **1,518.4** | **1,663.6** | **1,691.0** | **1,250.1** | **408.0** | **1,552.7** | **1,920.4** | **1,849.9** | **3.2%** | **4.6%** | **9.4%** | **-3.7%** |
| ***Hilo (ITO)*** | | | | | | | | | | | | | | | | |
| Overseas | - | *26.0* | *37.4* | *35.0* | *36.0* | *35.7* | *32.1* | *25.2* | *6.5* | *33.1* | *23.3* | - | n/a | 4.3% | -100.0% | -100.0% |
| Interisland | 636.0 | 618.7 | 611.1 | 626.2 | 642.1 | 639.3 | 570.6 | 453.6 | 205.0 | 497.3 | 705.2 | 715.2 | -1.1% | -1.6% | 25.3% | 1.4% |
| **Total** | **636.0** | **644.7** | **648.5** | **661.2** | **678.1** | **675.0** | **602.7** | **478.9** | **211.5** | **530.4** | **728.5** | **715.2** | **-0.5%** | **-1.3%** | **18.7%** | **-1.8%** |
| **Other** | | | | | | | | | | | | | | | | |
| Interisland | 202.0 | 172.7 | 202.9 | 219.7 | 210.5 | 227.7 | 245.8 | 177.6 | 84.1 | 152.9 | 168.1 | 156.9 | 2.0% | 7.3% | -36.2% | -6.7% |
| **Total** | **202.0** | **172.7** | **202.9** | **219.7** | **210.5** | **227.7** | **245.8** | **177.6** | **84.1** | **152.9** | **168.1** | **156.9** | **2.0%** | **7.3%** | **-36.2%** | **-6.7%** |

Source: *DOTA.*

### 2.1.2 Recent Monthly Enplaned Passenger Performance

Exhibit 2-3 presents monthly figures since January 2022 along with the percentage difference in comparison to the same month in 2019. Enplaned passenger volumes across Hawaiʻi airports declined year-over-year starting in August 2023, remaining below 2019 levels through December 2023. In October and November 2023 traffic nearly rebounded to 2019 levels, reaching slightly under one percent below 2019 levels. By January 2024, monthly volumes once again surpassed 2019 levels, maintaining this positive trend through April 2024, driven by strong winter demand for the Hawaiʻi market. Although enplaned passengers from May to October 2024 fell below 2019 levels by between one and six percent, the System has sustained enplaned passenger levels comparable to the previous two years since peak traffic month in July.

**Exhibit 2-3: Historical Monthly Total Enplaned Passengers for the Hawaiʻi Airports System (in thousands)**

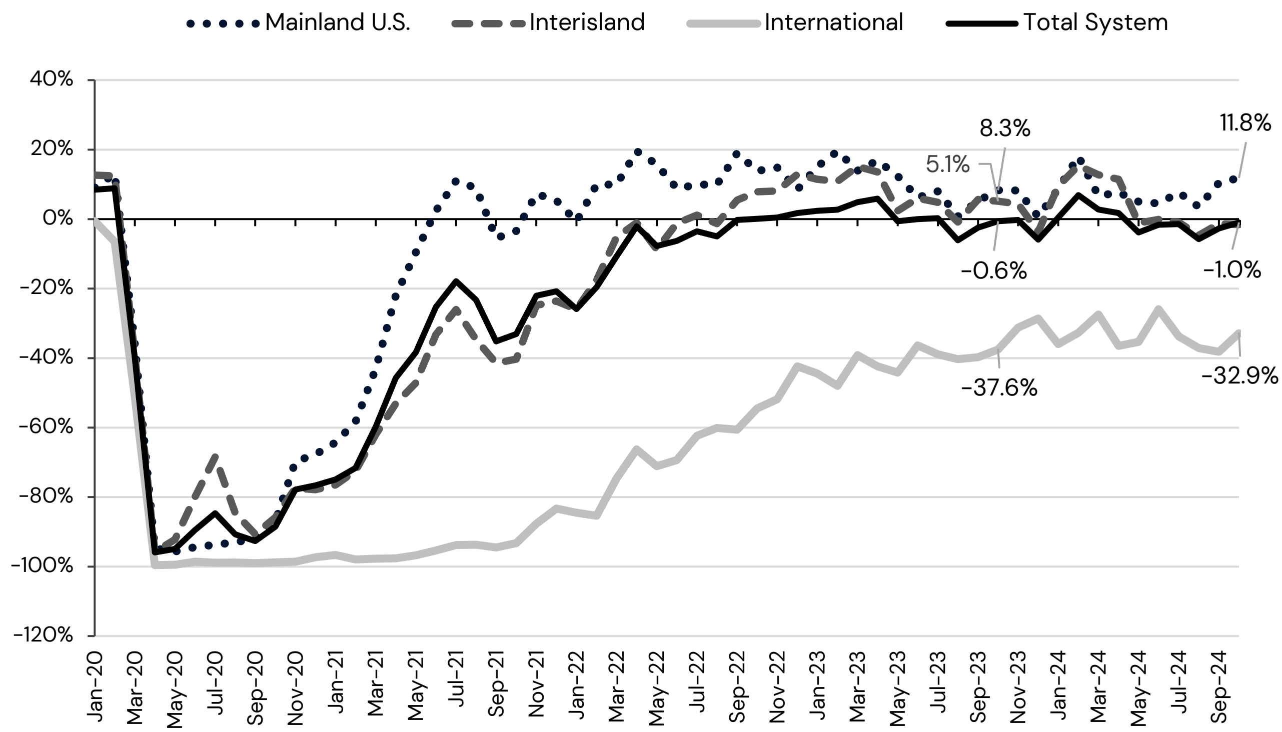



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **System Enplanements (000s)** | | | | | | | | | | | | |
| *2022* | 1,164 | 1,121 | 1,479 | 1,505 | 1,511 | 1,638 | 1,799 | 1,714 | 1,456 | 1,550 | 1,495 | 1,710 |
| *2023* | 1,608 | 1,431 | 1,737 | 1,627 | 1,629 | 1,748 | 1,870 | 1,694 | 1,424 | 1,540 | 1,485 | 1,581 |
| *2024* | 1,578 | 1,489 | 1,702 | 1,563 | 1,576 | 1,719 | 1,838 | 1,700 | 1,420 | 1,534 | | |
| **Percent Change Compared to the Same month in 2019 (0% = 2019 levels)** | | | | | | | | | | | | |
| *2022* | -25.9% | -19.6% | -10.7% | -2.1% | -7.8% | -6.3% | -3.5% | -5.0% | -0.2% | 0.1% | 0.5% | 1.8% |
| *2023* | 2.4% | 2.7% | 4.9% | 5.9% | -0.6% | 0.0% | 0.3% | -6.1% | -2.4% | -0.6% | -0.3% | -5.9% |
| *2024* | 0.4% | 6.9% | 2.7% | 1.7% | -3.8% | -1.6% | -1.4% | -5.8% | -2.7% | -1.0% | | |

*Source: DOTA.*
*Note: Latest monthly data available at the time of this report was October 2024.*

Exhibit 2-4 shows the monthly recovery rate of reported enplanement traffic by market segment across the Hawaiʻi Airports System, compared to the same month in 2019. As of this report, Mainland U.S. traffic in June 2024 was 4.5 percent above its June 2019 level, while the interisland segment was 0.1 percent below. International enplanements gradually improved to a variance of -26 percent in June 2024, up from -39 percent at the start of the fiscal year in July 2023. This 13-percentage point improvement over 12 months reflects the recent further lifting of border measures by Japan and South Korea from mid-May 2023, on top of the earlier U.S. lifting of restrictions from November 2021.

**Exhibit 2-4: Monthly Passenger Recovery by Segment, compared to the equivalent month in 2019**




*Source: DOTA records.*
*Note: Data labels in the exhibit reflect October 2023 and October 2024 systemwide enplaned passenger recovery performance.*

### 2.1.3 Interisland Passengers

Hawaiʻi's unique geographical layout makes air travel the primary mode of transportation between islands. Interisland flights are essential for both residents and tourists, linking multiple islands. This distinctive reliance on short-haul, high-frequency flights has attracted Southwest Airlines to optimize use of its aircraft flying to/from Hawaiʻi, by flying short interisland routes throughout the day, before operating return flights back to the U.S. mainland. Southwest utilizes its 737 aircraft with 175 seats per flight and due to using a larger aircraft on interisland routes in comparison to its competitors, Southwest had reported lower load factors of 48 percent in year-to-date (YTD) August 2024, compared to Hawaiian's 77 percent and Mokulele's 72 percent, according to DOT T-100 segment data. Regional carrier Mokulele, acquired by Southern Airways Express in 2019, operates Cessna Grand Caravans and received Essential Air Service (EAS) subsidies from the U.S. DOT, replacing the discontinued services of Hawaiian's interisland subsidiary ʻOhana since 2019. ʻOhana operated larger ATR-42 passenger aircraft in comparison to Mokulele's 9-seat aircraft.

Altogether, interisland traffic reached a historic peak volume of 7.9 million in FY 2023, a 5.6 percent increase over the previous peak in FY 2017, the last full fiscal year that Island Air operated nonstop interisland service before ceasing operations in November 2017. Despite a record year for interisland volumes, traffic in FY 2024 declined to 7.8 million, a 2.4 percent decrease from the previous year. This decline was largely attributed to reduced scheduled capacity driven from the two largest interisland operators, Hawaiian and Southwest, driven by lower demand particularly to/from Maui, and a 28 percent increase in average one-way airfare. Average fares rose from $42 in FY 2023 to $54 in FY 2024, which remains 25 percent lower than averages prior to Southwest's market entrance.[3] Amidst the changes in airfare, Hawaiian Airlines introduced its Huaka'i program in January 2025, offering Hawai‘i residents a quarterly discount off one neighbor island booking, a free checked bag, and monthly fare sales, all of which are expected to positively impact interisland activity.[4]

Hawaiian and Southwest have slightly improved their load factor performances year-over-year, as the airlines managed reduced frequencies. At HNL, interisland traffic accounted for one-third of total enplanements, while other PNI airports saw interisland traffic ranging from 40 to 60 percent. ITO and Non-primary airports exclusively reported interisland activity in FY 2024.

The rise of point-to-point (P2P) operations to Hawai‘i's PNI airports, not just HNL, has benefited the overseas segment by offering more direct access to the individual islands. However, this trend can challenge interisland itineraries, particularly for visitor plans focused on a single-island trip. Starting in 2021, United Airlines expanded P2P operations in Hawai‘i, mirroring its domestic U.S. network strategy at the time for leisure markets like Florida. United launched an Orange County (SNA) to HNL route, capitalizing on strong summer demand during the pandemic, though the route lasted less than two years. SWA similarly expanded its Hawai‘i network through 2022 and 2023 to cover additional U.S. West Coast destinations, providing both local and connecting demand opportunities and direct access to multiple Hawaiian Islands. This allowed passengers to bypass busier airports like HNL and OGG. Since FY 2023, several airlines have scaled back or suspended services—such as United's discontinued ITO-LAX route—the only Mainland U.S. route from ITO. As a result, interisland connectivity has regained importance particularly for passengers desiring to fly into ITO on the Big Island. While P2P services reflect reduced reliance on HNL and enable carriers to focus on markets with strong origin and destination demand, they also reflect a shift towards diversified connectivity, especially as airlines like SWA optimize their networks with new overnight flight options discussed in Section 2.4.2. Additionally, the new KOA Federal Inspection Services facility enables potential direct international services from airports without U.S. pre-clearance, creating opportunities for airlines to expand their international reach to the Big Island, while enhancing the passenger journey.

### 2.1.4 Origin Visitor Markets to Hawai‘i

Hawai‘i attracts visitors from several global markets, with strong demand driven by its unique appeal as a vacation destination. The portion of arriving passengers classified as visitors (non-residents) coming by air and cruise from the U.S. mainland and international markets is recorded by DBEDT. However, Hawai‘i residents visiting or commuting between islands are not included in this count. This subsection analyzes the origin markets of visitors that traveled by air, who are key contributors driving economic growth and demand within Hawai‘i's.

Total visitors by air to Hawai‘i grew between FY 2014 and FY 2019. Exhibit 2-5, on the following page, shows that 9.3 million visitors came to Hawai'i by air in FY 2024, a 3.4 percent decline from the previous year, and 6.6 percent below FY 2019 (of 9.9 million). The exhibit shows that total visitors have not yet recovered to pre-pandemic levels, and that the composition of passengers has changed over the period shown. Eastbound visitors from Asia, while recovering, remain at 50 percent of FY 2019 levels. The share of eastbound visitors compared to total visitors in FY 2024 is less than 15 percent, when it had previously been above 20 percent prior to the COVID-19 pandemic. As a unique and accessible domestic tourism destination for U.S. mainland residents, Hawai‘i remains majorly a westbound oriented visitor market capturing 82.7 percent of all visitors in FY 2024 compared to 73.3 percent in FY 2019. Westbound U.S. visitors represented 76.8 percent of the total

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[3] Average one-way airfare calculated using U.S. DOT O&D Survey (DB1B) revenue estimates.

[4] Hawaiian Airlines: "Introducing Huaka'i by Hawaiian". https://www.hawaiianairlines.com/Huakai/

inbound visitor market in FY 2024 compared to 69 percent in FY 2019. Despite an 8.3 percent decline in FY 2024 versus the prior year, this segment remains 7.9 percent above pre-pandemic levels.

The Los Angeles-Long Beach combined statistical area (LA CSA), with a population exceeding 18 million, represents one of the key U.S. markets for Hawai‘i-bound air travel and tourism. However, in January 2025, a series of wildfires and high-wind conditions affected parts of the region, destroying approximately 16,000 structures as of January 21, 2025, according to the California Department of Forestry and Fire Protection. The affected areas include residential communities served by airports within the LA CSA offering nonstop flights to Hawai‘i. While the effect on Hawai‘i-bound air travel remains uncertain at the time of this report, this external event is recognized for its potential influence on air travel and tourism dynamics.

Visitors from Canada and Europe remain 19 percent and 24 percent below pre-pandemic levels, respectively.

Section 2.3.2 of this report further addresses various global economic factors that pose as challenges to the expected recovery trends for foreign visitors to the State, particularly from Japan, which is the largest non-U.S. visitor source.

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**Exhibit 2-5: Historical Visitors by Air to Hawai‘i, by Origin Market (in thousands), FY 2014-2024**

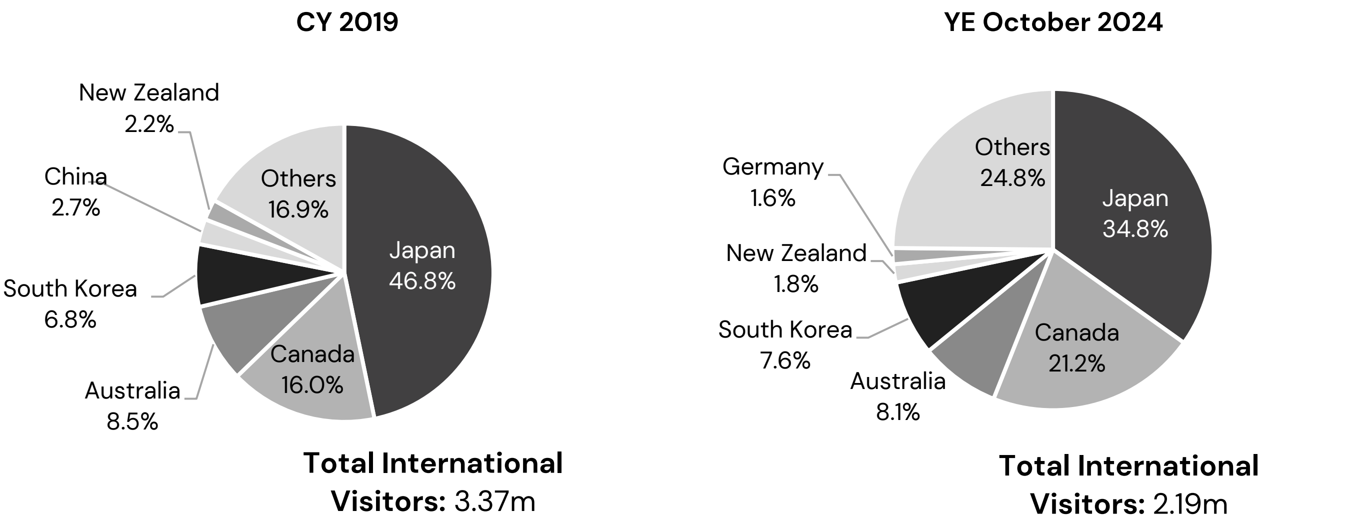
| | Westbound | | | | | | Eastbound | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | **U.S. West** | **U.S. East** | **U.S. Subtotal** | **Canada** | **Europe** | ***Westbound Subtotal*** | **Japan** | **South Korea** | **China** | **Oceania** | ***Eastbound Subtotal*** | **Other** | **Total** |
| 2014 | 3,158 | 1,706 | 4,865 | 528 | 142 | *5,535* | 1,521 | 185 | 137 | 364 | *2,207* | *304* | **8,046** |
| 2015 | 3,412 | 1,753 | 5,165 | 516 | 144 | *5,826* | 1,490 | 179 | 174 | 388 | *2,231* | *342* | **8,400** |
| 2016 | 3,577 | 1,843 | 5,421 | 474 | 143 | *6,037* | 1,490 | 222 | 174 | 399 | *2,285* | *353* | **8,676** |
| 2017 | 3,744 | 1,966 | 5,709 | 494 | 144 | *6,347* | 1,517 | 264 | 148 | 395 | *2,324* | *346* | **9,017** |
| 2018 | 4,051 | 2,124 | 6,175 | 547 | 144 | *6,866* | 1,509 | 276 | 136 | 414 | *2,335* | *410* | **9,612** |
| 2019 | 4,403 | 2,220 | 6,622 | 549 | 139 | *7,310* | 1,522 | 218 | 105 | 384 | *2,229* | *431* | **9,970** |
| 2020 | 3,269 | 1,614 | 4,882 | 383 | 103 | *5,369* | 1,128 | 165 | 54 | 248 | *1,595* | *301* | **7,266** |
| 2021 | 2,245 | 963 | 3,208 | 11 | 5 | *3,224* | 9 | 2 | 3 | 1 | *15* | *75* | **3,314** |
| 2022 | 5,227 | 2,447 | 7,673 | 277 | 55 | *8,006* | 43 | 42 | 11 | 62 | *157* | *255* | **8,418** |
| 2023 | 5,270 | 2,520 | 7,790 | 490 | 121 | *8,401* | 368 | 158 | 21 | 242 | *788* | *442* | **9,631** |
| 2024 P | 4,814 | 2,332 | 7,146 | 444 | 105 | *7,695* | 711 | 162 | 29 | 222 | *1,123* | *490* | **9,308** |
| 2024 YTD (JUL - OCT) | 1,584 | 751 | 2,335 | 96 | 54 | *2,486* | 251 | 54 | 14 | 90 | *409* | *151* | **3,045** |
| 2025 YTD (JUL - OCT) | 1,682 | 752 | 2,434 | 92 | 44 | *2,569* | 262 | 50 | 5 | 74 | *391* | *212* | **3,172** |
| ***Average Annual Growth Rate*** | | | | | | | | | | | | | |
| 2014-2019 | 6.9% | 5.4% | 6.4% | 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% | 7.2% | 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% | -26.3% | -30.2% | -25.5% | *-26.6%* | -25.9% | -24.4% | -48.5% | -35.5% | *-28.4%* | *-30.0%* | **-27.1%** |
| 2020-2021 | -31.3% | -40.3% | -34.3% | -97.1% | -95.1% | *-39.9%* | -99.2% | -98.6% | -95.4% | -99.4% | *-99.0%* | *-75.2%* | **-54.4%** |
| 2023-2024 | -8.7% | -7.5% | -8.3% | -9.3% | -13.6% | *-8.4%* | 93.4% | 2.6% | 37.4% | -8.3% | *42.5%* | *10.8%* | **-3.4%** |
| 2023 vs 2019 | 19.7% | 13.6% | 17.6% | -10.9% | -12.5% | *14.9%* | -75.8% | -27.5% | -80.2% | -37.1% | *-64.7%* | *2.7%* | **-3.4%** |
| 2024 vs 2019 | 9.3% | 5.1% | 7.9% | -19.2% | -24.3% | *5.3%* | -53.3% | -25.7% | -72.8% | -42.3% | *-49.6%* | *13.8%* | **-6.6%** |
| YTD 2025 vs YTD 2024 | 6.2% | 0.1% | 4.2% | -4.8% | -19.2% | *3.4%* | 4.7% | -8.6% | -66.3% | -17.8% | *-4.4%* | *40.9%* | **4.2%** |
| ***Share (%) of Total*** | | | | | | | | | | | | | |
| 2014 | 39.3% | 21.2% | 60.5% | 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% | 66.4% | 5.5% | 1.4% | *73.3%* | 15.3% | 2.2% | 1.1% | 3.9% | *22.4%* | *4.3%* | **100.0%** |
| 2023 | 54.7% | 26.2% | 80.9% | 5.1% | 1.3% | *87.2%* | 3.8% | 1.6% | 0.2% | 2.5% | *8.2%* | *4.6%* | **100.0%** |
| 2024 P | 51.7% | 25.1% | 76.8% | 4.8% | 1.1% | *82.7%* | 7.6% | 1.7% | 0.3% | 2.4% | *12.1%* | *5.3%* | **100.0%** |
| 2025 YTD (JUL - OCT) | 53.0% | 23.7% | 76.7% | 2.9% | 1.4% | *81.0%* | 8.3% | 1.6% | 0.1% | 2.3% | *12.3%* | *6.7%* | **100.0%** |

*Source:* *DBEDT, Hawai‘i Tourism Authority (preliminary 2024 monthly data through October 2024), ICF analysis.*

*Note:* *Other includes MMA markets categorized as ‘Other Asia’, which includes Singapore, Taiwan, and Hong Kong, and Latin America. The sum of totals displayed may not add up to 100 percent, due to rounding. Values for visitor data prior to 2024 may have been revised compared to previous versions of this report.*
*(P) = preliminary data. (YTD) = year-to-date*

Recent visitor reports indicate that Japan, Canada, Australia, and South Korea remain the four major markets among non-U.S. origin markets to Hawai'i, accounting for over half of total visitors as of the year-end[5] (YE) August 2024. While the international enplaned traffic segment continues to recover, as previously seen in Exhibit 2-4, these markets remain vital sources of international visitors, alongside South Pacific markets like New Zealand and Australia. Exhibit 2-6 shows Japan's share of visitors decreasing from 46.8 percent in calendar year (CY) 2019 to 32.8 percent in the most recent YE August 2024 period.

**Exhibit 2-6: Distribution of Non-U.S. Visitor Arrivals by Air to Hawai'i, by Origin, CY 2019 vs YE October 2024**




*Source: DBEDT, Hawai'i Tourism Authority, ICF analysis.*
*Note: YE refers to Year-end or 12-months ending August 2024. The figures for the YE are based on preliminary 2024 reported DBEDT monthly data.*

In terms of recovery to 2019 volumes, non-U.S. visitors by air in FY 2024 are 35 percent below pre-pandemic levels. Japan is expected to remain as the main source of international visitors. The Japanese government only lifted all border measures to prevent the spread of COVID-19 in late April 2023; those who enter Japan are no longer required to present a valid vaccination certificate or a COVID-19 negative test certificate, allowing its visitors and nationals/residents a simpler journey to return home.

[5] Year-end reflects the sum of the last twelve months.

## 2.2 Economic Characteristics of Hawaiʻi

Situated in the central Pacific, Hawaiʻi is a popular tourist destination for both U.S. and Pacific Rim travelers, including Japan, South Korea, and Australia. As an island economy, air travel is essential to support the State's operation and development of its business and tourism driven sectors, making it more important to Hawaiʻi than for most mainland U.S. markets.

The State's 2023 economy, measured by GDP, remains 2.4 percent below 2019. In 2023, government, real estate, and leisure & hospitality were the top three contributors to the State's GDP, at 19.6 percent, 17.5 percent, and 10.7 percent respectively, according to the U.S. Bureau of Economic Analysis (BEA) seasonally adjusted figures. According to DBEDT's Quarterly Statistical & Economic Report (QSER) for 4Q 2024, the organization lowered its economic growth forecast from 2.1 percent in its first quarter's outlook report to 1.6 percent. The lower forecast growth rates flagged higher federal interest rates and consumer debt. Personal income dollars across the State are projected to grow at an average annual rate of 1.6 percent between 2024 to 2027.

This section of the report covers various economic indicators for the State and the outlook for short-term economic growth.

### 2.2.1 Population

The population of the State decreased between 2019 and 2023, from 1.46 million to 1.44 million, a net loss of approximately 21,000 residents. This decline was primarily attributed to the COVID-19 pandemic's impact on the State's economy and elevated living costs. California attracted over 20 percent of domestic migrants from Hawai'i in 2019, an ongoing migration trend.[6]

In 2023, Honolulu and Maui counties' populations decreased 0.6 percent and 0.1 percent respectively versus 2022. Conversely, Hawaiʻi and Kauaʻi counties saw an uptick of 0.6 and 0.1 percent during the same period. This increased dispersion of residents across the Hawaiʻi counties may drive demand for interisland air travel as residents live farther apart from each other and from essential social and economic activities. Since 2019, the State's population decreased by an average of 0.4 percent annually, as shown in Exhibit 2-7, while the U.S. population grew 0.4 percent through 2023.

**Exhibit 2-7: Annual Growth in Hawaiʻi Population and U.S. Population**

| | Historical | | | | | | | Compound Annual Growth Rate | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2014 | 2019 | 2020 | 2021 | 2022 | 2023 | '09-'19 | '14-'19 | '19-'23 |
| **Population (in 000s)** | | | | | | | | | | |
| State of Hawaii | 1,347 | 1,434 | 1,456 | 1,451 | 1,447 | 1,440 | 1,435 | 0.8% | 0.3% | -0.4% |
| By County | | | | | | | | | | |
| *Honolulu County* | 943 | 1,008 | 1,018 | 1,012 | 1,005 | 996 | 989 | 0.8% | 0.2% | -0.7% |
| *Hawaii County* | 184 | 193 | 200 | 201 | 204 | 206 | 208 | 0.8% | 0.7% | 1.0% |
| *Maui County* | 153 | 162 | 165 | 165 | 165 | 164 | 164 | 0.7% | 0.4% | -0.1% |
| *Kauai County* | 67 | 71 | 73 | 73 | 74 | 74 | 74 | 1.0% | 0.7% | 0.2% |
| State of Hawaii as % of U.S. | 0.4% | 0.5% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | | | |

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

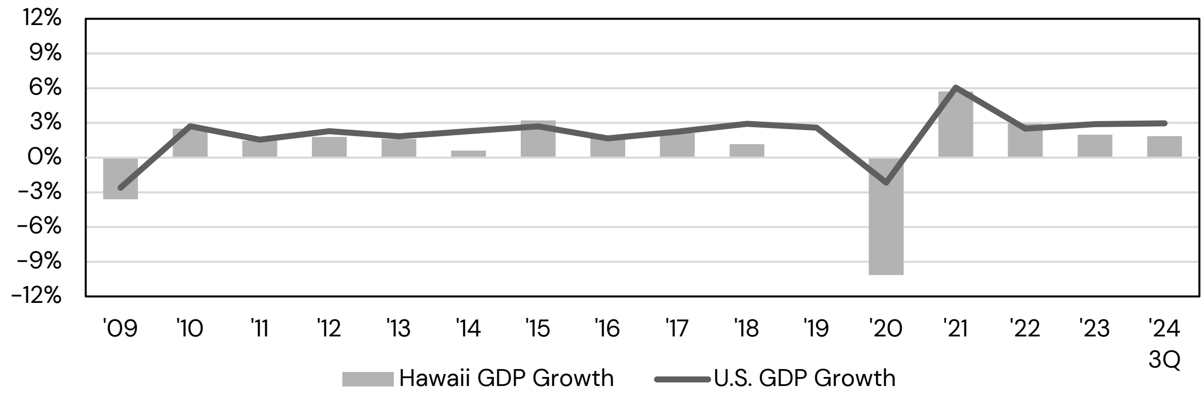
DBEDT's 4Q 2024 QSER projects a 0.2 percent population decline in 2024, and an average annual growth of 0.2 percent through 2027.

[6] U.S. Department of Labor

### 2.2.2 Gross Domestic Product (GDP)

Another key metric driving air traffic growth is GDP. Exhibit 2-8 shows GDP growth rates for Hawaiʻi and the U.S. Although Hawaiʻi's annual GDP growth has lagged behind the U.S., except in 2015 and 2016, since 2009, it has trended in similar growth patterns as the U.S. through 2017. In 2023, Hawaiʻi's annual real GDP grew 2.0 percent year-over-year, below the national average of 2.9 percent. The State's 4-quarter average growth ending third quarter (3Q) 2024, per GDP data released by BEA, increased 1.9 percent compared to the previous year, which remains below the nation's 3.0 percent annual growth rate for the same period.

**Exhibit 2-8: Annual Growth in Real Hawaiʻi GDP and Real U.S. GDP**




*Source: U.S. Department of Commerce, BEA.*
*Note: 2024 3Q represents year-over-year growth based on the 4-quarter average.*

In 2019, Hawaiʻi's GDP was approximately $88.9 billion (chained 2017 USD), about 0.4 percent of the total U.S. real GDP, a similar share to 2023. By 2023, the State's GDP had recovered to $86.9 billion, with Government and Leisure & Hospitality—driven by a strong military and tourism presence—and Real Estate contributing 49 percent of the State's total GDP. Among all the industries reported, Information Technology and Utilities saw substantial growth compared to others, expanding by 35.0 and 15.6 percent respectively compared to 2019 levels. This growth was driven by remote work and digital transformation opportunities, which increased demand for IT services and infrastructure across various sectors, including military and defense contracts. Additional drivers included the expansion of technology startups and a focus on the renewable energy market. Investments and partnerships in the Hawaiʻi solar market, along with federal support for implementing energy-efficient building codes, particularly for commercial buildings, supported growth. Professional Business Services and Healthcare, which account for more than 8 percent of State GDP, experienced modest growth since 2019 of more than 4.5 percent.

**Exhibit 2-9: Real GDP by Industry in the State of Hawaiʻi (chained 2017 US$, millions)**

| | Hawaii GDP (US$, millions) | | | Pct. Change (2023) | | HI % Share | US GDP | US % Share |
|---|---|---|---|---|---|---|---|---|
| **Industry Ranked by 2023 output** | **2019** | **2022** | **2023** | **(vs. '22)** | **(vs. '19)** | **2023** | **2023** | **2023** |
| Government | 17.5 | 17.0 | 17.0 | 0.2% | -3.1% | 20% | 2,560.2 | 11% |
| Real Estate | 15.1 | 15.2 | 15.2 | 0.3% | 0.7% | 18% | 2,999.2 | 13% |
| Leisure & Hospitality | 10.4 | 9.0 | 9.3 | 3.2% | -10.5% | 11% | 914.8 | 4% |
| Professional Business Services | 7.7 | 8.3 | 8.6 | 3.1% | 11.2% | 10% | 3,323.0 | 15% |
| Healthcare | 6.5 | 6.7 | 6.8 | 0.8% | 4.8% | 8% | 1,752.2 | 8% |
| Retail Trade | 6.5 | 5.6 | 6.1 | 9.5% | -5.5% | 7% | 1,293.6 | 6% |
| Construction, Manufacturing & Mining | 6.6 | 5.7 | 5.7 | 0.0% | -14.2% | 7% | 3,420.0 | 15% |
| Transportation | 5.0 | 4.5 | 4.5 | -0.5% | -10.7% | 5% | 645.6 | 3% |
| Finance & Insurance | 3.3 | 3.4 | 3.4 | -0.6% | 4.1% | 4% | 1,546.8 | 7% |
| Information Technology | 2.1 | 2.6 | 2.8 | 8.5% | 35.0% | 3% | 1,598.1 | 7% |
| Wholesale Trade | 2.8 | 2.4 | 2.3 | -4.4% | -17.3% | 3% | 1,125.2 | 5% |
| Utilities | 1.8 | 1.8 | 2.0 | 11.1% | 15.6% | 2% | 343.8 | 2% |
| Other Services (excl. gov't) | 2.2 | 2.0 | 1.9 | -3.6% | -13.1% | 2% | 427.5 | 2% |
| Education | 1.0 | 1.0 | 1.0 | 3.2% | 5.1% | 1% | 2,018.3 | 9% |
| Agriculture | 0.4 | 0.3 | 0.4 | 30.7% | 2.1% | 0.5% | 180.1 | 1% |
| **Total** | **$88.9** | **$85.2** | **$86.9** | **2.0%** | **-2.3%** | **100%** | **$22,376.9** | **100%** |

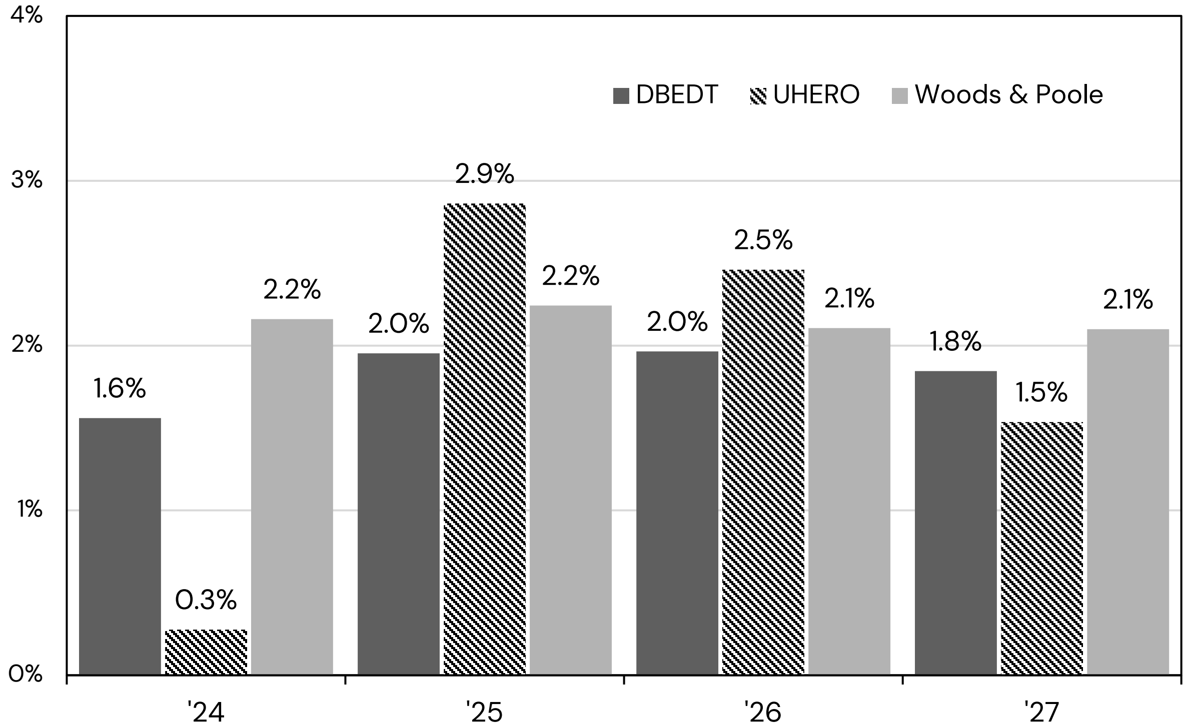
*Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA).*

*Note: Leisure & Hospitality includes Accommodation & Food Services and Art, Entertainment, & Recreation; the last column above represents the GDP share by industry for the nation (i.e., the U.S. Government industry contributed 11 percent to the total U.S. GDP in 2023). Totals may not add up correctly, due to rounding and categorization of the underlying raw data.*

### *2.2.2.1 The State's GDP Outlook*

According to DBEDT's 4Q 2024 QSER report, the State's GDP is expected to increase 1.6 percent in calendar year 2024 and is projected to experience year-over-year growth of 2.0 percent in 2025, 2.0 percent in 2026, and 1.8 percent in 2027, compared to U.S. GDP projected growth of 2.4 percent in 2024 and 1.8 percent in 2025. DBEDT projects that Hawaiʻi's annual GDP will exceed pre-pandemic levels by 2025. Two other industry sources include Woods & Poole Economics Complete Economic and Demographic Data Source (CEDDS) and the University of Hawaiʻi Economic Research Organization (UHERO) which project a wider range where the State's GDP is expected to grow faster at 2.9 percent in 2025 then pace slower to about 1.5 percent by 2027. Exhibit 2-10 shows the comparison of projected annual real GDP growth among the sources mentioned above.

**Exhibit 2-10: Real GDP Forecast Comparison for the State of Hawaiʻi**

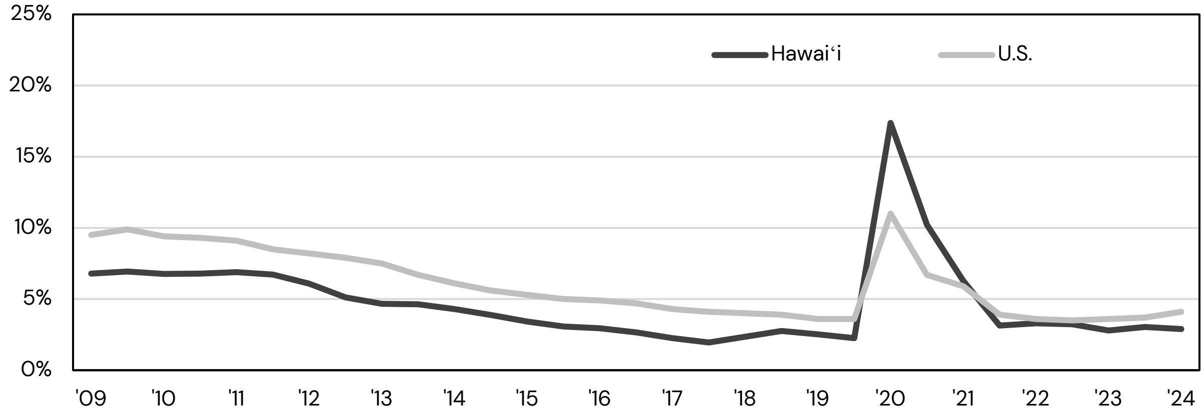


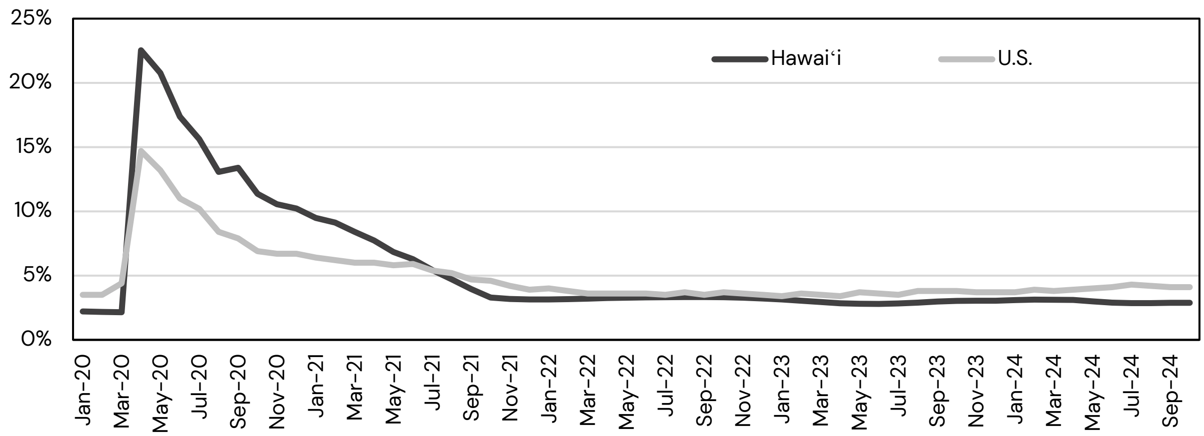

*Source: Woods & Poole Economics CEDDS, released June 2024; UHERO December 2024; DBEDT 4Q 2024 QSER*
*Note: 2024-2027 values are forecasted by UHERO and DBEDT; Woods & Poole's latest estimates start in 2024.*

### 2.2.3 Employment

Between 2009 and 2019, Hawaiʻi's unemployment rate remained below the national average, as shown in Exhibit 2-11. After experiencing high rates across both Hawaiʻi and the U.S., peaking in April 2020 at 22.5 percent and 14.7 percent respectively, federal support packages helped reduce unemployment rates throughout 2020, narrowing the gap between the State and national rates by 5 to 7 percentage points. Hawaiʻi's unemployment remained stable between 3.1 to 3.3 percent throughout 2022 and fell to 2.9 percent as of September 2024, slightly above its two-year low of 2.8 percent reported in Summer 2023. This rate is below the U.S. average of 4.1 percent in September 2024.

**Exhibit 2-11: Historical Unemployment Rates for Hawai'i and the U.S.**
**June and December, CY 2009 to 2024, and Monthly Rates between January 2020 and October 2024***




*Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).*
*Note: Data prior to 2022 are illustrated semi-annually (June and December); 2020-2024 unemployment rates are plotted on a monthly basis.*
** The latest available month in 2024 was October for the U.S., and September for Hawai'i (preliminary, seasonally adjusted).*

Exhibit 2-12 captures the difference in non-farm employment (e.g., number of employees) between July 2019 and July 2024. In particular, the State's Mining, Logging, and Construction (MLC) and Education and Health Services sectors saw the highest employment percentage increases compared to the 2019 seasonally adjusted levels, rising by 14.1 percent and 4.7 percent, respectively. In contrast, these sectors at the U.S. national level grew at half the rate of Hawai'i 's MLC (7.6 percent) and nearly twice the rate of Hawai'i's Education and Health Services (9.2 percent). Meanwhile, Financial Activities and Trade, Transportation, and Utilities remain depressed, with declines ranging from 8 to 11 percent. The Information sector, which includes telecommunications and software publishing, experienced the largest drop, exceeding 20 percent. Leisure & Hospitality, Government, Trade, Transportation, and Utilities continued to be the top three industries by employment in both 2019 and 2024, accounting for more than half of total non-farm jobs in Hawai'i. As of July 2024, the Government sector surpassed Leisure & Hospitality as the largest source of non-farm employment.

**Exhibit 2-12: Non-Farm Employment in Hawaiʻi and the U.S.**

| | Non-Farm Employees ('000s) | | | | | |
|---|---|---|---|---|---|---|
| | July 2019 | | July 2024 | | Percentage Change | |
| **Sector** | **Hawaii** | **U.S.** | **Hawaii** | **U.S.** | **Hawaii** | **U.S.** |
| Government | 125.1 | 22,572 | 126.1 | 23,345 | 0.8% | 3.4% |
| Leisure and Hospitality | 126.8 | 16,522 | 119.2 | 16,944 | -6.0% | 2.6% |
| Trade, Transportation, and Utilities | 125.6 | 27,662 | 115.3 | 29,036 | -8.2% | 5.0% |
| Education and Health Services | 87.9 | 24,175 | 92.0 | 26,403 | 4.7% | 9.2% |
| Professional and Business Services | 73.2 | 21,389 | 71.3 | 22,976 | -2.6% | 7.4% |
| Mining, Logging, and Construction | 37.5 | 8,252 | 42.8 | 8,882 | 14.1% | 7.6% |
| Financial Activities | 30.2 | 8,770 | 26.9 | 9,244 | -10.9% | 5.4% |
| Other Services | 28.6 | 5,899 | 25.6 | 5,912 | -10.5% | 0.2% |
| Manufacturing | 14.0 | 12,827 | 12.8 | 12,951 | -8.6% | 1.0% |
| Information | 8.5 | 2,866 | 6.7 | 2,999 | -21.2% | 4.6% |
| **Subtotal** | **657.4** | **150,934** | **639** | **158,692** | **-2.8%** | **5.1%** |
| | | | | | **Hawaii Rank** | |
| **Percentage of Total** | | | | | **2019** | **2024** |
| Government | 19.0% | 15.0% | 19.7% | 14.7% | 3 | 1 |
| Leisure and Hospitality | 19.3% | 10.9% | 18.7% | 10.7% | 1 | 2 |
| Trade, Transportation, and Utilities | 19.1% | 18.3% | 18.1% | 18.3% | 2 | 3 |
| Education and Health Services | 13.4% | 16.0% | 14.4% | 16.6% | 4 | 4 |
| Professional and Business Services | 11.1% | 14.2% | 11.2% | 14.5% | 5 | 5 |
| Mining, Logging, and Construction | 5.7% | 5.5% | 6.7% | 5.6% | 6 | 6 |
| Financial Activities | 4.6% | 5.8% | 4.2% | 5.8% | 7 | 7 |
| Other Services | 4.4% | 3.9% | 4.0% | 3.7% | 8 | 8 |
| Manufacturing | 2.1% | 8.5% | 2.0% | 8.2% | 9 | 9 |
| Information | 1.3% | 1.9% | 1.0% | 1.9% | 10 | 10 |
| **Subtotal** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | | |

*Source: U.S. Department of Commerce, Bureau of Labor Statistics (BLS).*
*Note: Employment figures are seasonally adjusted. Sectors are ranked by 2024 Hawaiʻi employment figures.*

### 2.2.4 Personal Income

From 2008 to 2023 real per capita personal income (PCPI) in Hawaiʻi increased by an average 1.2 percent annually, slower than the U.S. average of 1.6 percent.[7] In 2023, both Hawaiʻi and the U.S. experienced an increase in real PCPI, of 4.2 percent and 1.6 percent respectively.

[7] U.S. BEA. Numbers are based off the percentage growth.

Other recently published sources, such as UHERO's forecast[8] expects the State's total personal income to rise 1.1 percent in real dollar terms for CY 2024, and then an average increase of 1.3 percent annually through 2027, eventually reaching $100.2 billion. Personal income growth is projected to exceed the State average in Hawaiʻi and Kauaʻi Counties, while Maui County is expected to grow at a slower pace, and Honolulu County is forecasted to match the State's growth rate. According to DBEDT's latest quarterly outlook report figures, summarized in Exhibit 2-21, the State's total real personal income is projected to increase from $70.7 billion in 2023 to an estimated $72.3 billion in 2024, a real term increase of 2.3 percent. From 2024 onward, the 3-year average annual growth through 2027 is forecast to increase 1.6 percent per year.

## 2.3 Economic Factors and Policies Impacting Hawaiʻi Visitor Demand

This subsection examines global economic trends that may influence the return of both U.S. and foreign visitors to the State. It summarizes the recent impacts on the accommodation market following the enactment of Senate Bill 2919 (SB2919), which was signed into law as Act 17, Session laws of Hawaiʻi 2024 in May 2024 and clarified the authority of Hawaiʻi's counties to control the time, place, manner, and duration of land uses, particularly transient accommodations, including short-term vacation rentals (STR).[9] This legislation introduced stricter regulations on the STR market to address the housing crisis and mitigate community disruptions caused by the proliferation of rentals. Additionally, this subsection examines visitor trends from key countries and the State's visitor forecast released by DBEDT.

### 2.3.1 U.S. GDP Outlook

As noted in Section 2.1.4, focused on origin visitor markets to Hawaiʻi, the U.S. visitor market continues to be a major source of benefit to the State's economy and tourism industry. As an indicator, GDP remains an important driver of tourism, and the U.S. GDP retains a positive outlook for both tourism and the appetite for air travel. The U.S. economy demonstrated robust growth at the beginning of 2024, marked by favorable indicators in business activity, labor markets, consumer sentiment, and inflation easing trends. The Conference Board (TCB) [10] revised its 2024 U.S. outlook, and no longer projects a recession in 2025. At the time of this report, the change in U.S. administration poses a risk to the macroeconomic outlook, with potential shifts in fiscal and monetary policies impacting the U.S. dollar value and inflation trends. This uncertainty is mentioned as a risk factor in the ICF forecast (Section 2.5.2) under 'Other General Factors'.

TCB's December 2024 U.S. Economic Outlook projects the U.S. economy to end 2024 with a 2.7 percent year-over-year GDP growth, an upward revision from its October 2024 estimate of 2.6 percent. As of mid-December 2024, the Federal Reserve reduced the federal funds rate by 25 basis points (bps), to a range of 4.25-4.50.[11] This marked its third consecutive reduction in 2024 following over ten consecutive rate hikes aimed at curbing inflation. In 4Q 2024, the TCB estimated U.S. real GDP growth to track above expectations, increasing 2.0 percent quarter-over-quarter annualized, from a prior estimate of 0.9 percent. This upgraded revision reflects persistent

[8] Released on September 20, 2024.

[9] Office of the Governor. "Governor Green Signs Senate Bill 2919 into Law to Empower County Regulation of Short-Term Rentals, Provides Affordable Housing Progress Update" (2024 May 3). https://governor.hawaii.gov/newsroom/office-of-the-governor-news-release-gov-green-signs-sb-2919-into-law-to-empower-county-regulation-of-short-term-rentals-provides-affordable-housing-progress-update/

[10] 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.

[11] CNBC. "Fed cuts by a quarter point, indicates fewer reductions ahead". https://www.cnbc.com/2024/12/18/fed-rate-decision-december-2024-.html/

evidence of strong consumer spending despite challenges from recent natural disasters such as hurricanes, supported by healthy retail sales, improved general consumer confidence over the near-term, a robust labor market, and declining interest rates enabling more affordable financing.

For 2025, GDP is expected to grow 2.0 percent, adjusted from an earlier 1.7 percent estimate, driven by a stable labor market as companies signal to retain talent and address workforce gaps due to Baby Boomer retirements and persistence to frontline vacancies. Inflation is anticipated to reach the Federal Reserve's 2 percent target by the fourth quarter of 2025, slightly later than the previously projected second quarter. The Federal Reserve is expected to achieve a neutral federal funds rate target range of 3.00-3.25 percent by October 2025, several months later than initially anticipated. Its officials also anticipate two fewer rate reductions in 2025 due to lingering inflation and economic resilience.[12] The TCB also identified several downside risks, including trade wars, tax hikes, and government spending cuts, while upside risks include surges in housing activity, business investments, and productivity gains from technology advancements, along with resolutions or pauses to major global conflicts.

By 2026, GDP growth is expected to settle at 1.8 percent, reflecting the economy's potential growth rate.[13] TCB also anticipates the federal funds midpoint percent to remain steady at 3.125 percent throughout 2026, remaining higher than the 1.5 percent average nominal rate observed between the GFC and the COVID-19 pandemic.

### 2.3.2 Economic Trends in the Major Asia-Pacific Visitor Markets

The Asia-Pacific region, led by Japan, plays a major role in driving foreign visitor arrivals by air to Hawaiʻi, as detailed in Section 2.1.4. Before the pandemic, Japan accounted for 50 to 60 percent of international enplanements, and nearly 10 percent of total enplanements. Favorable economic trends, including GDP growth and rising household incomes across the region, are the precursors to support sustained interest and propensity to travel to Hawaiʻi travel for leisure, family and corporate travel purposes.

Japan and South Korea, two of Hawaiʻi's largest visitor markets, reflect distinct economic and demographic trends shaping their outbound travel potential. Japan faces long-term challenges such as an aging and shrinking population, but benefits from projected economic growth in sectors like retail, financial services, and semiconductor manufacturing, which may boost wages and sustain travel demand. [14] Meanwhile, South Korea's steady GDP growth and evolving demographic patterns further bolster its role as a key contributor to Hawai'i's visitor economy. The International Monetary Fund (IMF) projects average annual growth rates of 0.8 percent for Japan and 2.1 percent for South Korea through 2029, underscoring their roles in Hawaiʻi's tourism recovery.

The economic pressures caused by unfavorable exchange rates and rising travel costs have made Hawaiʻi a less affordable destination for many Asian travelers. Combined with higher accommodation expenses and local cost-of-living challenges, these factors may delay a full recovery of international visitor volumes from key Asian markets until economic conditions stabilize. Additionally, political developments in the Asia-Pacific region, such as recent events in South Korea involving martial law and the president's impeachment proceedings, could further influence local outbound traveler behaviors and spending habits further impacting the pace of tourism recovery to Hawaiʻi.

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[12] The New York Times. "Fed Cuts Interest Rates and Markets Plunge After 2025 Forecast" (2024 December 18). https://www.nytimes.com/live/2024/12/18/business/fed-interest-rates/

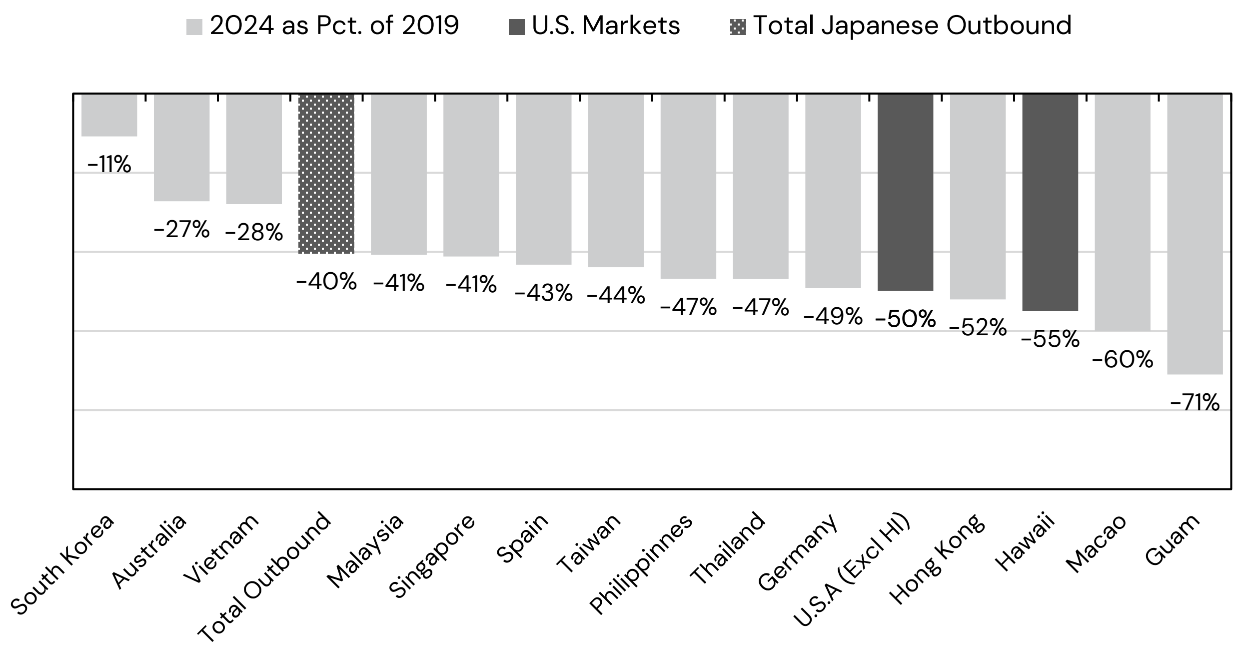
[13] The Conference Board. "The Conference Board Economic Forecast for the US Economy" (2024 December 17). https://www.conference-board.org/research/us-forecast/

[14] Japan's Center for Economic Research projects population to decline from 127 million in 2020 to approximately 87 million in 2070 over the next 50 years.

#### *2.3.2.1 Outbound Tourism Trends*

An analysis of government-sourced data provided by national agencies for the markets shown in Exhibit 2-13 reveals that, as of YE July 2024, Japanese visits to other countries have been recovering at varying paces. Among the top 15 international markets visited by Japanese residents in 2019, Hawaiʻi is 55 percent below its 2019 levels as of YE July 2024. This is 5 percent points less than the rate at which Japanese visitors are traveling to the continental U.S. In contrast, markets closer to Japan, such as South Korea, along with Australia and Vietnam, have benefited from faster Japanese tourism recovery, aided by low-cost carriers offering nonstop flights to similar leisure/beach destinations to Hawaiʻi. Overall, Japanese outbound visitation remains 40 percent below 2019 levels, with markets outside the top three down by 41 to 71 percent compared to calendar year 2019.

**Exhibit 2-13: Recovery of Top 15 Markets where Japan Residents' Visited Abroad, YE July 2024 vs. 2019**




*Source: Japan Tourism Board Research (JTBR), ICF analysis.*
*Note: Statistical datasets as part of this analysis were based upon each government provided. Top 15 markets determined based on CY 2019 ranks. Several European markets are excluded due to different measures of visits reported to the JTBR.*

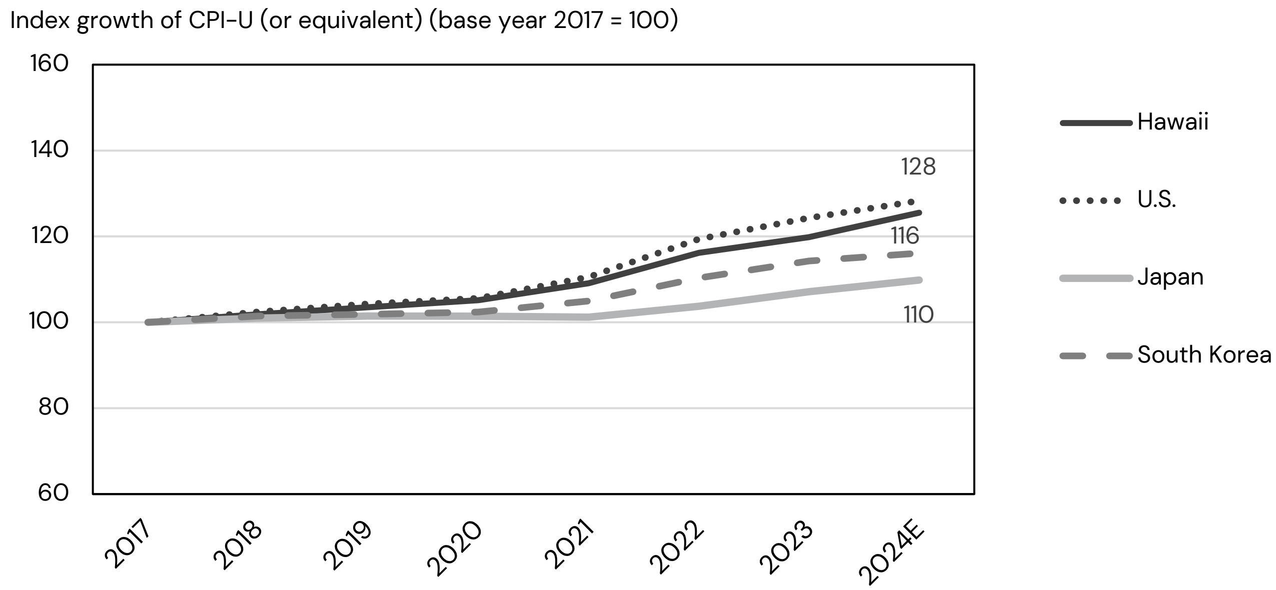
High costs in Hawaiʻi have slowed the recovery of its international visitor market, as potential visitors may opt for alternative budget-friendly international leisure destinations. Island destinations like Bali (Indonesia), Fiji, Jeju (South Korea), and Boracay (Philippines), offer comparable leisure experiences with more affordable homestays and luxury resorts. However, these alternatives may lack Hawaiʻi's diverse retail and cultural experiences. On average, visitors on vacation spend about $392 per day in Hawaiʻi, which is more than the daily spends of $89 in Bali, $84 in Jeju (South Korea) and $64 in Boracay.[15] Fiji, with a daily average vacation cost of about $200, offers a comparable island experience at roughly half the cost of though slight premium of about $200 as a daily average, is about half the daily vacation cost of Hawaiʻi.

[15] Desktop research using Budget Your Trip calculator. "How much does it cost to travel" (data accessed 2024 December 2 for the select markets). https://www.budgetyourtrip.com/

#### 2.3.2.2 Rising Living Costs

Key Asia-Pacific markets have been experiencing rising costs of living similar to Hawaiʻi over the past several years. Exhibit 2-14 presents an indexed growth time series that shows how consumer prices have increased year-over-year in Japan, South Korea, and Hawaiʻi. While the cost of living in Japan and South Korea remained relatively flat from 2017 to 2021, growing slower than in the U.S., it began to trend upward starting in 2021. Current estimates indicate that South Korea and Japan have experienced real increases of 10 percent and 16 percent, respectively, while Hawaiʻi and the U.S. have seen increases of over 25 percent since 2017.

**Exhibit 2-14: Indexed Cost of Living Growth for Select Asian Countries in Comparison to Hawai'i and U.S.**



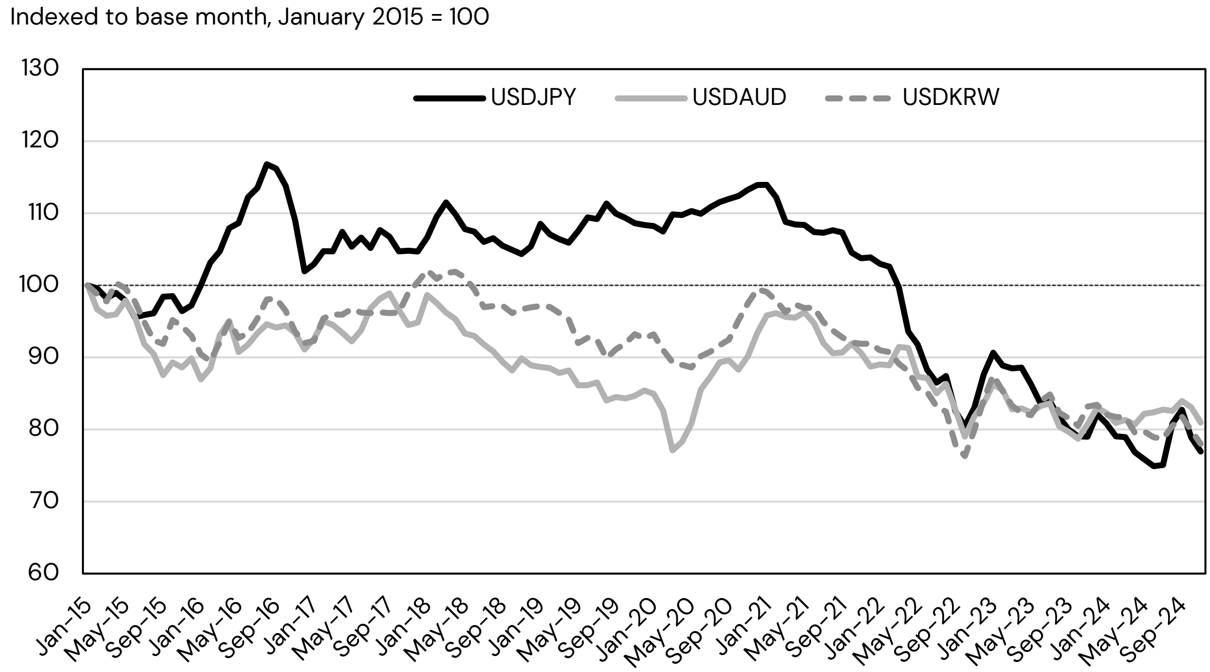

*Source: DBEDT (for Hawaiʻi and U.S.), Statistics Korea, Bureau of Japan via Trading Economics.*
*Note: 2024 is an estimate reflecting data from the first half of the year.*

#### 2.3.2.3 Foreign Exchange Rates

Fluctuations in exchange rates, particularly the U.S. dollar (USD) to Japanese yen (JPY), directly influence Japanese tourism to Hawaiʻi. A weakened yen makes travel to the U.S. more expensive for Japanese tourists, potentially lowering air traffic demand. In recent years, the yen has experienced significant depreciation against the U.S. dollar, reaching a 38-year low in 2024. The following Exhibit 2-15 shows the trending depreciation of foreign currencies in the Asia-Pacific region in comparison to the U.S. dollar. Several factors have contributed to this weakening, including divergent monetary policies between Japan and the U.S. Federal Reserve's direction as mentioned in Section 2.3.1.

As of November 1, 2024, the yen's value had fallen more than 20 percent from its early 2015 levels, losing gains it had made against the USD by March 2022. Overall, the selected Asian currencies shown in the following exhibit have similarly depreciated to comparable indexed levels. While a weaker yen may make Japan a more attractive destination for U.S. tourists to visit, boosting outbound traffic, this dynamic creates short-term challenges for inbound Japanese tourists, particularly in light of the interest rate environment they are facing.

**Exhibit 2-15: Indexed Growth of Select Asia/Pacific Currency Exchange Rates with the U.S. Dollar**



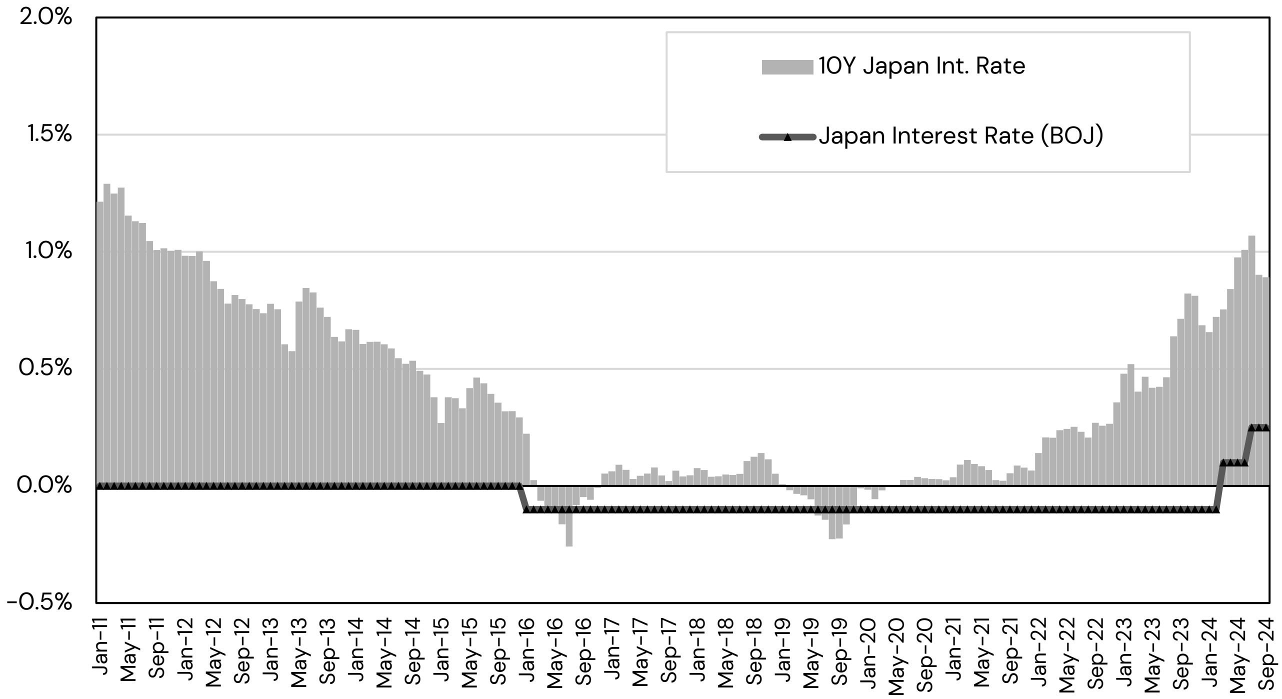

*Source: Federal Reserve Economic Data (Board of Governors) FRED – spot exchange rate to USD, ICF analysis.*

### *2.3.2.4 Shift in Japan's Monetary Policy*

Rising interest rates in Japan, coupled with a depreciating yen, have increased the cost of international travel for Japanese consumers, potentially dampening Japanese outbound demand for long-haul destinations like the U.S. and Hawaiʻi. The Bank of Japan's (BOJ) recent monetary policy adjustments, including ending negative interest rates, aim to stabilize the yen and control inflation. However, these measures may not immediately boost consumer spending on discretionary activities, overseas travel. Recently, Japan's 10-year long government bond yields have transitioned from negative to positive rates territory, reflecting changes in monetary policy and economic conditions. This transition has been driven by the Bank of Japan's (BOJ) effort to combat inflation and stimulate economic growth in response to global economic pressures and rising commodity prices, similar to actions taken by the U.S. Federal Reserve.

The BOJ raised its benchmark interest rate for the first time in nearly 17 years in March 2024, ending its negative rates policy of eight years aimed to support economic growth. This can be seen in Exhibit 2-16, which is overlayed with total Japanese outbound travel. As of November 2024, 10-year government bond yields reached about 0.9 percent, a notable increase from the lows experienced in recent years, and a return to levels previously seen in 2011.

**Exhibit 2-16: Changes in Japan's Interest Rate Environment**




*Source: Bank of Japan Japan's Ministry of Finance (for 10Y bonds), ICF analysis.*

As of the end of October 2024, the BOJ decided to keep short-term interest rates unchanged. It anticipates maintaining the current monetary policy, monitoring wage and price trends, as well as developments in the U.S. economy following the outcomes of the recent U.S. presidential election. The BOJ's quarterly outlook for economic activity and prices, released on October 31st, 2024, indicated that its forecast for fiscal 2024, which started in April 2024, will remain at 2.5 percent, however, it has downgraded its outlook for the next fiscal year to 1.9 percent compared to its previous release in July 2024 of 2.1 percent. The BOJ cited the recent declines in crude oil and other resource prices as factors contributing to its downgraded CPI outlook. Exhibit 2-35 in this report expands on Aviation jet fuel prices, which follow similar trends as crude oil. Similar to the U.S. inflation target, the BOJ aims for a level consistent with its 2 percent stability target through the 2026 projection period.

### 2.3.3 International Airfare Trends

Exhibit 2-17 compares average international one-way airfares for passengers starting or ending their journey at Hawaiʻi airports based on International Air Transport Association (IATA) airline sales market data. Despite the rising cost of living, average fares in YE June 2024 among the top 20 International origin and destination (O&D) Hawaiʻi markets have decreased by 6.2 percent in nominal terms, compared to the same period the prior year. This reduction reflects airlines' efforts to recapture demand, still below 2019 levels, while ensuring route profitability. Most markets, except Guam, Auckland, and Pago Pago, experienced year-over-year airfare reductions. Japanese destinations, which account for over one-third of the international O&D market share, saw average airfare declines of more than 25 percent, driven in part by low-cost carriers (LCCs) like ZIPAIR at the time and the ease of travel restrictions by its government, encouraging international demand to restart. Do note, ZIPAIR had suspended its Tokyo-HNL services at the beginning of the 2024 winter schedule which is discussed in Section 2.4. Nonetheless, the top 20 markets comprise nearly 80 percent of total international O&D demand, with most offering some level of nonstop service.

**Exhibit 2-17: Hawai‘i's International Origin & Destination Markets and Airfare, YE June 2024**

| Rank | Market Name | Annual O&D Pssgrs (000s) | Share of Passengers | Growth vs. Prior Yr | Pct. +/(-) 2019 Levels | Avg. Airfare 1-way (2024) | YoY Change in Airfare |
|---|---|---|---|---|---|---|---|
| 1 | Tokyo | 1,246.1 | 28.0% | 84.7% | -38.2% | $467 | -12.8% |
| 2 | Vancouver | 384.2 | 8.6% | -4.5% | -11.2% | $280 | -4.7% |
| 3 | Seoul | 365.9 | 8.2% | 4.7% | -18.8% | $485 | -0.8% |
| 4 | Osaka | 275.7 | 6.2% | 94.5% | -64.6% | $422 | -12.8% |
| 5 | Sydney | 221.8 | 5.0% | 2.5% | -23.6% | $592 | -6.9% |
| 6 | Calgary | 137.7 | 3.1% | -8.7% | -18.8% | $297 | -4.7% |
| 7 | Toronto | 129.7 | 2.9% | -2.1% | -22.3% | $430 | -1.2% |
| 8 | Guam | 127.5 | 2.9% | 2.7% | 43.2% | $870 | 6.8% |
| 9 | Manila | 107.8 | 2.4% | -4.5% | -4.2% | $603 | -0.9% |
| 10 | Nagoya | 93.6 | 2.1% | 142.2% | -66.5% | $472 | -15.1% |
| 11 | Melbourne | 82.8 | 1.9% | 5.9% | -24.0% | $575 | -15.9% |
| 12 | Auckland | 74.2 | 1.7% | -2.1% | -38.9% | $580 | 12.8% |
| 13 | Edmonton | 72.9 | 1.6% | 0.8% | -25.2% | $298 | -4.5% |
| 14 | Fukuoka | 63.2 | 1.4% | 160.6% | -53.6% | $369 | -24.5% |
| 15 | Montreal | 44.5 | 1.0% | -3.1% | -26.5% | $400 | -1.9% |
| 16 | Pago Pago | 36.1 | 0.8% | 5.6% | 7.6% | $661 | 4.2% |
| 17 | Majuro | 33.2 | 0.7% | 95.7% | 7.6% | $562 | -24.0% |
| 18 | Brisbane | 32.6 | 0.7% | 4.4% | -61.7% | $650 | -2.5% |
| 19 | Laoag | 31.2 | 0.7% | -9.4% | 2.3% | $593 | -2.6% |
| 20 | London | 31.1 | 0.7% | -6.3% | -9.2% | $813 | -1.5% |
| | **Top 20 Markets** | **3,591.9** | **80.8%** | **28.7%** | **-35.0%** | **$471** | **-6.2%** |
| | Other cities | 854.9 | 19.2% | 8.0% | -38.8% | $611 | 5.0% |
| | **All Int'l Markets** | **4,446.8** | **100.0%** | **24.1%** | **-35.8%** | **$498** | **-4.2%** |

*Source: IATA AirportIS.*

### 2.3.4 Hawai‘i Visitor Accommodation Trends

Another key factor impacting tourism recovery is the availability of accommodations. This subsection analyzes Hawai‘i's visitor accommodation trends, highlighting recent shifts in lodging preferences, pricing, and regulatory impacts that underpin the ICF traffic forecast. With a diverse array of options, from traditional hotels to short-term vacation rentals, Hawai‘i's accommodation landscape plays a crucial supply role in supporting the State's tourism economy.

As of YTD September 2024, DBEDT data indicated that 52 percent of visitors stayed exclusively at hotels, while around 20 percent chose rental homes or private accommodations. Among Japanese visitors, approximately 75 percent stayed at hotels, with an average length of stay for about 6.2 days, marking a 6.8 percent decrease compared to the same period of time the previous year. The rise of short-term rentals pre-pandemic, driven by platforms like Airbnb and VRBO, elevated competition with traditional and luxury hotels, strained residential housing availability and affordability, contributing to higher rents and home prices, while also causing social disruptions to community life and traditional residential neighborhoods. To address these issues and support those displaced by the eventual August 2023 Maui wildfires, SB2919 was signed into law in May 2024. This legislation enables counties to enforce restrictions on STRs to address illegal STR operations, and grants them the ability to implement stricter zoning regulations or potential bans within their jurisdictions in an effort to help alleviate the State's housing crisis. These changes, coupled with trends in sustainable tourism and diversified lodging options, are reshaping Hawai‘i's accommodation market and those previously employed by STRs. ICF's analysis includes average daily rates, occupancy trends, and visitor cost accessibility for hotels and similar accommodation types.

As of September 2024, Hawai‘i's hotels had the most expensive average daily rates (ADRs) in the U.S., at around $365 per night. In comparison, New York City hotels ranked second with a $292 ADR, 20 percent lower than Hawai‘i. However, Hawai‘i has experienced a 3.3 percent year-over-year decline in its ADR, yet it remains about 6 percent above 2019 rates measured in 2024 dollars.

**Exhibit 2-18: Top U.S. Destinations by Average Hotel Daily Rates, YTD September 2024**

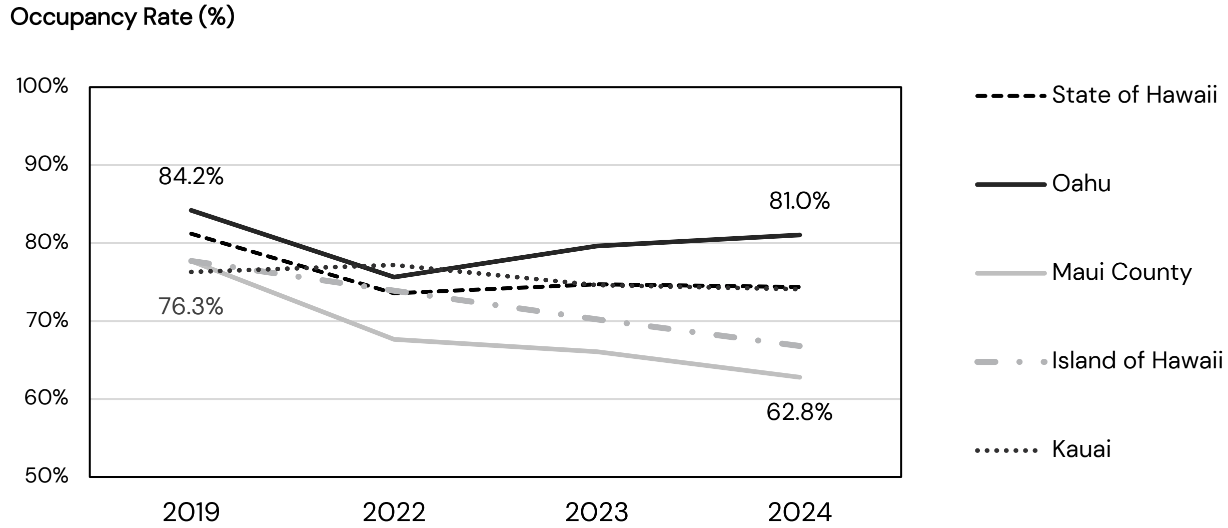
| Rank | Destination | Average Daily Rate, USD | Pct. Change vs. Prior Year |
|---|---|---|---|
| **1** | **Hawai‘i** | **$365** | **-3.3%** |
| 2 | New York, NY | $292 | 4.8% |
| 3 | Boston, MA | $232 | 4.2% |
| 4 | Miami, FL | $220 | -0.9% |
| 5 | San Francisco/San Mateo, CA | $218 | -3.2% |

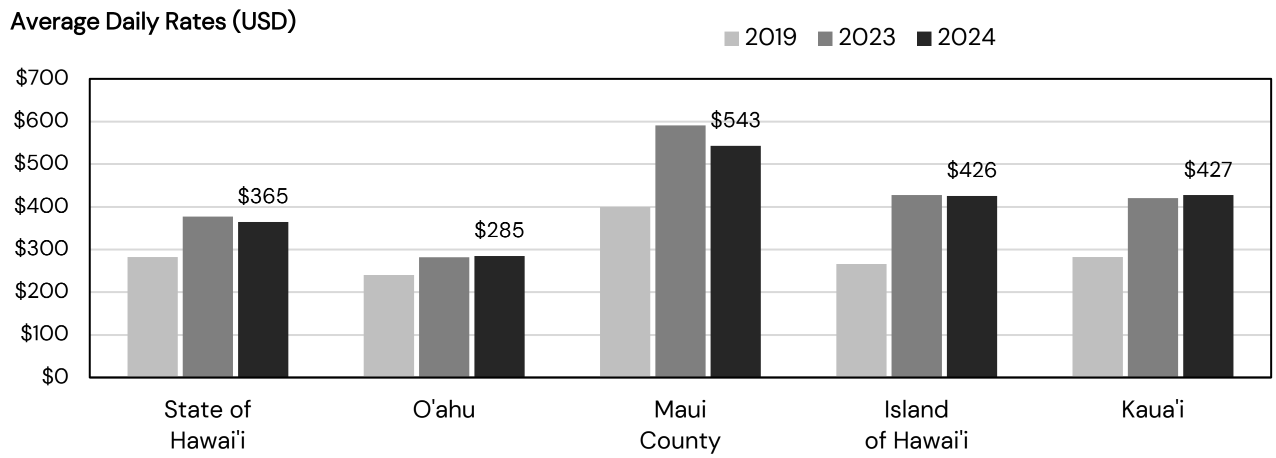
*Source: STR, Inc., DBEDT*

Although all islands other than O‘ahu experienced a decrease in average hotel occupancy rates between 2023 and 2024, Maui was the only County to report a decrease in ADR, in part due to rates being lowered to support displaced residents. O‘ahu is the only Hawaiian market to have seen increased hotel occupancy as home to the capital, and the Hawai‘i Convention Center. Increased group and corporate demand had O‘ahu as the second-highest 12-month occupancy in the U.S. at around 81 percent[16], and in mid-2024, led occupancy among international "sun and sand" destinations, followed by Aruba and Puerto Rico (both at 77 percent).

[16] CoStar. "One year after wildfires, West Maui's hotel demand recovery on track for 2025". (2024 September 17). https://www.costar.com/article/1605360653/one-year-after-wildfires-west-mauis-hotel-demand-recovery-on-track-for-2025/

**Exhibit 2-19: Hawai'i Hotel Performance, by Island**




*Source: STR, Inc., Hawaiʻi Tourism Authority.*
*Note: 2024 reflects averages for the YTD ending September 2024. Occupancy rate data labels display the range in the first and last year.*

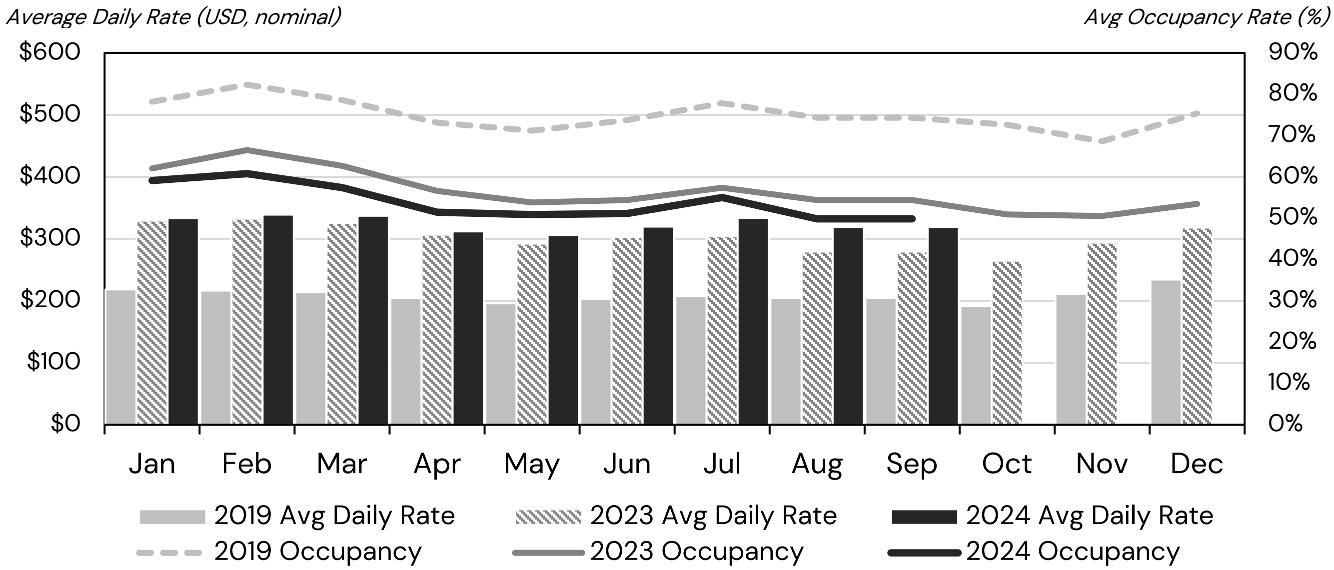
Maui County, which traditionally offered the largest supply of vacation rentals, saw many units become unavailable in West Maui following the Lahaina wildfires.[17] Before these events, annual trends through July 2024 showed unit night demand declining year-over-year beginning in March. Statewide vacation rental unit ADRs rose by 1-5 percent each month between January and May of 2024 compared to the prior year (see Exhibit 2-20).[18] However, following the enactment of SB2919 in May 2024, ADRs increased by more than 10 percent year-over-year through September, remaining approximately 55 percent higher than 2019 averages. As a result

[17] Per DBEDT's Visitor Plan Inventory Survey report (conducted by Kloninger & Sims Consulting LLC), 16 reported properties resulting in over 475 units (available for visitor use) were either destroyed or temporarily closed due to Lahaina fires in Maui. https://files.hawaii.gov/dbedt/visitor/visitor-plant/2023VPI.pdf/

[18] A vacation rental is defined as the use of a rental house, condominium unit, private room in a private home, or shared room/space in a private home.

of these higher rates, occupancy rates have declined, averaging about 59 percent in 2024, down 20 percentage points from the 2019 average of 78 percent.

**Exhibit 2-20: Monthly Statewide Vacation Rental Performance, 2024 vs. 2023 vs. 2019**




*Source: DBEDT Hawai'i Vacation Rental Performance Report.*
*Note: Latest monthly data released through September 2024.*

The decline in occupancy rates for both short-term rentals and hotels across Hawaiʻi suggests an ample unit night supply to accommodate additional visitors, even as the tourism communities and areas on Maui undergo continued rebuilding efforts. This availability, coupled with rising average daily rates, indicates that while there is capacity to meet increased demand, higher lodging costs could influence visitor affordability and length of stay. The trends are essential to understanding Hawaiʻi's current accommodation landscape and have been considered as part of ICF's traffic forecast growth outputs.

### 2.3.5 Ongoing Action Plans to Promote the Island's Tourism Strategies

As Hawaiʻi's tourism industry continues to recover visitor arrivals from the pandemic, the Hawaiʻi Tourism Authority (HTA) advanced its standing 2020-2025 Strategic Plan, which includes destination management tools aimed to educate potential visitors and attract visitors to the islands as their destination of choice. Focused on showcasing Hawaiʻi's unique offerings, HTA developed Destination Management Action Plans (DMAP) for Kauaʻi, Maui Nui (includes Maui, Molokaʻi and Lanai), O'ahu, and the island of Hawaiʻi. In partnership with local counties and their visitors' bureaus, the DMAP emphasizes active engagements with community stakeholders and organizations to support recovery efforts and rebuild tourism. The three objectives behind DMAP's purpose are to:

1. Rebuild, redefine, and reset tourism's direction via means of a collaborative process
2. Engage Hawaiʻi's visitor industry, communities, and other sectors
3. Identify areas of need that require management for proactive mitigation planning

In addition to efforts to curtail the STR markets, particularly in Maui County, Hawaiʻi is seeing substantial investment in hotel development, including extensive renovations, rebranding initiatives, and the construction of new facilities across the islands. Recent openings added over 1,500 rooms in 2023 and 2024, with expansions like the Hilton Hawaiian Village and 1 Hotel Hanalei Bay contributing to a pipeline of more than 1,400 additional rooms through 2026 and beyond.

### 2.3.6 The State's Tourism Outlook

DBEDT issues a quarterly outlook report on the State's economy that includes projected 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 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 Hawai‘i Airports System to consider as the possible impact to air travel to/from and within Hawai‘i and the implications for the financial position of the Hawai‘i Airports System.

Per DBEDT's latest outlook report, the State is projected to experience slower economic growth due to reduced air visitor arrivals and expenditures. Exhibit 2-21 summarizes visitors and key economic indicators forecasts from DBEDT 4Q 2024 QSER for CY 2024 through CY 2027, with reference to 2019, 2022, and 2023 actuals for historic comparison. It indicates that visitor arrivals reduced to 9.2 million in CY 2023 compared to 10.4 million in 2019. Its 2024 estimate shows a slight decline in CY 2024 versus CY 2023 levels of about 0.1 percent. However, by 2027, it is anticipated to slightly surpass 2019 levels by 0.2 percent. Hawai‘i's population declined marginally by less than 0.3 percent in 2023 and is expected to remain around the same in 2024, before growing by less than 0.1 percent in 2025, 2026 and 2027, Subject to a range of assumptions developed by the State. Hawai‘i's economic growth rate, as measured by real GDP, is expected to decrease marginally by 0.2 percent in 2024, and will then increase by 0.1 percent in 2025, 2026 and 2027.

**Exhibit 2-21: Hawai‘i Forecast of Key Economic Indicators, CY 2019, 2022-2027**

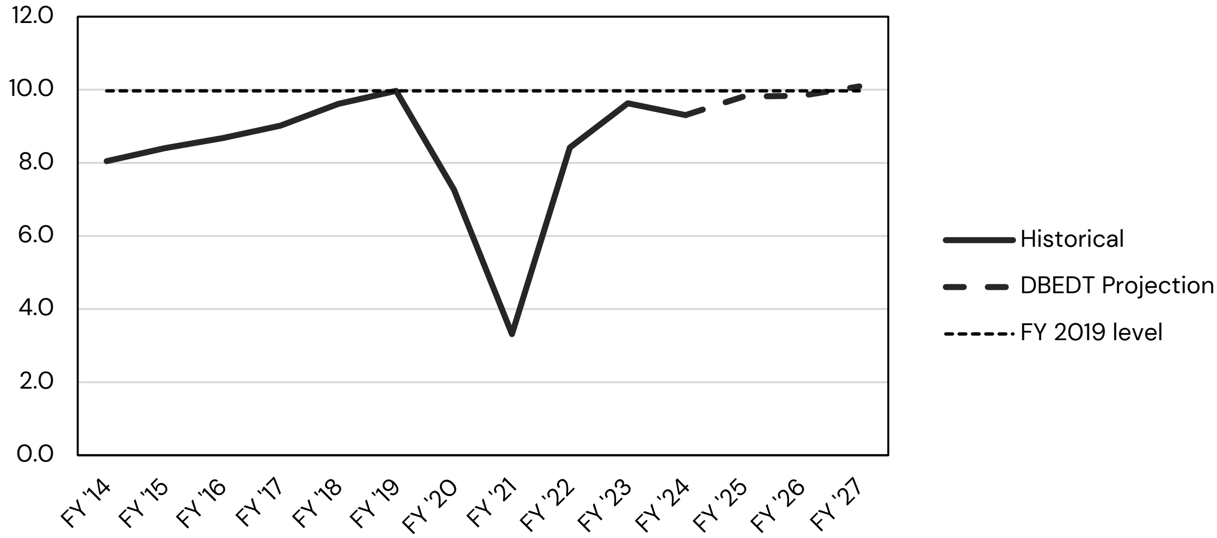
| Economic Indicators | 2019 (a) | 2022 (a) | 2023 (a) | 2024 (f) | 2025 (f) | 2026 (f) | 2027 (f) |
|---|---|---|---|---|---|---|---|
| Total Population (000s) | 1,456 | 1,439 | 1,435 | 1,433 | 1,434 | 1,435 | 1,437 |
| Visitor Arrivals (000s) | 10,387 | 9,234 | 9,658 | 9,602 | 9,906 | 10,162 | 10,407 |
| Real Personal Income (millions of 2017$) | 70,116 | 69,266 | 70,649 | 72,258 | 73,427 | 74,568 | 75,815 |
| Civilian Unemployment Rate (%) | 2.5 | 3.5 | 3.0 | 2.9 | 2.7 | 2.6 | 2.5 |
| Real Gross Domestic Product (millions of 2017$) | 89,344 | 85,211 | 86,888 | 89,997 | 91,755 | 93,558 | 95,284 |
| Gross Domestic Product Deflator (2017=100) | 105 | 119 | 124 | 128 | 131 | 134 | 138 |

*Source: DBEDT, December 4, 2024, U.S. Census Bureau, and U.S. BEA.*
*Note: (a) = actual; (f) = forecast. Visitor arrivals include those by cruise and air. Actual numbers for 2019 were last reported in DBEDT's 4Q 2021 QSER. Annual figures are presented in calendar years, not fiscal year ending June 30.*

According to DBEDT, the recovery gap in total visitor arrivals to the State continues to narrow through the projection period, reaching a full recovery not expected until 2027. However, visitor arrivals are projected to decrease by 0.6 percent in 2024 and will improve starting in 2025 as the Japanese visitor market recovery accelerates.

The following Exhibit 2-22 depicts the expected near-term phased recovery of visitor arrivals on a fiscal year basis, to represent the periods captured in the ICF passenger forecast. It projects 9.81 million in FY 2025, and 10.1 million in FY 2027, when it will fully recover to FY 2019 levels. ICF's traffic forecast, in Section 2.5.1, considered inputs that were derived, in part, from the DBEDT visitor forecast.

**Exhibit 2-22: Hawaiʻi Visitor Arrivals by Air – DBEDT Tourism Forecast (in millions), Fiscal Years ended June 30**




*Source: DBEDT forecast, December 4, 2024.*
*Note: Quarterly detailed inputs provided by DBEDT and converted to fiscal year periods ending June 30th.*

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## 2.4 Airlines Serving Hawaiʻi

Air service and how airlines serve Hawaiʻi are key factors in air passenger growth in the Hawai'i Airports System. This section analyzes the airline passenger performance in Hawaiʻi using Department records over the recent FY 2024 period in comparison to the pre-pandemic period. The two largest carriers serving the market have taken actions that could impact future service levels in Hawaiʻi. The most impactful is the merger of Hawaiian Airlines (HAL) with Alaska Air in September 2024. The combined entity will continue to operate as two separate airlines and as a consequence are analyzed separately below. Southwest Airlines (SWA) has been an aggressive new entrant in the Hawai'i market over the past five years but is facing declining financial performance networkwide and shareholder criticism regarding performance. The strategic actions of these two airline groups, which handled 67 percent of the total enplaned passenger volumes in FY 2024, regarding the level of air service and the structures of their route networks could impact total passenger levels of the Hawai'i Airports System going forward.

Hawaiian Airlines, Southwest Airlines, and United Airlines are the three largest airline contributors to Hawaiʻi's aviation market growth. In FY 2024, HAL accounted for 44 percent of total enplanements, as shown in Exhibit 2-23. Following the September 2024 merger of Alaska Airlines and Hawaiian Airlines, the combined carrier would represent approximately 51 percent of all enplanements based on FY 2024 figures. Additional details on the merger are presented in the Section 2.4.1.

Since entering the market in March 2019, SWA has grown to capture 16 percent of the total Hawaiʻi market, overtaking United Airlines as the second largest carrier in the market in FY 2024. In April 2024 SWA began to make changes to its Hawaiʻi operations, by cancelling the Los Angeles-Maui route and reducing frequencies on at least 16 other routes. As the second largest carrier in Hawaiʻi, it carried 3.2 million enplaned passengers in FY 2024, which resulted in a 6.1 percent decline compared to FY 2023. Despite these reductions, SWA is introducing "red-eye" flights[19] between Hawaiʻi and the U.S. mainland. These overnight flights will depart late in the evening and arrive early the next morning, offering passengers more travel options and potentially increasing aircraft utilization. United held a 12 percent market share, ranking third, with no other airline exceeding 10 percent. Collectively, other carriers—American, Alaska, and Delta—represented 28 percent of the market with a 2.0 percent year-over-year traffic increase in FY 2024, while the top three airlines saw declines.

Hawaiian accounted for 73 percent of interisland enplanements, while SWA, operating at all other PNI airports, captured less than a quarter of this market. Mokulele Airlines maintains a small share of the interisland market, having accounted for 3.5 percent of interisland enplanements in FY 2024. Internationally, Hawaiian Airlines held the largest share of traffic carried in FY 2024 at 26 percent, up 5 percentage points from FY 2019. Japan Airlines (JAL) and All Nippon Airways (ANA), each held 13 percent, followed by WestJet with 11 percent.

Altogether, the Hawaiʻi Airports System is served largely by all major U.S. and foreign carriers. Hawaiian Airlines served the most enplaned passengers in the mainland U.S. segment, with 2.3 million (or 25 percent of the market segment) in FY 2024. All carriers that operated interisland flights in FY 2024 experienced year-over-year reductions ranging from 1 to 5 percent, while commuter carrier Mokulele reported a larger decline of 14 percent.

[19] A red-eye flight is an overnight flight departing in the late evening and arriving at the destination early the next morning. This schedule enables passengers to travel during off-peak hours and often preserves a full day at their destination.

**Exhibit 2-23: Enplanements by Airline across the Hawaiʻi Airports System**

| | FY 2024 | | | | | | | | Percent Variance | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Enplanements (000s) | | | | Percent of Total | | | | FY '24 vs. 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 |
| Hawaiian | 2,301.5 | 547.4 | 5,638.1 | 8,487.0 | 25% | 26% | 73% | 44% | 7.2% | -20.6% | -14.4% | -10.0% |
| Southwest | 1,349.4 | – | 1,801.6 | 3,151.0 | 14% | – | 23% | 16% | 1864.5% | na | 1257.4% | 1464.5% |
| United | 2,118.5 | 120.3 | 0.3 | 2,239.1 | 23% | 6% | 0% | 12% | -5.1% | -40.9% | na | -8.1% |
| Alaska | 1,430.4 | – | 0.2 | 1,430.6 | 15% | – | 0% | 7% | -5.4% | na | na | -5.3% |
| Delta | 1,159.2 | 38.1 | – | 1,197.3 | 12% | 2% | – | 6% | 4.5% | -85.2% | na | -12.5% |
| American | 957.7 | 0.2 | – | 958.0 | 10% | 0% | – | 5% | -24.3% | na | na | -24.3% |
| Japan Airlines | – | 287.4 | – | 287.4 | – | 13% | – | 1% | na | -46.4% | na | -46.4% |
| All Nippon | – | 285.3 | – | 285.3 | – | 13% | – | 1% | na | 14.3% | na | 14.3% |
| Mokulele | – | – | 273.5 | 273.5 | – | – | 4% | 1% | na | na | 19.1% | 19.1% |
| WestJet | – | 230.4 | – | 230.4 | – | 11% | – | 1% | na | -12.8% | na | -12.8% |
| Other Airlines | 4.9 | 621.8 | 53.8 | 680.6 | 0% | 29% | 1% | 4% | -93.9% | -40.3% | -54.1% | -45.1% |
| **Total** | **9,321.6** | **2,131.0** | **7,767.6** | **19,220.2** | **100%** | **100%** | **100%** | **100%** | **10.8%** | **-34.3%** | **9.9%** | **2.6%** |

| | FY 2023 | | | | | | | | Year-over-year (% change) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Enplanements (000s) | | | | Percent of Total | | | | FY '24 vs. FY '23 | | | |
| 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 |
| Hawaiian | 2,382.4 | 365.3 | 5,740.9 | 8,488.6 | 24% | 22% | 72% | 44% | -3.4% | 49.8% | -1.8% | -0.0% |
| Southwest | 1,514.7 | – | 1,852.8 | 3,367.5 | 15% | – | 23% | 17% | -10.9% | na | -2.8% | -6.4% |
| United | 2,296.4 | 111.4 | – | 2,407.8 | 23% | 7% | – | 12% | -7.7% | 7.9% | na | -7.0% |
| Alaska | 1,428.2 | – | – | 1,428.2 | 14% | – | – | 7% | 0.2% | na | na | 0.2% |
| Delta | 1,137.5 | – | – | 1,137.5 | 12% | – | – | 6% | 1.9% | na | na | 5.3% |
| American | 1,119.0 | – | – | 1,119.0 | 11% | – | – | 6% | -14.4% | na | na | -14.4% |
| Japan Airlines | – | 192.0 | – | 192.0 | – | 12% | – | 1% | na | 49.7% | na | 49.7% |
| All Nippon | – | 134.8 | – | 134.8 | – | 8% | – | 1% | na | 111.7% | na | 111.7% |
| Mokulele | – | – | 319.2 | 319.2 | – | – | 4% | 2% | na | na | -14.3% | -14.3% |
| WestJet | – | 223.1 | – | 223.1 | – | 13% | – | 1% | na | 3.3% | na | 3.3% |
| Other Airlines | 5.4 | 632.2 | 49.5 | 687.0 | 0% | 38% | 1% | 4% | -7.8% | -1.6% | 8.9% | -0.9% |
| **Total** | **9,883.7** | **1,658.8** | **7,962.2** | **19,504.8** | **100%** | **100%** | **100%** | **100%** | **-5.7%** | **28.5%** | **-2.4%** | **-1.5%** |

*Source:* *DOTA.*
*Note:* *Airline order ranked by FY 2024 total enplanements.*

Additionally, several new operators have entered the market since FY 2021, including Western Aircraft which provides scheduled commuter service airlines for the interisland segment. This carrier is the only one to achieve positive year-over-year growth, reaching 15 percent, although it still represents less than 1 percent of FY 2024 interisland traffic. Over the past four years, ZIPAIR and Air Premia have launched low-cost flights to Tokyo and Seoul, respectively, while Delta Air Lines resumed international service from HNL, operating flights to Tokyo Haneda, which re-launched in October 2023. However, ZIPAIR has suspended its Hawaiʻi services[20] until March 2025, where it plans to operate three weekly flights for a two-week period using its 787 Dreamliner. Similarly, Korean LCC Air Premia operated limited services from December 2023 to March 2024 and is evaluating the resumption of regular flights to HNL around June 2025. This decision will stem from ongoing demand trend research, and feedback collected from the airline's Korean point of sale customers that flew on its irregular (or non-daily) flights. If resumed, Air Premia would compete with Korean Air, which operates daily Seoul-Incheon to HNL flights in partnership with Delta Air Lines, and also compete with HAL's direct flights.[21] As an LCC, Air Premia

[20] Japan Aviation Hub. "ZIPAIR to suspend Tokyo Narita – Honolulu between late Oct. 2024 and mid-March 2025". (2024 September 20). https://japanaviationhub.com/news/zipair-tokyo-honolulu-temporary-winter-2024-suspension/

[21] Maeil Business Newspaper: "Air Premia will operate a regular flight to Honolulu, Hawaii, around June next year" (2024 November 20). https://www.mk.co.kr/en/culture/11173040/

previously offered economy roundtrip fares at times priced 15 to 40 percent lower than its competitors, especially during holiday periods, capturing its fair share and an attempt to stimulate local demand.

### 2.4.1 Hawaiian Airlines

HAL has been a key player in the Hawaiʻi aviation market for over 90 years. Following the bankruptcy of Aloha Airlines in 2007, HAL became the dominant airline in the Hawaiʻi Airports System, accounting for 25.0 percent of total enplaned passengers and 93.1 percent of interisland enplaned passengers in FY 2019. However, after Southwest entered the Hawaiʻi market in mid-2019, HAL's interisland market share fell to 72.6 percent in FY 2024, as shown in the table in Exhibit 2-24, and less than where it was in FY 2009 at 77.3 percent when having competed with Island Air and Mesa Airlines.

Even as HAL continued to rebuild its network and recover in FY 2023, its overall FY 2024 annual traffic in Hawaiʻi remained flat at 8.5 million enplanements compared to the previous year. Declines in enplanements from both the mainland U.S. and interisland segments—3.4 and 1.8 percent, respectively—were offset by an increase of 49.8 percent in its international segment. On its mainland U.S. routes, HAL competed with eight other commercial U.S. operators in and ended FY 2024 with a 25 percent market share, one percentage point lower than its FY 2019 share. International traffic recovered to approximately 547,000 enplanements, which represents 79 percent of its FY 2019 volumes.

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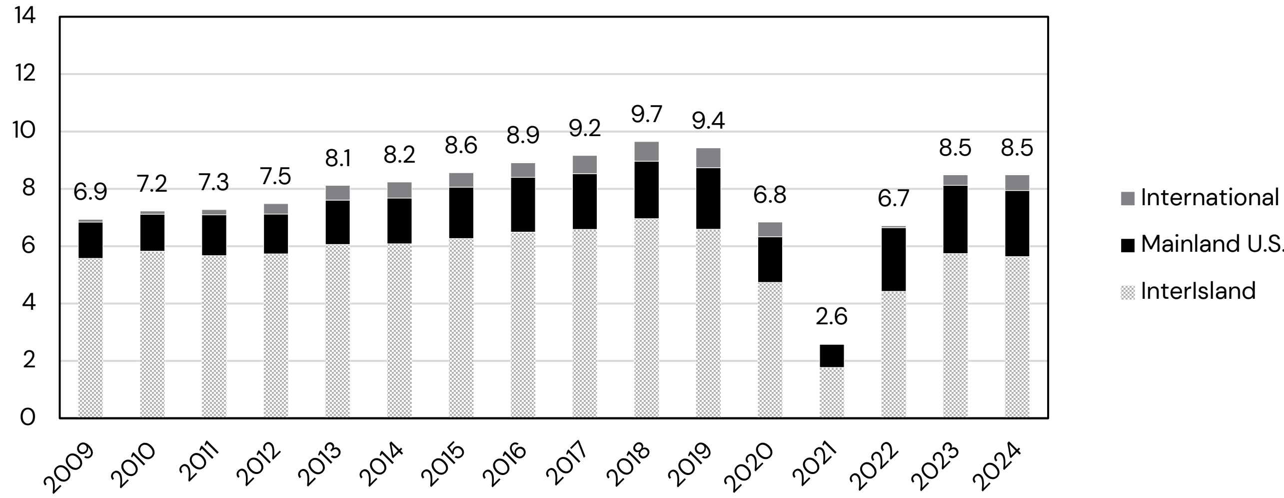
**Exhibit 2-24: Hawaiian Airlines' Enplanements by Market Segment (millions)**




| | FY 2009 | FY 2019 | FY 2023 | FY 2024 |
|---|---|---|---|---|
| **Percent of HAL Enplanements** | | | | |
| Mainland U.S. | 18.3% | 22.8% | 28.1% | 27.1% |
| International | 1.4% | 7.3% | 4.3% | 6.4% |
| Interisland | 80.3% | 69.9% | 67.6% | 66.4% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |
| **HAL's Market Share in Hawai'i** | | | | |
| Mainland U.S. | 22.1% | 25.5% | 24.1% | 24.7% |
| International | 5.1% | 21.3% | 22.0% | 25.7% |
| Interisland | 77.3% | 93.2% | 72.1% | 72.6% |
| **Total** | **46.8%** | **50.3%** | **43.5%** | **44.2%** |

*Source: DOTA, ICF analysis.*

HAL's network covers all large-hub airports along the U.S. West Coast and several other major U.S. markets and foreign Pacific visitor markets. According to advanced June 2025 OAG schedules, HAL will provide nonstop service to 25 major long-haul destinations. HAL added a new weekly service to Rarotonga Island (Cook Islands) in May 2023, in addition to resuming services to New Zealand (Auckland) in July 2022 and Japan (Fukuoka) in April 2023. HAL also introduced new daily domestic service to Salt Lake City from HNL, and Sacramento connectivity from Kona and Lihue airports, operating 4x weekly, which commenced in May 2024. In terms of route suspensions, HAL ended its Kona to Tokyo Haneda route in March 2024.

### *2.4.1.1 Recent Acquisition by Alaska Airlines – Alaska Air Group*

On September 18, 2024, Alaska Airlines completed its acquisition of Hawaiian Airlines, less than 10 months after Alaska Airlines announced the deal on December 2, 2023.[22] The merger included assuming $900 million of Hawaiian's debt. Early in this timeline, Alaska established the Hawai'i Community Advisory Board (HICAB) in January 2024 to strengthen local connections and honoring the Hawaiian brand's cultural legacy. Modeled after

[22] Hawaiian Airlines AFA (Association of Flight Attendants-CWA, AFL-CIO). https://www.hawaiianafa.org/

Alaska Airline's long-standing approach in Alaska, HICAB provides feedback on Alaska's business strategies, local events and community investments.[23]

The Alaska Air Group (the Group) plans to maintain both airlines' brands while integrating operations under a single platform, labor rules, and operating certificate. Preserving Hawaiian's branding aims to retain loyalty among local residents while leveraging the combined network. This merger elevates HNL to the group's second-largest hub after Seattle-Tacoma, with Hawaiian Airlines expected to operate a total of 26 U.S. mainland routes from HNL and OGG in January 2025. However, 12 of these routes overlap with Alaska's existing operations from two Hawaiʻi airports to the U.S. west coast, which may reshape competitive dynamics if other players operate those routes as well.

With respect to the Hawaiian market, Alaska Air Group's December 2024 Investor Day presentation highlights Hawaiʻi's strong growth potential and strategic importance. Optimized network timing is set to add over four million annual passengers across both operating networks, while loyalty and cobranded initiatives will deepen customer engagement and financial performance. Notably, the Group quantified that improved utilization of Hawaiian's widebody aircraft is expected to unlock approximately seven incremental aircraft. They would then be deployed to leverage Hawaiian's brand strength and are expected to add 1,500 daily roundtrip Hawaiian seats, or an 18 percent increase in calendar year 2025 compared to 2024. Although less Alaska-branded flights are expected to operate between Hawaiʻi and North America, the overall operation will see a 1 percent increase in seat capacity. Additionally, the Hawaiian brand is anticipated to boost premium revenue per available seat mile (RASM) by 12 percent. Operational synergies and sustainability initiatives further support the commercial strategy targeting to deliver $800 million of $1 billion incremental profit by 2027.[24]

While the consolidation is expected to impact flight availability, pricing, and service quality, HNL is expected to retain its role as a major gateway to the islands and a critical hub for interisland connectivity, serving both international and domestic travelers. This underscores Hawaiʻi's reliance on robust air connectivity to sustain its tourism industry. As of this report, Alaska Airlines has not disclosed detailed network plans for the Hawaiʻi market beyond what has been summarized above or published on the latest OAG published schedules and news press releases, and the two carriers are expected to continue operating under separate certificates until the Group obtains a single operating certificate from the FAA by 4Q 2025.[25] Forward-looking statements and schedule capacity analyses found in this section will highlight the combined Group's market share and totals within the Hawaiʻi market, particularly on the mainland U.S. segment.

Alaska Airlines and Hawaiian Airlines combined hold a dominant share of seats of over 50 percent on 11 of the 17 U.S. Mainland markets it is scheduled to serve in June 2025 as seen in Exhibit 2-25. The combined Group accounts 47 percent of total seat capacity on this segment, with particularly strong positions in San Diego (78 percent) and Seattle (74 percent), along with being the sole carriers flying on four routes.[26] The merger enhances the combined network's competitive advantage, improving connectivity with the benefit of Alaska's overall domestic network and Oneworld partners as a feed, including American Airlines, optimizing capacity access to

[23] PR Newswire – News provided by Alaska Airlines. "Alaska Airlines creates Hawai'i Community Advisory Board to deepen local ties". (2024 January 29). https://www.prnewswire.com/news-releases/alaska-airlines-creates-hawaii-community-advisory-board-to-deepen-local-ties-302046479.html/

[24] https://news.alaskaair.com/investor-relations/events-presentations/

[25] Hawaiian Airlines Company News release "Alaska Air Group launches new global gateway in Seattle with unveiling of nonstop routes on Hawaiian Airlines to Tokyo Narita and Seoul Incheon" (2024 December 10) https://newsroom.hawaiianairlines.com/releases/alaska-air-group-launches-new-global-gateway-in-seattle-with-unveiling-of-nonstop-routes-on-hawaiian-airlines-to-tokyo-narita-and-seoul-incheon/

[26] Boston is a seasonal route operated by Delta to/from HNL, which commenced in November 2024.

additional aircraft, and strengthening their presence in existing high-demand markets while capitalizing on growth opportunities.

**Exhibit 2-25: Seat Market Share on Hawaiian Airlines and Alaska Airlines Mainland U.S. Routes (June 2025)**

| Market Segment | Destination Market | Avg. Weekly Departing Seats | | | | Seat Market Share - by Route | | |
|---|---|---|---|---|---|---|---|---|
| | | Alaska (AS) | Hawaiian (HAL) | Combined (AS+HAL) | Share of Network | Alaska (AS) | Hawaiian (HAL) | Combined (AS+HAL) |
| **U.S. Mainland** | Seattle (SEA) | 11,550 | 8,549 | **20,099** | **23.5%** | 43% | 32% | **75%** |
| | Los Angeles (LAX) | 705 | 11,452 | **12,156** | **14.2%** | 1% | 23% | **25%** |
| | San Diego (SAN) | 4,620 | 4,107 | **8,727** | **10.2%** | 41% | 37% | **78%** |
| | Portland (Oregon) (PDX) | 3,507 | 3,712 | **7,219** | **8.4%** | 49% | 51% | **100%** |
| | Las Vegas (LAS) | - | 7,161 | **7,161** | **8.4%** | - | 49% | **49%** |
| | San Francisco (SFO) | 705 | 4,592 | **5,297** | **6.2%** | 3% | 17% | **20%** |
| | San Jose (SJC) | 2,041 | 2,646 | **4,687** | **5.5%** | 26% | 34% | **60%** |
| | Sacramento (SMF) | - | 4,592 | **4,592** | **5.4%** | - | 56% | **56%** |
| | Oakland (OAK) | - | 4,156 | **4,156** | **4.9%** | - | 53% | **53%** |
| | Long Beach (LGB) | - | 2,646 | **2,646** | **3.1%** | - | 68% | **68%** |
| | Phoenix (PHX) | - | 1,946 | **1,946** | **2.3%** | - | 19% | **19%** |
| | New York (JFK) | - | 1,946 | **1,946** | **2.3%** | - | 56% | **56%** |
| | Salt Lake City (SLC) | - | 1,323 | **1,323** | **1.5%** | - | 40% | **40%** |
| | Ontario (ONT) | - | 1,323 | **1,323** | **1.5%** | - | 100% | **100%** |
| | Anchorage (ANC) | 1,197 | - | **1,197** | **1.4%** | 100% | - | **100%** |
| | Boston (BOS) | - | 1,168 | **1,168** | **1.4%** | - | 100% | **100%** |
| | **Avg Weekly - Total** | **24,324** | **61,318** | **85,642** | **100.0%** | **13%** | **33%** | **47%** |

*Source: OAG Analyzer accessed week commencing December 16, 2024*
*Note: Totals may not add up correctly due to rounding. Ranked based*

**Recent News Regarding Alaska Airlines' Adjustments:**

- In collaboration with Hawaiian Airlines, Alaska introduced promotional fares to Sydney and Auckland via HNL, highlighting the use of HNL as a central hub for Pacific connections, providing its travelers with more affordable options and expanded access to international destinations.
- Initial route adjustments starting April 2025 include an additional daily Hawaiian flight between HNL and Seattle, utilizing Hawaiian's widebody A330. However, in June 2025, HAL will no longer fly OGG-San Diego, where instead Alaska will step in to provide the second daily frequency, offering both daytime and red-eye flights. These announcements mark a first strategic shift for the Group's brand toward long-haul and Seattle-centric operations, with other routes potentially transitioning to Alaska's operations. In addition, Hawaiian Airlines is retreating from a recent new route, HNL to Austin, by end of March 2025. This move is possibly linked to the initial stages of network integration with Alaska Airlines, although specific reasons for the service cut remain undisclosed.
- Alaska Air Group included Hawaiian Airlines' financial performance in its 3Q 2024 financial report, marking their first combined financial disclosure.[27] The integration process is ongoing, with both airlines working

[27] Includes approximately 13 days of Hawaiian Airlines results.

towards operating under a single certificate. The Group, which also includes its regional operations, reported an adjusted pre-tax income of $399 million, generating a pre-tax profit margin of 13 percent. This indicated strong operational efficiency and revenue management. The carrier was able to generate an operating cash flow of $318 million for the third quarter 2024.

- In its Investor Day presentation, the Group announced plans to open new lounges, including one at HNL, alongside San Diego International Airport, followed by a new international lounge in Seattle by 2027. The investment in HNL highlights Alaska's commitment to enhance the passenger experience in Hawaiʻi, reinforcing its dedication to the market as a key hub in its network.
- The carrier is advancing its growth plan by recalling all pilots who took long-term leave during the pandemic and ramping up training for newly hired pilots. This includes increased use of Boeing 737 MAX simulators to prepare for additional MAX aircraft deliveries over the next five years. The carrier has taken delivery of its first Boeing 737 MAX 8 in January 2024 and with seven more by year-end 2024. Alaska received 65 737 MAX 9 aircraft for long-haul, high demand routes. In addition, Alaska has over fifty firm orders for the larger MAX 10, with its first delivery expected in August 2026.[28] Although the FAA authorized Boeing to commence the 737 MAX 10 certification flight-test program in November 2023, the aircraft's full certification has encountered additional delays, with company projections extending to late 2025 or beyond.
- 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.

Exhibit 2-26 presents average weekly scheduled seat capacity for flights operated both by Hawaiian Airlines and Alaska Airlines, including a combined Alaska Air Group summary for the mainland U.S. segment. Between June 2024 and June 2025, mainland U.S. departing seats on Alaska Airlines-operated flights decreased by nearly 25 percent. However, this decline is partially offset by an 8.3 percent year-over-year increase in Hawaiian-operated seats, resulting in a 4.3 percent declined at the Group-level.

[Remainder of page intentionally left blank]

[28] According to CAPA Fleet data, as of December 14, 2024.

**Exhibit 2-26: Hawaiian Airlines' and Alaska Airlines' Average Scheduled Weekly Seats**

| Market Segment | Country | Destination Market | Avg. Weekly Departing Seats | | | | Variance |
|---|---|---|---|---|---|---|---|
| | | | Jun-19 | Jun-23 | Jun-24 | Jun-25 | '25 vs '24 |
| **U.S. Mainland** | United States | Los Angeles (LAX) | 10,430 | 10,949 | 13,153 | 11,452 | -12.9% |
| | | Seattle (SEA) | 3,892 | 3,892 | 3,269 | 8,549 | 161.5% |
| | | Las Vegas (LAS) | 5,254 | 6,772 | 7,784 | 7,161 | -8.0% |
| | | Sacramento (SMF) | 2,646 | 3,269 | 3,969 | 4,592 | 15.7% |
| | | San Francisco (SFO) | 3,892 | 3,269 | 3,269 | 4,592 | 40.5% |
| | | Oakland (OAK) | 3,969 | 4,592 | 4,239 | 4,156 | -2.0% |
| | | San Diego (SAN) | 3,269 | 3,269 | 3,269 | 4,107 | 25.6% |
| | | Portland (Oregon) (PDX) | 2,708 | 3,269 | 3,269 | 3,712 | 13.6% |
| | | San Jose (SJC) | 2,854 | 2,646 | 2,646 | 2,646 | - |
| | | Long Beach (LGB) | 1,323 | 2,646 | 2,646 | 2,646 | - |
| | | New York (JFK) | 1,946 | 1,946 | 1,946 | 1,946 | - |
| | | Phoenix (PHX) | 1,946 | 1,946 | 2,059 | 1,946 | -5.5% |
| | | Salt Lake City (SLC) | - | - | 1,323 | 1,323 | - |
| | | Ontario (ONT) | - | 1,323 | 1,323 | 1,323 | - |
| | | Boston (BOS) | 1,687 | 1,297 | 1,362 | 1,168 | -14.3% |
| | | Austin (AUS) | - | 1,168 | 1,103 | - | -100.0% |
| **Int'l** | Japan | Tokyo (HND) | 3,892 | 2,011 | 3,308 | 3,892 | 17.6% |
| | | Osaka (KIX) | 1,946 | 1,687 | 1,946 | 1,946 | - |
| | | Fukuoka (FUK) | - | 843 | 843 | 843 | - |
| | | Tokyo (NRT) | 1,946 | 1,622 | 1,687 | - | -100.0% |
| | | Sapporo (CTS) | 843 | - | - | - | |
| | South Korea | Seoul (ICN) | 1,427 | 1,427 | 1,427 | 1,362 | -4.5% |
| | Australia | Sydney (SYD) | 1,946 | 1,427 | 1,362 | 1,362 | - |
| | | Brisbane (BNE) | 843 | - | - | - | |
| | American Samoa | Pago Pago (PPG) | 714 | 843 | 778 | 843 | 8.3% |
| | French Polynesia | Tahiti (PPT) | 389 | 259 | 389 | 259 | -33.3% |
| | Cook Islands | Rarotonga Island (RAR) | - | 176 | 221 | 176 | -20.0% |
| | New Zealand | Auckland (AKL) | 973 | 778 | - | - | |
| **Interisland** | United States | Honolulu/Oahu (HNL) | 77,967 | 64,721 | 60,361 | 60,390 | 0.0% |
| | | Kahului/Maui (OGG) | 31,599 | 30,046 | 25,028 | 25,088 | 0.2% |
| | | Lihue (LIH) | 21,892 | 19,264 | 19,563 | 19,593 | 0.2% |
| | | Kona/Hawaii (KOA) | 22,460 | 18,906 | 17,950 | 17,920 | -0.2% |
| | | Hilo/Hawaii (ITO) | 15,083 | 14,157 | 11,857 | 11,917 | 0.5% |
| | | Molokai/Hoolehua (MKK) | 1,008 | - | - | - | |
| | | Kapalua/Maui (JHM) | 1,299 | - | - | - | |
| | | Lanai/Lanai (LNY) | 1,770 | - | - | - | |
| **Subtotal** | | Mainland U.S. | 45,816 | 52,253 | 56,629 | 61,318 | 8.3% |
| | | International | 14,919 | 11,074 | 11,961 | 10,685 | -10.7% |
| | | **Overseas Total** | 60,735 | 63,327 | 68,590 | 72,003 | 5.0% |
| | | **Interisland Total** | **173,077** | **147,093** | **134,758** | **134,908** | **0.1%** |
| | | **Avg Weekly - Total** | **233,812** | **210,420** | **203,349** | **206,911** | **1.8%** |

*[This exhibit continues onto the next page, showing Alaska Airlines' scheduled capacity]*

| Market Segment | Country | Destination Market | Avg. Weekly Departing Seats Jun-19 | Jun-23 | Jun-24 | Jun-25 | Variance '25 vs '24 |
|---|---|---|---|---|---|---|---|
| **U.S. Mainland** | United States | Seattle (SEA) | 9,831 | 14,142 | 15,826 | 11,550 | -27.0% |
| | | San Diego (SAN) | 4,267 | 4,749 | 5,537 | 4,620 | -16.6% |
| | | Portland (Oregon) (PDX) | 4,010 | 3,636 | 2,894 | 3,507 | 21.2% |
| | | San Jose (SJC) | 4,388 | 4,154 | 3,415 | 2,041 | -40.3% |
| | | Anchorage (ANC) | 1,113 | 1,187 | 1,246 | 1,197 | -3.9% |
| | | San Francisco (SFO) | 2,917 | 2,997 | 2,488 | 705 | -71.7% |
| | | Los Angeles (LAX) | 2,337 | 2,074 | 1,427 | 705 | -50.6% |
| | | Sacramento (SMF) | 1,595 | - | - | - | |
| | | Oakland (OAK) | 3,607 | - | - | - | |
| **Subtotal - Alaska Airlines** | | Mainland U.S. | 34,064 | 32,939 | 32,832 | 24,324 | -25.9% |
| **Subtotal - Hawaiian Airlines** | | Mainland U.S. | 45,816 | 52,253 | 56,629 | 61,318 | 8.3% |
| | **Alaska Air Group** | **Mainland U.S.** | **79,880** | **85,191** | **89,461** | **85,642** | **-4.3%** |

*Source: OAG Analyzer accessed week commencing December 16, 2024*
*Note: Totals may not add up correctly due to rounding. Int'l = International. International markets are ranked by June 2025 seats at the country level. Airport IATA codes are presented in parentheses after the destination market name.*

In 1Q 2024, Hawaiian took delivery of two Boeing Dreamliner 787-9 aircraft, part of a 12-plane order scheduled through 2027, according to Centre for Aviation (CAPA) fleet data[29]. These new aircraft, initially deployed to serve Los Angeles and Phoenix, are expected to serve Asia-Pacific routes, including Seoul and Tokyo, in the longer term. Each 787 offers enhanced passenger comfort, with 300 seats and "Leihoku" suites for premium passengers. As of November 1, 2024, Hawaiian's fleet comprises 24 Airbus A330-200s, 18 Airbus A321 neo, and 19 Boeing 717-200 aircraft for inter-island flights.

According to HAL's latest 2024 quarterly report before Alaska combined its financial results starting 3Q 2024, its management highlighted strong travel demand to Hawaiʻi, especially on domestic routes. Total revenue and passenger traffic rose, with ancillary revenues increasing 16 percent year-over-year, due to the introduction of "Extra Comfort" seats and preferred seating. Despite these gains, operational challenges impacted profitability, though management expressed optimism about continued growth and operational improvements in future quarters.

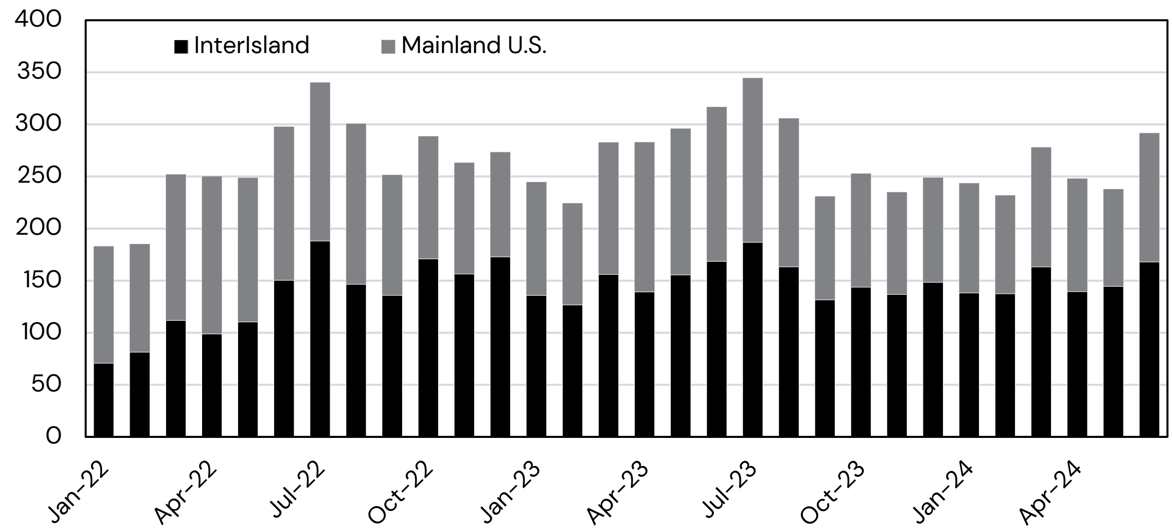
### 2.4.2 Southwest Airlines

Southwest operates from all five primary airports in Hawaiʻi and expanded its footprint in both the mainland U.S. and interisland segments since launching in mid-2019. In FY 2024, the airline achieved a 16.4 percent market share in Hawaiʻi, down 1 percentage point from the previous year. Approximately 57 percent of its Hawaiʻi passengers flew interisland, while the remaining 43 percent flew on direct mainland U.S. services, which are offered from four of the five primary airports (excluding Hilo).

[29] CAPA Fleet Database is a comprehensive global aircraft fleet database that is updated daily and provides detailed information on airline fleets, including aircraft types, ownership, and operational status.

In June 2024, Elliott Investment Management's bought a $1.9 billion stake in SWA, becoming one of its largest shareholders. Elliott secured five of 13 board seats as part of a restructuring aimed at improving its financial performance, operational efficiency, and customer service and products offered. The new independent Chair of the Board highlighted these priorities, aligned with SWA's broader strategy to boost revenue, allocate capital prudently, and optimize operations. In line with these objectives, Southwest introduced red-eye flights from Hawaiʻi, flying overnight from HNL to Las Vegas and Phoenix, Kahului to Phoenix, and from Kona to Las Vegas. These overnight flights aim to enhance aircraft utilization while providing more convenient travel options for its passengers. Another recommendation brought forward by Elliott Management includes a plan to change SWA's long-standing open seating model into a reserved seating model.

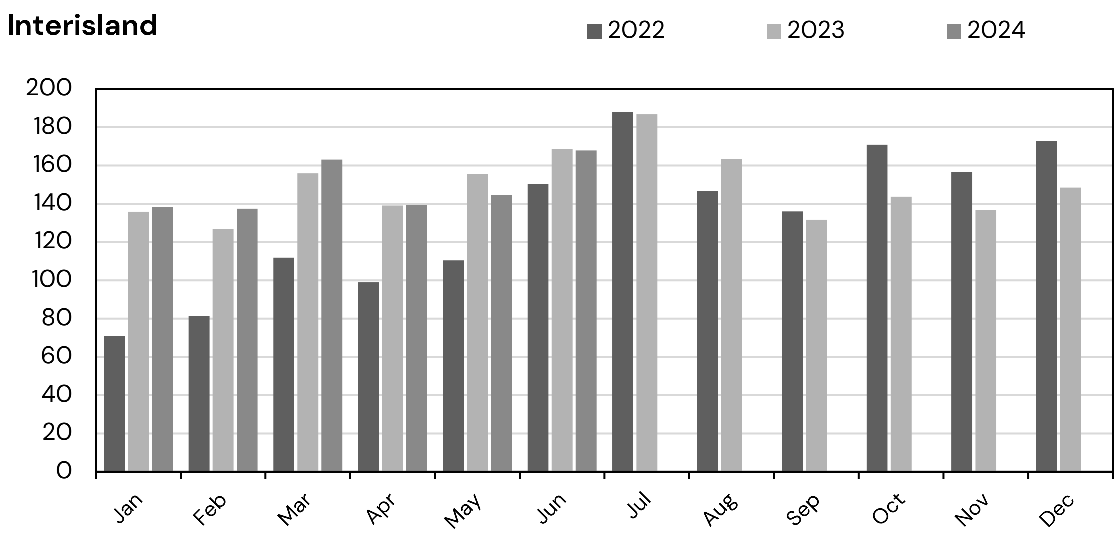
**Exhibit 2-27: Southwest Airlines' Enplanements by Market Segment, (thousands)**

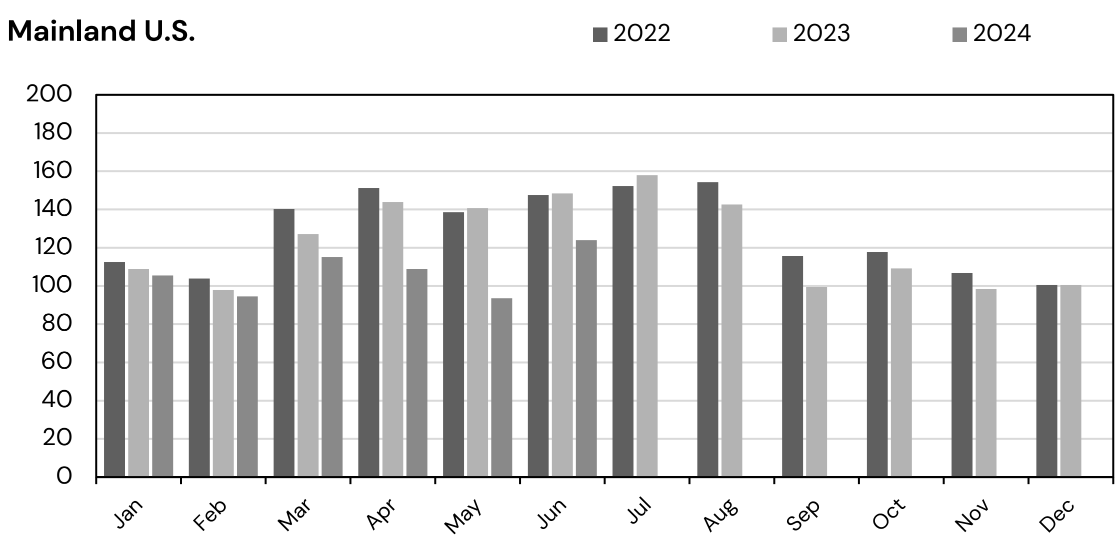



| | FY 2009 | FY 2019 | FY 2023 | FY 2024 |
|---|---|---|---|---|
| **Percent of Southwest Enplanements** | | | | |
| Mainland U.S. | na | 34.1% | 45.0% | 42.8% |
| International | na | – | – | – |
| Interisland | na | 65.9% | 55.0% | 57.2% |
| **Total** | | **100.0%** | **100.0%** | **100.0%** |
| **Southwest's Market Share in Hawai'i** | | | | |
| Mainland U.S. | – | 0.8% | 15.3% | 14.5% |
| International | – | – | – | – |
| Interisland | – | 1.9% | 23.3% | 23.2% |
| **Total** | **-** | **1.1%** | **17.3%** | **16.4%** |

*Source: DOTA, ICF analysis.*
*Note: Southwest commenced Hawaiʻi services in March 2019.*

**Exhibit 2-28: Year-over-Year Change in Southwest Airlines' Enplanements (thousands)**




*Source:* *DOTA.*
*Note:* *Southwest commenced Hawai'i services in March 2019.*

According to SWA's 3Q 2024 earnings report, the airline operated a fleet of 811 aircraft. During 3Q 2024, it received 9 Boeing 737 MAX-8 aircraft and retired 15, including one 737-800NG and 14 737-700s, the least fuel-efficient in its fleet. As part of its fleet modernization strategy, Southwest plans to retire 41 aircraft by year-end 2024 and take 20 additional 737 MAX-8 deliveries in the coming few years to enhance operational efficiency and reduce per seat economics. SWA also extended its firm orders for the MAX-8 aircraft through 2031, adding 108 firm orders, and 108 options, for a total of 495 firms orders.

Since entering the Hawai‘i market, SWA has nearly doubled its daily overseas and interisland departures, increasing from an average of 36 to over 90 daily departures. Since January 2020 SWA has added five new nonstop destinations between Hawai‘i to Las Vegas (LAS), Long Beach (LGB), Los Angeles (LAX), Phoenix (PHX) and San Diego (SAN). However, after reaching its peak level of weekly activity in June 2023, SWA gradually reduced operations. By June 2025, it plans to operate 70 daily departures across Hawai‘i, a reduction of approximately 116 weekly flights compared to June 2024.

A summary of SWA's weekly nonstop services in Hawaiʻi is shown in Exhibit 2-29.

**Exhibit 2-29: Southwest Airlines' Average Scheduled Weekly Departures, Hawaiʻi Markets only**

| Market Segment | Country | Destination Market | Avg. Weekly Departures Jan-20 | Jun-23 | Jun-24 | Jun-25 | Variance '25 vs '24 |
|---|---|---|---|---|---|---|---|
| **U.S. Mainland** | United States | Las Vegas (LAS) | – | 42 | 41 | 42 | 1.7% |
| | | Oakland (OAK) | 31 | 42 | 42 | 21 | -50.0% |
| | | Sacramento (SMF) | 7 | 14 | 14 | 20 | 47.5% |
| | | San Jose (SJC) | 17 | 42 | 16 | 18 | 10.0% |
| | | Los Angeles (LAX) | – | 28 | 23 | 17 | -26.5% |
| | | San Diego (SAN) | – | 14 | 14 | 14 | – |
| | | Phoenix (PHX) | – | 14 | 20 | 14 | -31.0% |
| | | Long Beach (LGB) | – | 14 | 9 | 7 | -21.1% |
| **Interisland** | United States | Honolulu/Oahu (HNL) | 96 | 196 | 196 | 158 | -19.6% |
| | | Kahului/Maui (OGG) | 31 | 97 | 97 | 69 | -29.3% |
| | | Kona/Hawaii (KOA) | 31 | 55 | 55 | 41 | -26.2% |
| | | Lihue (LIH) | 28 | 49 | 49 | 41 | -17.1% |
| | | Hilo/Hawaii (ITO) | 12 | 35 | 35 | 35 | – |
| **Subtotal** | | **Overseas Total** | **55** | **210** | **179** | **153** | **-14.7%** |
| | | **Interisland Total** | **197** | **433** | **432** | **343** | **-20.8%** |
| | | **Avg Weekly Depts - Total** | **252** | **643** | **612** | **496** | **-19.0%** |

*Source: OAG Analyzer accessed week commencing December 16, 2024.*
*Note: Totals may not sum correctly due to rounding. January 2020 is a proxy to represent pre-pandemic scheduled flights. The order of destination markets listed is based on advance 2025 schedules.*

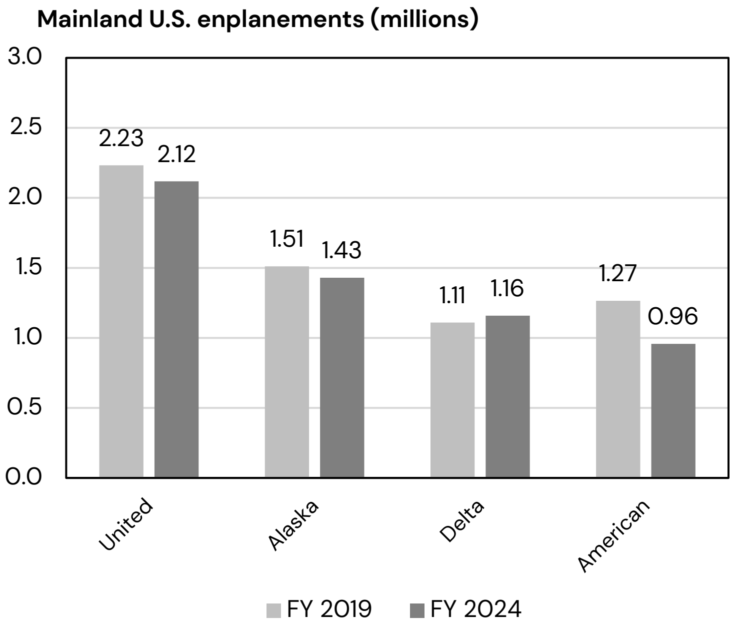
For the 12-months ending 3Q 2024, SWA's operating revenue increased by 7.6 percent year-over-year reaching approximately $27.4 billion, up from $25.4 billion in the same period in 2023. While the airline achieved a 1.0 percent operating margin in YE 3Q 2023, it declined to -1.3 percent. However, recent changes in its Board composition and a renewed focus on innovating its business model to match what the legacy carriers offer with an aim to fuel positive financial performance and competitiveness.

Operationally, SWA increased network wide available seat miles (ASMs) by 10.4 percent year-over-year, while maintaining relatively stable load factors of between 80 to 82 percent, which is about 4 percentage points below 2019 averages. However, SWA's interisland operations reported lower load factors, averaging 40 to 60 percent according to T-100 data. This disparity is partly attributed to SWA's larger aircraft, which, on average, have 47 more seats than Hawaiian's interisland fleet, impacting its ability to match Hawaiian's higher load factor performance in this segment.

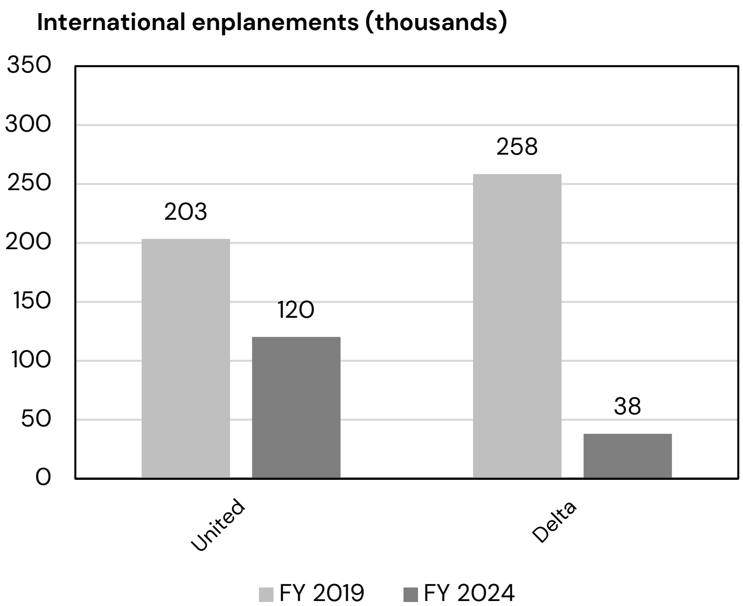
### 2.4.3 Other U.S. Flag Airlines

United Airlines' has served Hawaiʻi for over half a century, and maintained a strong market share exceeding 20 percent in both FY 2024 and FY 2019. American Airlines' mainland U.S. market share fell five percentage points as shown in Exhibit 2-30. While United remains the dominant U.S. flag carrier in this segment (excluding Alaska Air Group, and Southwest), Delta was the only airline to retain enplaned passenger volumes above its 2019 levels and achieve additional year-over-year growth, of 1.9 percent, in FY 2024.

**Exhibit 2-30: Other Major U.S. Flag Carrier Market Share by Overseas Segments**




| Airline Market Share | FY 2019 | FY 2024 |
|---|---|---|
| United | 26.5% | 22.7% |
| Alaska | 18.0% | 15.3% |
| Delta | 13.2% | 12.4% |
| American | 15.0% | 10.3% |




| Airline Market Share | FY 2019 | FY 2024 |
|---|---|---|
| United | 6.3% | 5.6% |
| Delta | 8.0% | 1.8% |

*Source:* *DOTA.*

*Note:* *Percentage data labels represent the airline's market share within the segment among other U.S. flag carriers (including Hawaiian). In the Mainland U.S. chart, carriers not shown include Sun Country and Omni Air International. Alaska is included in the chart under other U.S. flag carriers, with the FY 2024 period reflecting its performance prior to the merger approval.*

In 2024, United offered nonstop Hawaiʻi service from its major hub markets in the U.S. western region, with its three largest hubs—San Francisco (SFO), Los Angeles (LAX), and Denver (DEN)—accounting for nearly 80 percent of all mainland U.S. frequencies to the Hawaiʻi. As of January 2025, United also operated daily nonstop service from Hawaiʻi to Guam; and twice weekly "Island Hopper" service to Guam via several stops in the Republic of the Marshall Islands and the Federated States of Micronesia.

Other major U.S. carriers in the mainland U.S.-Hawaiʻi market, including Alaska Airlines, Delta, and American, primarily connect their U.S. West Coast hub markets along with other hubs. Delta, in particular, also resumed its international connectivity to Tokyo Haneda after having operated to four Japanese markets back in 2019 (including Tokyo Narita, Osaka, Nagoya, and Fukuoka).

Exhibit 2-31 compares June flight schedules through 2025, ranking each carrier's destination markets based on June 2025 weekly departing seat capacity. The exhibit shows that United is expected to operate 1.6 percent fewer seats to the mainland U.S. than it had the previous year. Although American reduced its weekly capacity to LAX by 2.7 percent, it added 10 percent more seats to its main hub in Dallas-Ft. Worth, resulting in a net increase of 1.3 percent year-over-year. Similarly, Delta increased its weekly capacity by 1.8 percent with net increases on routes to Los Angeles and Salt Lake City. Notably, it had also launched new winter seasonal service to Boston in November 2024, competing with Hawaiian.

**Exhibit 2-31: Other U.S. Flag Carrier's Average Scheduled Weekly Seats, Mainland U.S. only**

| | | Avg. Weekly Departing Seats | | | | Variance |
|---|---|---|---|---|---|---|
| **Airline** | **Destination Market** | **Jun-19** | **Jun-23** | **Jun-24** | **Jun-25** | **'25 vs '24** |
| **United Airlines** | San Francisco (SFO) | 24,406 | 24,060 | 20,229 | 20,954 | 3.6% |
| | Los Angeles (LAX) | 18,964 | 15,983 | 17,022 | 16,506 | -3.0% |
| | Denver (DEN) | 7,462 | 9,121 | 10,533 | 11,764 | 11.7% |
| | Houston (IAH) | 2,548 | 2,548 | 5,096 | 2,888 | -43.3% |
| | Chicago (ORD) | 4,756 | 3,700 | 2,510 | 2,453 | -2.3% |
| | Washington D.C. (IAD) | 1,680 | 224 | 270 | 216 | -20.0% |
| | New York (EWR) | 1,680 | 1,568 | - | - | |
| **Delta Air Lines** | Los Angeles (LAX) | 12,175 | 9,625 | 9,432 | 9,660 | 2.4% |
| | Seattle (SEA) | 7,259 | 6,790 | 6,892 | 6,790 | -1.5% |
| | Salt Lake City (SLC) | 1,393 | 1,477 | 1,582 | 1,974 | 24.8% |
| | Atlanta (ATL) | 1,722 | 1,974 | 1,974 | 1,974 | - |
| | Minneapolis/St. Paul (MSP) | 1,435 | 1,477 | 1,512 | 1,512 | - |
| | Detroit (DTW) | 115 | 1,145 | 1,582 | 1,512 | -4.4% |
| | New York (JFK) | - | 1,083 | 1,512 | 1,512 | - |
| **American Airlines** | Los Angeles (LAX) | 17,316 | 9,604 | 8,461 | 8,232 | -2.7% |
| | Phoenix (PHX) | 8,115 | 5,488 | 5,671 | 5,671 | - |
| | Dallas-Fort Worth (DFW) | 9,109 | 5,556 | 4,732 | 5,205 | 10.0% |
| **Sun Country Airlines** | Los Angeles (LAX) | 1,110 | 79 | 95 | - | -100.0% |
| | San Francisco (SFO) | 769 | - | - | - | |
| | Portland (Oregon) (PDX) | 342 | - | - | - | |
| **KaiserAir** | Oakland (OAK) | 126 | 126 | 126 | - | -100.0% |
| **Subtotal** | United Airlines | 61,497 | 57,205 | 55,659 | 54,780 | -1.6% |
| | Delta Air Lines | 24,098 | 23,571 | 24,486 | 24,934 | 1.8% |
| | American Airlines | 34,540 | 20,648 | 18,864 | 19,108 | 1.3% |
| | Sun Country Airlines | 2,220 | 79 | 95 | - | -100.0% |
| | KaiserAir | 126 | 126 | 126 | - | -100.0% |
| | **Avg Weekly - Total** | **122,482** | **101,629** | **99,229** | **98,822** | **-0.4%** |

*Source: OAG Analyzer accessed week commencing December 16, 2024*

*Note: Totals may not add up correctly due to rounding. Several airlines operated seasonal routes to Hawaiʻi from the U.S. mainland during months not shown above, including Delta's HNL-Boston. Sun Country had dropped its Hawaiʻi service, in 2022, citing rising jet fuel prices. Sun Country seats shown above are irregular operations captured in the schedules data.*

**United Airlines:**

- United ceased operating Orange County (John Wayne SNA) and HNL in February 2023, after launching the daily service in May 2021, to capitalize on an increased summer demand to Hawai'i. It also cut ITO to Los Angeles and OGG to the East Coast (Newark EWR) in January 2023 and April 2023, respectively.

**Delta Air Lines:**

- Delta started a seasonal service from Boston (BOS) to HNL from November 21st through April 30th. Delta also added a second daily flight from Salt Lake City (SLC) and a third daily flight from Seattle (SEA) to HNL starting from November 6th through March 29th, and from December 21st through March 29th respectively. Delta resumed service from Atlanta (ATL) to OGG starting from November 21st through March 29th.
- Delta received upgraded credit ratings from both Fitch in July 2024, and then by S&P Global in December 2024, supported by its steady margin expansion and increasing revenue. Balance sheet management remains a key priority for Delta as the airline charted its return to investment grade metrics for the coming years where its adjusted debt to EBITDAR ratio stands at 2.9x.

**American Airlines:**

- American has reduced some of widebody flights from Phoenix to HNL and OGG, downgauging aircraft replacing the 787 Dreamliner with a narrowbody A321 jet.
- Despite announcing in February 2024, the return of Dallas-Ft. Worth to KOA nonstop flights, the route was later cancelled for winter operations two months later due to Boeing production problems delays, as American is receiving only three of six anticipated Dreamliners in 2024.
- In its 3Q 2024 financial report, the CEO emphasized the carriers' commitment to operational reliability, cost management, and taking aggressive action to reset its sales and distribution strategy, including efforts to reengage the business travel community[30].

### 2.4.4 Foreign Airlines

There are 14 foreign carriers that currently operate Hawai'i airport system, including three Japanese Carriers, two Korean, two Canadian and two Australian airlines. All foreign airlines currently operate scheduled services via HNL, while Canadian airlines also operate from PNI airports.

The table below provides key information on the top foreign flag carriers serving major international sectors, including Japan, South Korea, Canada, Australia and New Zealand, with recent traffic performance, airline updates with respect to their operations in the Hawai'i market, and detailed air service changes, where relevant.

[30] American Airlines. "American Airlines reports third-quarter 2024 financial results" (2024 October 24). https://news.aa.com/news/news-details/2024/American-Airlines-reports-third-quarter-2024-financial-results-CORP-FI-10/

| Select Foreign Airlines | FY 2024 Enplaned Passenger Traffic Performance in Hawaiʻi | Additional Air Service Notes |
|---|---|---|
| **JAL** | • 49.7 percent below FY 2023 and remains 46.4 percent below FY 2019 levels.<br>• The largest foreign flag carrier servicing Hawaiʻi-Japan in FY 2024.<br>• JAL carried 13.5 percent of international enplanements from Hawaiʻi in FY 2024. | • Average of 30 weekly flights between Hawaiʻi and Japan in November 2023 but plans to increase the frequency to an average of 42 flights per week in November 2024, according to OAG forward schedules through June 2025.<br>• To expand their market reach, JAL and Hawaiian entered a codeshare agreement in 2018, with the intention to form a proposed transpacific joint venture (JV). Although the U.S. DOT had approved their commercial agreement, anti-trust immunity was denied, citing insufficient customer benefits. |
| **ANA** | • 112 percent above FY 2023 levels and exceeded its FY 2019 levels by 14.3 percent.<br>• The second largest foreign carrier serving Hawaiʻi – Japan in FY 2024.<br>• ANA had a 28.6 percent share of Japan enplanements and 13.4 percent of international enplanements from Hawaiʻi in FY 2024. | • ANA started operating a two weekly flight linking Honolulu with Tokyo Narita in July 2022 and increased its frequency gradually to operate two daily flights from January 2024.<br>• In summer 2025, ANA is expected to operate its three Airbus A380s dedicated exclusively on Hawaiʻi routes.[31] |
| **ZIPAIR Tokyo** | • 19 percent higher enplanements than FY 2023.<br>• 2.0 percent of international enplanements and 4.3 percent of Japan enplanements to Hawaiʻi in FY 2024. | • As a subsidiary of JAL, it commenced Hawaiʻi operations in December 2020 between Tokyo Narita and Honolulu.<br>• Services to Hawaiʻi are suspended between late October 2024 and mid-March 2025. However, ZIPAIR re-opened ticket sales to Honolulu for a two-week period in March 2025.<br>• Although there is no clear indication behind the removal of its Hawaiʻi service ZIPAIR had announced new nonstop services to other U.S. destinations like Houston (starting March 2025). |
| **Korean Airlines** | • 49.8 percent below FY 2019 Levels and 3.1 percent below FY 2023<br>• Korean had a 4.5 percent share of international traffic to Hawaiʻi in FY 2024 compared to 5.9 percent in FY 2019. | • Resumed services to Hawaiʻi in November 2021 after suspended service in April 2020.<br>• The South Korea-Hawaiʻi market, prior to the pandemic, grew by 3.3 percent on average per annum between 2014 and 2019.<br>• Korean Air acquired a 63 percent stake in its rival, Asiana Airlines, completing a four-year merger process, marking the largest airline merger in Asia in recent history. Although Asiana did not operate nonstop service to Hawaiʻi, the merger could increase capacity and streamline connections to the markets. |

[31] CAPA Analysis. "Japan's outbound demand is still struggling to gain momentum but inbound is soaring" (2024 June 11)

| Select Foreign Airlines | FY 2024 Enplaned Passenger Traffic Performance in Hawaiʻi | Additional Air Service Notes |
|---|---|---|
| **WestJet** | • 3.3 percent higher than FY 2023 and 12.8 percent below FY 2019 levels.<br>• Represents 10.8 percent of international enplanements for Hawaiʻi airport system. | • Leads Canada-Hawaiʻi traffic segment with a 61 percent market share.<br>• Operates from four primary airports across Hawaiʻi (except ITO).<br>• In January 2024, the airline operated an average of 43 weekly departures, OAG forward shows an average of 40 departures planned in January 2025. |
| **Air Canada** | • 17.1 percent below FY 2023 levels and remains 14.6 percent below FY 2019 levels.<br>• Carried 39 percent of traffic from Canada, and it represents 6.9 percent of international enplanements. | • Air Canada operates to 3 destinations in Hawaiʻi.<br>• In January 2024, the airline operated an average of 28 weekly departures, OAG forward shows an average of 26 departures planned in January 2025. |
| **Jetstar Airways** | • 10.8 percent below FY 2023 and 30.4 percent below FY 2019 levels, showing better recovery than the 36.9 percent overall Australian market.<br>• Represents 40.2 percent of Australia – Hawaiʻi enplanements and 3.7 percent of international enplanements. | • The airline currently operates 2 routes to Hawaiʻi from Australia, Melbourne (MEL) and Sydney (SYD) to HNL.<br>• From May 1st, 2025, the airline will end its twice weekly MEL-HNL services. |
| **Qantas Airways** | • 15.5 percent below FY 2023 levels and remains 27.3 percent below FY 2019 levels.<br>• Represents 2.8 percent of international enplanements. | • The airline operates a daily flight from Sydney (SYD) to HNL.<br>• Will launch three weekly flights from Melbourne (MEL) to HNL in May 2025.<br>• SYD-HNL route will be served by Boeing 787-9 as it replaces the older and less dense Airbus A330-300, providing more seats per flight. |
| **Air New Zealand** | • Nearly no growth in enplanements compared to FY 2023, however, it remains 42.4 percent below FY 2019 levels.<br>• Represents 44.4 percent of New Zealand to Hawaiʻi enplanements and 1.7 percent of international enplanements. | • Three weekly flights between Auckland (AKL) and HNL.<br>• Services resumed in July 2023 following the suspension of services in March 2020. |

**Exhibit 2-32: Foreign Carrier's Average Scheduled Weekly Seats, International Markets**

| Market/ Country | Destination | IATA | Airline(s) | Avg. Weekly Departing Seats Jan-20 | Jan-23 | Jan-24 | Jan-25 | Variance '25 vs '24 |
|---|---|---|---|---|---|---|---|---|
| **Japan** | Tokyo | NRT | ANA | 6,294 | 2,466 | 7,280 | 5,871 | -19.4% |
| | | | Japan Airlines | 7,503 | 2,193 | 1,528 | 1,393 | -8.8% |
| | | | ZIPAIR | - | 790 | 1,129 | - | -100.0% |
| | | | Korean Air | 1,904 | - | - | - | |
| | | HND | Japan Airlines | - | 2,976 | 3,346 | 3,348 | 0.1% |
| | | | ANA | 1,722 | 1,754 | 1,680 | 1,680 | - |
| | Osaka | KIX | Japan Airlines | 1,673 | 303 | 1,187 | 1,187 | - |
| | | | Airasia X | 2,639 | - | - | - | |
| | Nagoya | NGO | Japan Airlines | 1,673 | 401 | 971 | 971 | - |
| **Canada** | Vancouver | YVR | Westjet | 8,526 | 5,815 | 5,422 | 4,636 | -14.5% |
| | | | Air Canada | 3,555 | 5,228 | 4,236 | 4,083 | -3.6% |
| | Calgary | YYC | Westjet | 1,301 | 2,357 | 2,316 | 2,164 | -6.6% |
| | | | Air Canada | 689 | 496 | - | - | |
| | Toronto | YYZ | Air Canada | 740 | 740 | 807 | 528 | -34.6% |
| | Edmonton | YEG | Westjet | - | 393 | 393 | 471 | 20.0% |
| **South Korea** | Seoul | ICN | Korean Air | 3,462 | 2,576 | 2,576 | 2,275 | -11.7% |
| | | | Asiana Airlines | 2,110 | 2,112 | 1,493 | 1,496 | 0.2% |
| | | | Air Premia | - | - | 1,256 | - | -100.0% |
| **Australia** | Sydney | SYD | Qantas Airways | 1,700 | 2,012 | 1,878 | 1,599 | -14.9% |
| | | | Jetstar Airways | 1,286 | 983 | 983 | 1,362 | 38.5% |
| | Melbourne | MEL | Jetstar Airways | 1,059 | 681 | 681 | 681 | - |
| **Philippines** | Manila | MNL | Philippine Airlines | 1,535 | 1,535 | 1,465 | 1,535 | 4.8% |
| **New Zealand** | Auckland | AKL | Air New Zealand | 1,409 | 1,091 | 880 | 826 | -6.2% |
| **Samoa** | Apia | APW | Fiji Airways | 191 | 154 | 154 | 191 | 24.6% |
| **Fiji** | Nadi | NAN | Fiji Airways | 152 | 384 | 154 | 154 | - |
| **Kiribati** | Kiritimati | CXI | Fiji Airways | 132 | - | 192 | 154 | -20.0% |
| **Taiwan** | Taipei | TPE | China Airlines | 622 | - | - | - | |
| **China** | Shanghai | PVG | China Eastern Airlines | 1,554 | - | - | - | |
| **Subtotal** | **Japan** | | | **23,408** | **10,883** | **17,122** | **14,451** | **-15.6%** |
| | **Canada** | | | **14,811** | **15,029** | **13,174** | **11,883** | **-9.8%** |
| | **South Korea** | | | **5,572** | **4,688** | **5,325** | **3,771** | **-29.2%** |
| | **Australia** | | | **4,045** | **3,676** | **3,542** | **3,641** | **2.8%** |
| | **Other Markets/Countries** | | | **5,594** | **3,164** | **2,845** | **2,859** | **0.5%** |
| | **Avg Weekly - Total** | | | **53,431** | **37,440** | **42,008** | **36,604** | **-12.9%** |

*Source: OAG Analyzer accessed week commencing December 16, 2024*

*Note: Totals may not add up correctly due to rounding. January 2020 is a proxy to pre-pandemic scheduled flights. Analysis excludes U.S. flag carriers that operate international missions from Hawaiʻi. Table is ranked based on 2025 departing seat counts by Market/Country, then by destination and airport, then by airline.*

### 2.4.5 Airline Mergers & Acquisitions or Bankruptcies in the Hawaiʻi Market

Since September 11, 2001, and the subsequent global recession, the U.S. airline industry has faced numerous challenges from rising fuel costs to increased competition. These pressures prompted several major carriers like US Airways, United, Northwest, Delta, and American airlines to seek bankruptcy protection. HNL experienced notable impacts from these changes. The Aloha Airlines bankruptcy in 2008 showcased the airport's resilience and credit strength in its gates where vacated gates previously occupied by Aloha were quickly reallocated to other carrier customers, maintaining demand and operations. Hawaiian Airlines also emerged from bankruptcy in 2005, successfully restructuring to become HNL's dominant carrier supporting its network expansion and reinforcing the airport's stability and gate utilization.

Industry consolidation further reshaped the competitive landscape, with notable mergers, including United and Continental in 2010, Southwest and AirTran in 2011 and Alaska Airlines and Virgin America in 2016. Whether currently serving Hawaiʻi or not, these mergers and acquisitions highlight the evolving dynamics of Hawaiʻi's aviation market, underscoring its dependency on air service connectivity to support economic resilience and tourism-driven growth.

In the case of Alaska Airlines' acquisition of Virgin America in 2016, the integration process led to a temporary decline in passenger volumes to the Hawaiʻi market in 2017. However, by 2018, after full integration, the combined group's traffic levels exceeded its 2016 peak by 8.2 percent, according to T-100 segment passenger data. Similarly, American Airlines' acquisition of U.S. Airways, fully integrated by 2015, resulted in the combined carrier surpassing its pre-merger seat capacity at HNL in particular by 2018.

These examples illustrate how mergers may initially disrupt market performance but often result in expanded capacity and traffic growth post-integration, once cost synergies and network planning are aligned. Hawaiian Airlines' case is unique, as being the acquired carrier in its home market ensures a strong commitment to preserving and leveraging its established brand identify in a globally recognized tourist destination.

In early 2019, commuter operator Southern Airways Express acquired Mokulele Airlines' assets and integrated its interisland Hawaiʻi network while retaining the Mokulele brand under Southern's certificate. This merger enhanced Southern's market presence and partnerships, and Mokulele established interline agreements with Hawaiian Airlines American Airlines, United, and Alaska Airlines offering seamless connections for travel to neighbor islands, the U.S. mainland (from HNL and OGG), and other markets. According to advance January 2025 schedules, Southern Airways Express operates nonstop service between HNL and the PNI airports and provides Essential Air Service (EAS) connections to smaller airports across the State.

Despite these operations, Southern experienced a 5.2 percent decline in interisland seats in FY 2024 interisland seats compared to FY 2023, capturing less than 4 percent of total interisland capacity. In August 2023, electric aviation company Surf Air Mobility successfully acquired Southern Airways Express, introducing potential opportunities to integrate electrification technology and on-demand services to enhance regional capacity in Hawaiʻi.

## 2.5 Hawaiʻi Airports System Air Passenger Forecast

To evaluate the financial impacts of the proposed issuance of the 2025 Bonds, ICF developed a passenger traffic forecast for the Hawai'i Airport System. This forecast has been reviewed and approved by the DOTA management. The air passenger forecast included in this Report reflects ICF's analysis based on available information, trends, estimates, and assumptions, which are inherently subject to economic, political, regulatory, competitive, and other uncertainties, many of which are difficult to predict and are beyond ICF's and DOTA's control.

ICF's air passenger forecast considers multiple economic factors of the Hawaiʻi market along with historical recovery patterns in airline traffic and seat capacity, by segment. The analysis includes traffic performance from Hawaiian Airlines, Southwest Airlines, and all other served airlines along with load factors by segment sourced from U.S. DOT T-100 segment data. Long-term growth assumptions are driven by the demand elasticity relationships as determined between historical U.S. and relevant international GDP and O&D traffic, particularly for the mainland U.S. and international traffic segments. This data was analyzed at an airport level for each Hawaiʻi Airport System airport. Regression tests were conducted to assess historical correlations and demand elasticity, with GDP serving as the primary growth driver. ICF evaluated third-party industry accepted regional GDP forecasts, such as those from the IMF, IHS Global Insights, and Woods & Poole, to inform our forecasts. Elasticities were adjusted over the medium term, to reflect market maturity which ICF believe to be occurring. In addition, ICF also assumes that HNL and OGG will retain a consistent share of connecting versus O&D traffic splits, similar to those experienced in FY 2023, FY 2024, and FY 2019, given the increased mainland U.S. activity.

Several other assumptions that were used to underpin ICF's forecasts include the following factors:

- **Short-term air service (through FY 2025):** Advanced OAG schedules were used to project seat capacity growth, with mainland U.S. capacity expected to grow 0.8 percent in FY 2025 versus FY 2024; interisland to shrink by 5.9 percent year-over-year; and international to fall 2.5 percent in FY 2025. Load factors, however, are assumed to remain similar to FY 2023 or return closer to FY 2019 levels per month, as airlines continue to actively manage capacity in response to upcoming demand. Several airlines to international markets have reduced capacity or suspended international routes (e.g., Hawaiian Airlines suspending Brisbane and Auckland service; Air Premia pulling its seasonal service to Seoul ICN) in FY 2025.

- **Alaska Airlines/Hawaiian merger:** Alaska is not expected to cut service on overlapping routes with Hawaiian Airlines, as it has maintained high load factors on these routes. Hawaiian's eventual integration with Alaska's network from the U.S. mainland market will encourage greater connecting opportunities for passengers flying to Hawaiʻi. On top of this, the two airlines are expected to remain committed to supporting air service to the Hawaiʻi local communities.

- **Long-term U.S. economic growth:** U.S. economic growth is assumed to continue as interest rates and inflation stabilize. Positive labor market outcomes will support growth in O&D traffic from the portion that are considered U.S. visitors to Hawaiʻi, while the resident mix will be driven by state-specific economic outlooks and GDP growth.

- **Interisland traffic:** is expected to experience a slight decline in traffic in FY 2025 due to fiscal year to date trends and reduced published seat capacity in the latter months of the fiscal year. This reduction, particularly from Southwest Airlines, will result in FY 2026 starting with a lower capacity than the previous year. However, airlines are anticipated to manage the expected demand effectively, using the remaining available seats, particularly given Southwest's historically lower load factors. While the State's population is projected to grow about 0.2 percent per year following a marginal decline in 2023, the absence of direct mainland U.S. service to ITO is likely to benefit KOA, increasing interisland connectivity from larger bases like HNL and OGG. Southwest's interisland operations are expected to continue under the guidance of its new active investor, Elliott Management. The introduction of red-eye mainland U.S. flights is expected to help SWA optimize asset utilization for interisland operations, enhance competitiveness without relying on low introductory fares from its initial Hawai‘i launch, and support market share retention.

- **International traffic growth:** Global economic improvements and stable consumer spending environments in foreign visitor markets will promote modest visitor growth and recovery in international O&D demand to Hawai'i. Exchange rates, particularly from the largest source markets for visitors, such as Japan, South Korea, and Australia, will gradually improve compared to the U.S. dollar, leading to a slower visitor recovery in the short-term with stronger overall international visitor growth which we anticipate to start in 2026 and 2027.
- **Stable airline service:** There will be no major disruption of airline service or airline travel behavior over the forecast period.

### 2.5.1 Enplaned Passengers Forecast Results

The Hawai'i Airport System has experienced a strong recovery over the past five years since the initial COVID-19 shock of FY 2020/21. The U.S. mainland enplaned passenger segment has performed particularly strong performance, while the international segment continues a steady recovery, albeit still below pre-pandemic levels. Total enplaned passenger counts are forecasted to exceed FY 2019 levels by 4.3 percent in FY 2025 and by 14.3 percent in FY 2031.

ICF developed its FY 2025 estimates using a bottom-up methodology, analyzing advanced OAG schedules published for each market segment, historical load factor trends, and monthly enplanement data. Exhibit 2-33 presents ICF's enplaned passenger forecast for the Hawai'i Airport System by market segment, including average annual growth rates and comparisons to FY 2019 levels. Total enplaned passengers are projected to grow an average annual rate of 1.5 percent from FY 2025 to FY 2031, reflecting a slightly slower pace than the decade leading up to FY 2019. This tempered growth is attributed to Hawai'i's maturation as a tourist destination, constrained visitor accommodation stock, and the prolonged recovery of international visitor markets.

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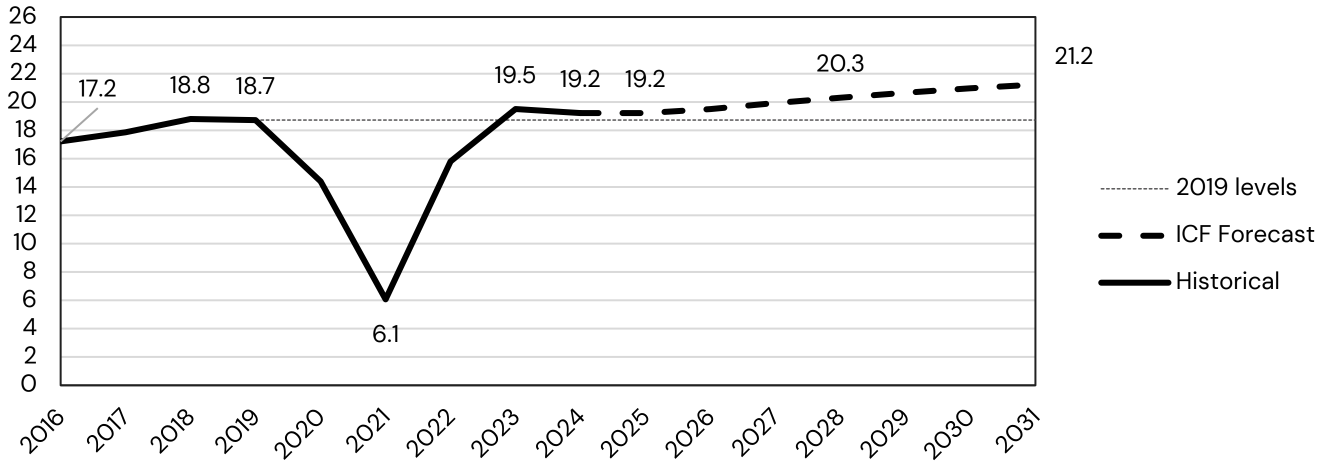
**Exhibit 2-33: Hawaiʻi Airports System Enplaned Passenger Historical & Forecast (in millions), Fiscal Years Ended June 30, 2016-2031**




| | | Enplanements - ICF Forecast | | | | Annual Pct. Change | | | | Total Epax |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fiscal Year (ended June 30) | Mainland U.S. | Inter-island | Inter-national | Total | Mainland U.S. | Inter-island | Inter-national | Total | Pct. of FY '19 |
| Actual | 2016 | 7,099 | 7,137 | 2,979 | **17,215** | 23.7% | -1.0% | 57.1% | **16.0%** | **91.9%** |
| | 2017 | 7,240 | 7,541 | 3,078 | **17,859** | 2.0% | 5.7% | 3.3% | **3.7%** | **95.4%** |
| | 2018 | 8,021 | 7,478 | 3,308 | **18,806** | 10.8% | -0.8% | 7.5% | **5.3%** | **100.4%** |
| | 2019 | 8,415 | 7,068 | 3,243 | **18,727** | 4.9% | -5.5% | -2.0% | **-0.4%** | **100.0%** |
| | 2020 | 6,445 | 5,646 | 2,301 | **14,392** | -23.4% | -20.1% | -29.1% | **-23.2%** | **76.8%** |
| | 2021 | 3,690 | 2,307 | 72 | **6,069** | -42.7% | -59.1% | -96.9% | **-57.8%** | **32.4%** |
| | 2022 | 9,410 | 5,852 | 545 | **15,808** | 155.0% | 153.6% | 658.5% | **160.5%** | **84.4%** |
| | 2023 | 9,884 | 7,962 | 1,659 | **19,505** | 5.0% | 36.1% | 204.3% | **23.4%** | **104.2%** |
| | 2024 | 9,322 | 7,768 | 2,131 | **19,220** | -5.7% | -2.4% | 28.5% | **-1.5%** | **102.6%** |
| Estimate | 2025 | 9,524 | 7,494 | 2,207 | **19,224** | 2.2% | -3.5% | 3.5% | **0.0%** | **102.7%** |
| Forecast | 2026 | 9,709 | 7,419 | 2,377 | **19,506** | 2.0% | -1.0% | 7.7% | **1.5%** | **104.2%** |
| | 2027 | 9,899 | 7,466 | 2,565 | **19,930** | 1.9% | 0.6% | 7.9% | **2.2%** | **106.4%** |
| | 2028 | 10,086 | 7,504 | 2,714 | **20,303** | 1.9% | 0.5% | 5.8% | **1.9%** | **108.4%** |
| | 2029 | 10,276 | 7,536 | 2,839 | **20,651** | 1.9% | 0.4% | 4.6% | **1.7%** | **110.3%** |
| | 2030 | 10,458 | 7,565 | 2,943 | **20,966** | 1.8% | 0.4% | 3.7% | **1.5%** | **112.0%** |
| | 2031 | 10,637 | 7,588 | 3,006 | **21,231** | 1.7% | 0.3% | 2.1% | **1.3%** | **113.4%** |

| Period | Average Annual Growth Rate | | | |
|---|---|---|---|---|
| FY 2009-2019 | 3.9% | -0.2% | 5.5% | **2.4%** |
| FY 2014-2019 | 5.4% | 0.1% | 3.0% | **2.8%** |
| FY 2025-2031 | 1.9% | 0.2% | 5.3% | **1.7%** |

*Source: Actual enplanement figures for FY 2016 to FY 2024 – DOTA. Forecast – DOTA and ICF.*
*Note: Epax = enplaned passengers. The latest monthly data available from DOTA at the time of this report was through October 2024.*

### 2.5.2 Prospects for Continued Airline Traffic Growth in Hawaiʻi

ICF has identified several underlying factors that support the resiliency of demand and reflect the importance of air travel in the Hawaiʻi market:

- Hawaiʻi 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 to and from, and between the Hawaiian Islands.
- Air travel to and from the State remains closely tied to the leisure and hospitality industries. The swift recovery in Mainland U.S. traffic since FY 2022 underscores the domestic market's resilience, dispelling any notion of a permanent reduction in leisure travel demand. Hawaiʻi offers a unique advantage as one of the most exotic destinations accessible to Americans without a passport, featuring premier beaches and world-class island experiences. However, demand for Hawaiʻi now contends with growing U.S. outbound international travel, driven by pent-up demand as transatlantic and transpacific markets welcome back foreign visitors following the easing of restrictive border policies formed during the pandemic.
- Hawaiʻi is a highly established brand, particularly among travelers from the U.S. West Coast and Far East Asian markets, offering a unique combination of large established resorts, well-developed tourism infrastructure, and nature attraction. While other destinations in Asia may serve as alternatives for some travelers, Hawaiʻi's appeal and offerings are unlikely to be fully replicated in the near to medium term. Additionally, as market conditions and the cost of living improve, travel expenses are expected to become favorable, further supporting Hawaiʻi's competitiveness.
- With Hawaiian Airlines, now part of a new group with Alaska Airlines, and United Airlines as the dominant carriers for the mainland U.S. and international segments, the former remains uniquely focused on passenger traffic growth centered on the Hawaiʻi airports. Its distinct network supports the mission of connecting the world to Hawaiʻi while linking the islands within the archipelago.
- Southwest's efforts to serve the Hawaiʻi market over the last decade became a reality in early 2019. Despite its pullback on particular nonstop Mainland U.S. routes, the airline continues to operate from all five primary airports and is re-evaluating how to continue serving its key West Coast markets while optimizing its aircraft usage for both Mainland U.S. and interisland operations. After the start of Mainland U.S. operations from Oakland and San Jose in four market pairs during its first six months, OAG schedules data reported that Southwest has grown and is scheduled to provide nonstop service in 29 market route pairs by January 2025, along with fulfilling interisland connectivity across all Hawaiʻi primary airports.
- The health and outlook of the U.S. and global economies (i.e., GDP, personal income per capita) fuel key visitor markets for both U.S. and non-U.S. travelers to the State. A strong economy typically boosts consumer spending, driving greater demand for travel and tourism, which in turn supports air traffic to the islands. As global economies recover and stabilize, the potential for growth in international visitation, especially from markets where travelers favor foreign flag carriers over U.S. carriers from a point-of-sale perspective, will strengthen international recovery prospects and air traffic growth.
- For markets sensitive to currency exchange rates, particularly Japan, a strengthening yen will improve travelers' purchasing power, making Hawaiʻi a more affordable destination. In 3Q 2024, the yen appreciated by 12.4 percent against the U.S. dollar since the previous quarter, outperforming other major currencies such as the Swiss Franc (of 6.8 percent), Pound sterling (57 percent), and New

Zealand Dollar (4.5 percent).32 Expectations of further Federal Reserve easing, coupled with BoJ rate hikes, may continue to support yen appreciation, providing a boost to Japanese demand for travel to Hawaiʻi and the U.S.

The combined Alaska and Hawaiian Airlines network, with its continued commitment to serving the State and connecting domestic and international destinations, will be a key driver of competition and enhanced connectivity, particularly across the West Coast market. Alongside Southwest's continued dedication of service in Hawaiʻi,, this strengthens longer-term growth and accessibility. Hawaiʻi's enduring reputation as a safe and desirable multi-island tourist destination further reinforces long-term market expansion, even amidst challenges such as global supply chain disruptions, labor shortages, public health concerns, and sustainability development goals.

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 forecast include:

- National and global economies;
- Hawaiʻi as a top global tourism destination;
- Airline industry status;
- Jet fuel prices;
- Aircraft availability;
- Aviation supply chain and labor issues;
- Changes in air travel propensities; and
- Other general factors.

#### *2.5.2.1 National and Global Economy*

Economic cycles are among the primary factors affecting air traffic levels at the Hawaiʻi Airports System. During the GFC, 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 Hawaiʻi. Most recently, there have 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.

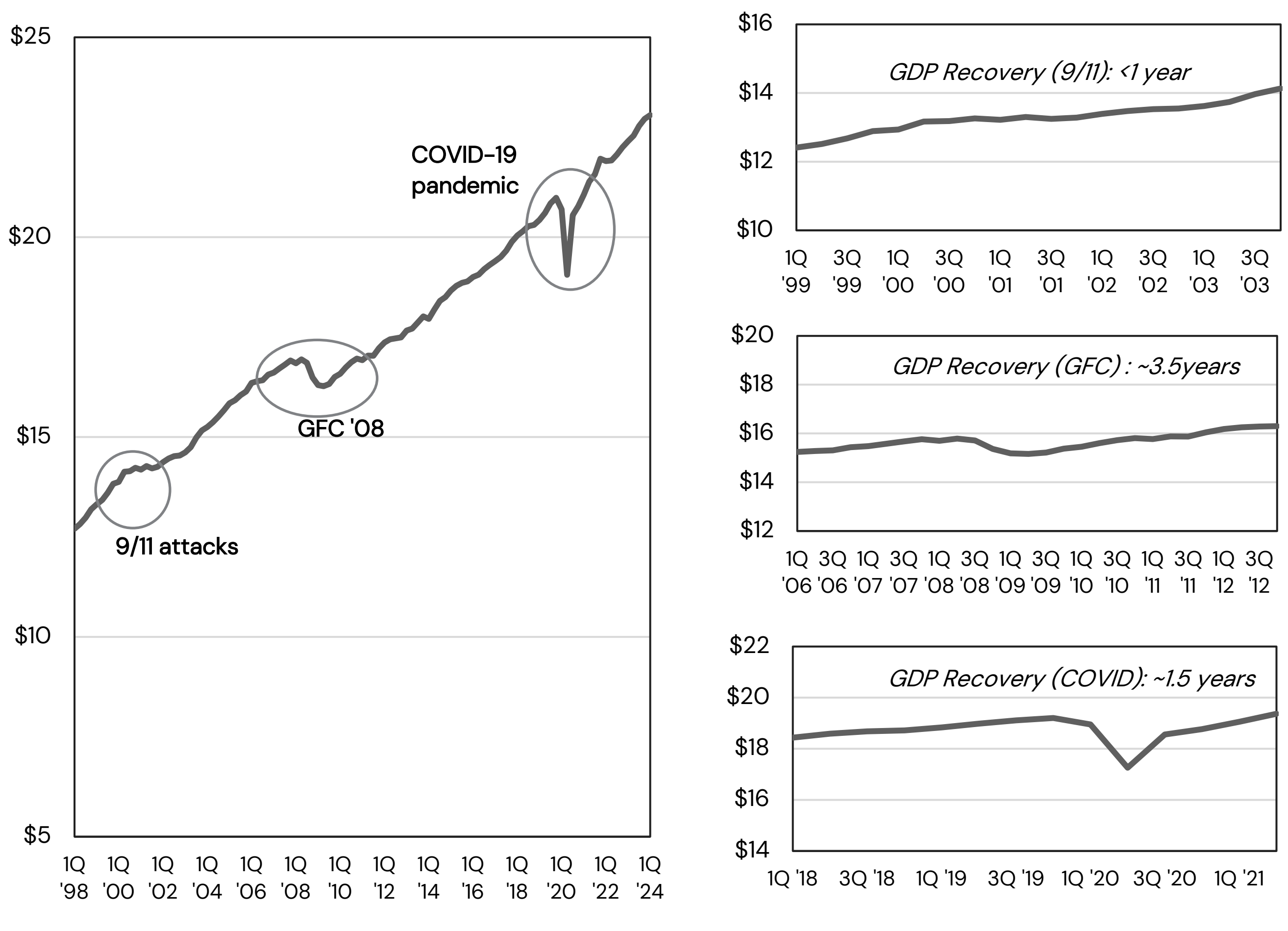
The airline industry is cyclical and highly sensitive to long-term economic conditions – not only to local conditions, but also to the national and global environment. It has historically shown considerable sensitivity to political decisions and other exogenous shocks. To better assess the long-term impact of the COVID-19 event,

[32] FSM One. "Why we're staying bullish on the Japanese Yen in 2025". (2024 November 29). Underlying source data from Bloomberg Finance L.P., iFAST Compilations. https://secure.fundsupermart.com/fsmone/article/rcms310260/why-we%E2%80%99re-staying-bullish-on-the-japanese-yen-in-2025/

ICF examined prior exogenous shocks to the aviation system, focusing on the 9/11 attacks and the 2008/2009 GFC[33] as the most comparable exogenous events affecting the Hawaiian aviation system over the past 20 years.

As shown in Exhibit 2-34, U.S. GDP recovered rapidly after the events on 9/11, with minimal impact to quarterly GDP, demonstrating seasonally adjusted real GDP recovery in less than 12 months. In contrast, the GFC resulted in a longer recovery period, with the economy regaining its pre-recession peak by 2Q 2011, about 3.5 years after the official designation of the U.S. recession. While U.S. regional economies may vary in their recovery trajectories, the COVID-19 pandemic presented itself differently compared to previous shocks since the turn of the century. Federal policymakers enacted substantial relief and recovery measures throughout 2020 and 2021, which supported the economy and alleviated hardship, fueling economic recovery. By mid-2021, the U.S. no longer appeared to be in an economic downturn cycle due to the COVID-19 pandemic, as quarterly real GDP data indicated levels surpassing the previous peak seen prior in 4Q 2019.

**Exhibit 2-34: 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.*

[33] According to the National Bureau of Economic Research, the recession began when the overall U.S. economy peaked in December 2007, ending in June 2009. However, economic weakness persisted thereafter.

### 2.5.2.2 Hawaiʻi as a Top Global Tourism Destination

In FY 2019, over 60 percent of enplaned passengers at the Hawaiʻi Airports System came from overseas destinations, and that share remains nearly the same in FY 2024, largely because Hawaiʻi continues to be viewed as a top global tourism destination and a highly rated U.S. destination, holding three of the top 10 spots in U.S. News' "Best Places to Visit in the USA" as of August 5, 2024.[34] Therefore, the State's ability to continue developing tourism infrastructure, and attractions and to market Hawaiʻi 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, Hawaiʻi, and Kauaʻi, may attract additional or repeat visitors. In addition to sustain growth in tourism, the Hawaiʻi Tourism Authority developed its community-based Destination Management Action Plan (DMAP) to support the rebuilding, redefining, and resetting of the tourism direction on each island. Accelerated efforts were underway to manage tourism in a regenerative manner via partnerships with residents and their respective counties, and DMAP ensured 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.

### 2.5.2.3 U.S. 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 Hawaiʻi. According to the U.S. DOT Form 41 sourced data, 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 events on 9/11 and the ensuing economic recession from the GFC. The operating result improved to a profit of $6.7 billion in 2007 before declining to a loss of $5.6 billion in 2008. Subsequently, the airline industry's profitability gradually improved, due largely to improved economy and capacity disciplines, leading to an operating profit of $28.0 billion in 2015. After posting operating losses in 2020 and 2021, U.S. airlines experienced positive margins hitting $7.9 billion in 2022 and posting another 66 percent increase to $13.2 billion in 2023.[35]

The financial stability of airlines is a key factor influencing air service to Hawaiʻi. Although not directly impacting airlines serving Hawaiʻi, the low-cost carrier segment has been financially challenged over the past few years. JetBlue has struggled and has been downgraded by credit rating agencies and a failed merger between the airline and Spirit Airlines, involving increased debt levels that would strain financial flexibility, raise interest obligations, and add operational and cost pressures. Spirit filed for Chapter 11 bankruptcy protection on November 18, 2024, following years of financial struggles, including sustained losses and mounting debt.[36] The bankruptcy filing came after failed merger discussions with Frontier Airlines, marking another setback for the ultra low-cost carrier.[37] As of January 16, 2025, Spirit disclosed that it secured an additional $300 million in financing from debt holders as it prepares to exit Chapter 11, and cut approximately 200 non-union positions. Spirit Airlines does not operate to Hawaiʻi. [38]

[34] U.S. News. https://travel.usnews.com/rankings/best-usa-vacations/

[35] Data compiled on Airlines for America's website: https://www.airlines.org/dataset/annual-results-u-s-passenger-airlines/

[36] AP. "Spirit Airlines files for bankruptcy as financial losses pile up and debt payments loom". https://apnews.com/article/spirit-airlines-bankruptcy-debt-losses-782c7fb892adf1d2f366411bab955668/

[37] WSJ. "Spirit Airlines Moves Toward Bankruptcy Filing After Frontier Drops Merger Bid". (2024 November 12). https://www.wsj.com/business/airlines/spirit-airlines-moves-toward-bankruptcy-filing-after-frontier-drops-merger-bid-5d492e80/

[38] Bloomberg Law. "Spirit Airlines Gets $300 Million in Chapter 11 Exit Financing". (2025 January 16). https://news.bloomberglaw.com/bankruptcy-law/spirit-airlines-gets-300-million-in-chapter-11-exit-financing/

Over the course of 2024, Hawaiian Airlines, as a major player in the interisland and transpacific segments, has been resolving profitability issues after battling tough conditions over the past couple years especially with a slower recovery of its international traffic levels and higher competition on its interisland network given Southwest's presence. Alaska Airline's merger with Hawaiian Airlines aims to strengthen their partnership by fully integrating operations and enhancing service offerings in the Hawaiʻi market. This merger is expected to streamline routes and improve overall efficiency, benefiting both airlines and travelers.

As Alaska Airlines continues to unveil how it will integrate its network and operations with Hawaiian Airline's current structure while preserving its marketing brands, there is a risk of reduced capacity on overlapping mainland U.S. routes. Similarly, Southwest's strategic business changes to introduce red-eye flight operations may impact on the availability of their MAX aircraft for interisland services. These strategic adjustments could lead to fewer interisland frequencies, but also introduces new departure options for travelers that were previously unavailable.

As the industry continues to face consolidation pressures and economic uncertainties, the financial health of airlines will remain a critical factor influencing Hawaiʻi's air traffic levels. Airlines are expected to continue entering into code-share agreements or partnerships in attempts to gain competitive advantages for domestic and international connections. In early 2021, American Airlines partnered with Alaska Airlines for U.S. West Coast markets and JetBlue in the Northeast U.S., but the alliance was dissolved after a federal judge ruling on competitive concerns.

#### *2.5.2.4 Jet Fuel Prices*

Fluctuating jet fuel prices and potential constraints around fuel transportation are areas to consider which may affect forecasted air traffic levels for the airlines operating across the Hawaiʻi Airports System. Recent declines in demand from China and global economic headwinds have contributed to lower fuel prices. However, Japan has been experiencing a jet fuel shortage since mid-2024, caused by supply chain bottlenecks and reduced domestic refining capacity, affecting its regional airports. The shortage, compounded by limited domestic vessels transporting aviation fuel from import tanks to airport facilities, may lead to further operational challenges for international airlines' flight plans. This could result in potentially reducing future frequencies or rerouting operations to ensure adequate fuel availability at key airports.[39] In response, trading companies, suppliers, and government are prompted to boost production and imports of Jet-A fuel needed for commercial flight activity in Japan. Japan has also been proposing stricter regulations for domestic producers of sustainable aviation fuel (SAF) to help decarbonize its aviation fuel, which may result in higher costs that could be passed onto passengers in the form of increased airfare over the longer-term.

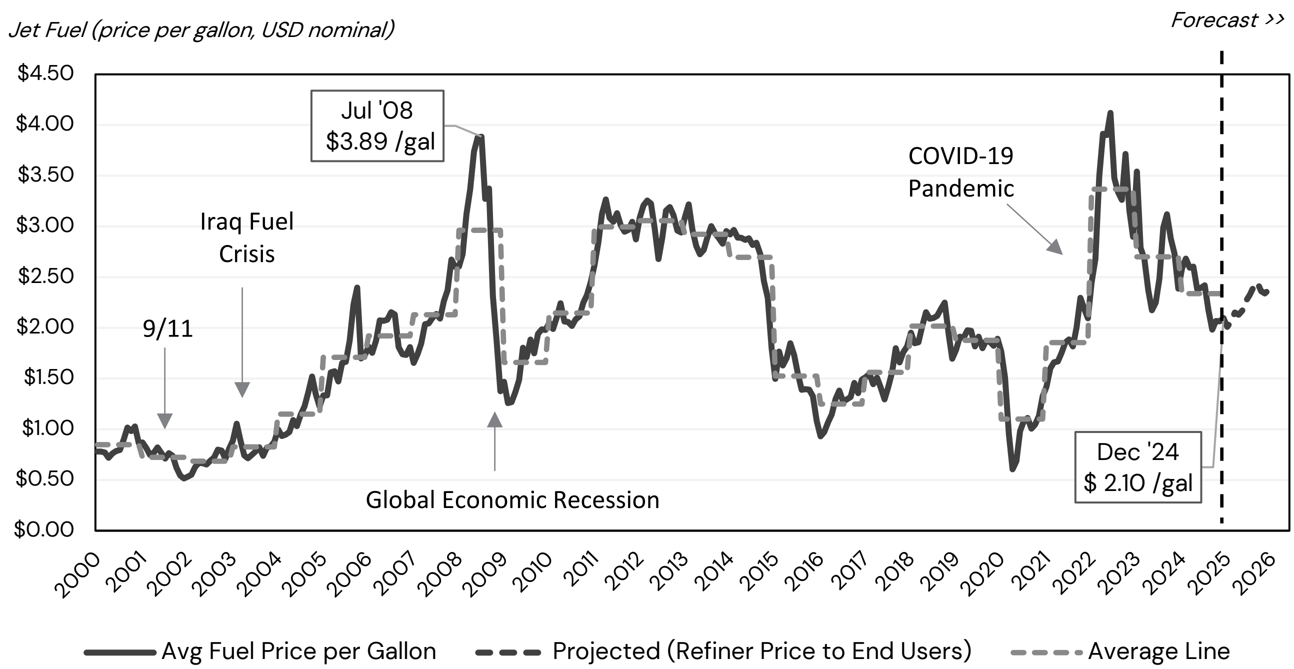
Additionally, heightened geopolitical tensions in the Middle East and Asia have raised concerns about global oversupply. Fuel prices have historically been volatile, and are expected to remain so, with potential for long-term growth as global energy demand increases in the face of finite oil supplies. According to the U.S. DOT, jet fuel costs accounted for over one-quarter of operating expenses for U.S. airlines. Aviation fuel prices are a critical and uncertain factor affecting airline operating economics, particularly sensitive to global political instability and economic fluctuations. Exhibit 2-35 illustrates the historical fluctuation in fuel prices since 2000. Beginning in 2003, fuel prices surged due to political unrest in Iraq and other oil-producing nations, along with various oil supply and demand influences. In 2008, crude oil prices further spiked prior to the GFC, driving jet fuel prices to an unprecedented high of $3.82 per gallon, which prompted airlines to introduce fuel surcharges. Fuel consistently represents the largest operating expense for airlines, accounting for 30 to 40 percent of expenses from 2011 through 2014.

[39] Itochu Corporation. "ITOCHU Announces the Start of the First Commercial-scale Supply of CORSIA Eligible Fuel(CEF) at Narita International Airport". (2024 September 19). https://www.itochu.co.jp/en/news/press/2024/240919.html/

During the early years of the COVID-19 pandemic, aviation fuel prices declined rapidly due to reduced demand stemming from the economic slowdown. Prices hit a low of $1.03 per gallon in May 2020 but surged to a peak of $4.03 per gallon in June 2022, driven by supply disruptions and uncertainty following Russia's invasion of Ukraine in early 2022. Factors such as reduced global refining throughput from unplanned outages and extensive refinery maintenance, along with disrupted fuel transport flows due to low water levels in the Panama Canal, further impacted jet fuel prices. Consequently, prices ended 2022 at $2.79 per gallon. Throughout 2023, prices continued to fluctuate, averaging around $2.70 per gallon and ranging between $1.90 to $2.60 per gallon during 2024 as global supply chains improved.

The U.S. Energy Information Administration (EIA) recently reported that average domestic kerosene-type jet fuel spot prices are nearing 2019 levels, with the December 2024 price at $2.10 per gallon, while 2019 ranged between $1.78 to $1.98. According to EIA's December 2024 Short-Term Energy Outlook, jet fuel refiner-to-end-user prices are projected to rise slightly to $2.38 per gallon by December 2025. Exhibit 2-35 presents historical monthly aviation jet fuel spot prices since 2000, along with the EIA's forecasted price.

**Exhibit 2-35: Historical and Short-Term Outlook on Aviation Fuel Prices**




*Sources: U.S. Energy Information Administration (U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Price), Short-term Energy Outlook (December 2024).*
*Note: The dotted line represents the average annual jet fuel price per gallon.*

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term on top of navigating complex paths to reach sustainability targets in place. Continued low fuel prices could result in dramatic changes in the aviation industry, such as lower airline operating costs potentially resulting in lower passenger ticket prices, which would likely result in increased travel demand and greater feasibility for airlines to operate some routes with lower load factor performances. While higher fuel costs on the other hand may lead to airline management scrutinization of route viability from a profit perspective and increased pressures on low-cost carriers. Given that fuel historically accounted between 14 to 30 percent of airline operating costs over the past decade, airlines have intensified their efforts to improve efficiency with aircraft technology selection, optimize operations, and mitigate financial risks.[40]

### *2.5.2.5 Aircraft Availability*

After the COVID-19 pandemic caused a decline in air travel demand, airlines accelerated aircraft retirements and placed a portion of their fleets in storage to reduce short-term operating costs. However, as demand rebounded, airline orderbooks began to grow again. As of November 1, 2024, the U.S. market's overall fleet size, including full-service, low-cost, and regional/commuter operators, is expected to continue expanding with over 2,600 aircraft on-order and more than 1,000 on-options.[41] Nearly 800 of the on-orders are anticipated to be delivered before 2027, although manufacturing delays pose risks to meeting these expectations.

In 2023, older narrowbody and widebody aircraft were reintroduced from inactive statuses as airlines scrambled to fill capacity gaps created by surging travel demand, deferred deliveries of newer aircraft, and reliability concerns with some newer generation aircraft. These older aircraft are not expected to retire until global capacity is able to meet demand.

Following the commercial recertification of the 737 MAX aircraft, after the Lion Air and Ethiopian Airlines accidents, the FAA imposed stricter safety and regulatory check procedures on Boeing. This heightened scrutiny was prompted by a January 2024 incident where a door panel detached mid-air from a 737 MAX-9 jet.

Boeing's production challenges, including FAA-mandated independent quality reviews, labor disputes, and work stoppages, have caused significantly delivery delays. These delays have affected multiple programs, including the 777X (now postponed until at least 2026), the 777-300ERF conversion, and the uncertified MAX-7 and MAX-10 variants. The 787 program, in particular, has faced substantial delays, impacting airlines like United that rely heavily on timely deliveries for their fleet modernization and expansion plans.

### *2.5.2.6 Aviation Supply Chain and Labor Issues*

Overall, airlines are experiencing delays and cancellations due to supply chain disruptions and workforce mechanic shortages, worsened by issues with new generation engines and aircraft, including the CFM LEAP-1A, P&W GTF, and the 737 MAX. The resolution of these challenges is not immediate. Pratt & Whitney engine checks and retrofits are expected to continue through 2024 and into 2025, affecting 350 aircraft alone in 2024. The FAA's production cap on Boeing 737 MAX aircraft is likely to remain in place through 2025,[42] with only gradual increases as quality control improves. In addition to the components supply chain being inconsistent and halted in prior months, a recent workers strike halted most aircraft production between September and November 2024.[43] Addressing the shortage of skilled aviation professionals is also anticipated to take several years as new workers are trained and certified. Aircraft groundings due to lack of spare parts, airworthiness directives, or safety concerns have prompted airlines to extend the lifespan of older planes instead of retiring or dismantling them. This has resulted in reduced availability of spare parts despite rising demand for travel, leading to longer maintenance periods where aircraft are unavailable for commercial flights.

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[40] Gulf Times. "Aviation industry faces dual challenge of managing rising fuel costs, navigating complex sustainability path". (2024 October 2). https://www.gulf-times.com/article/691815/business/aviation-industry-faces-dual-challenge-of-managing-rising-fuel-costs-navigating-complex-sustainability-path/

[41] ICF analysis of CAPA Fleet data.

[42] Bloomberg. "Southwest Air Sees Boeing Strike Cutting into 2025 Deliveries". (2024 November 13). https://www.bloomberg.com/news/articles/2024-11-13/southwest-air-sees-boeing-strike-cutting-into-2025-deliveries/

[43] Reuters. "Boeing strike sinks October deliveries to 14 jets". (2024 November 12). https://www.reuters.com/business/aerospace-defense/boeing-strike-sinks-october-deliveries-14-jets-2024-11-12/

These industry-wide challenges are particularly pronounced and may particularly affect airports in Hawai‘i. Airlines may reduce flight frequencies or suspend certain routes due to aircraft shortages and a shortage of qualified mechanics to manage technical or maintenance issues related to airframes, engines, and components. Limited aircraft availability can increase delays, as mechanical problems or maintenance overruns create cascading disruptions throughout the airport and its operations. This may result in overcrowding, potential cancellations, longer rebooking waits, and reduced customer satisfaction.

#### *2.5.2.7 Changes in Air Travel Propensity*

Technology development and other changes may affect the propensity of air travel in the future. Historically, these 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, for example, 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 Hawai‘i 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.

#### *2.5.2.8 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;
- Changes in government administrations;
- Governmental foreign or economic policy;
- Immigration restrictions and travel bans;
- Issuance of visitor visas to the U.S.;
- Cybersecurity;
- Public safety and health;
- Airline industry financial performances;
- Environmental regulation and cost implication (i.e., SAF costs);
- Climate change;
- Natural disaster or accident;
- Individual airline route decisions; and
- Changes in air travel propensities

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.

# 3. Financial Framework

The State owns the Hawaiʻi Airports System, which is operated by DOTA as an enterprise fund. The financial operations of the Hawaiʻi Airports System are governed by federal, state, and local laws and regulations, as well as by contractual agreements that the Department has established with airport users and other parties. Key elements of this financial framework include:

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

DOTA is one of the operating branches of the Department and follows the same state laws, rules and regulations that govern all state agencies. Without contracting power of its own, DOTA relies on the Department to issue bonds and execute contracts on its behalf. Legislative bills may be introduced during the annual legislative session and signed by the Governor that directly impact the operations of the Hawaiʻi Airports System, provided they do not violate existing contractual agreements.

The Certificate establishes conditions and covenants that the Department must follow for both existing and future DOTA bonds. The Airline Agreement provides a hybrid residual ratemaking methodology for airlines, ensuring compliance with the financial covenants of the Certificate. Although either the Department or the Signatory Airlines can cancel the Airline Agreement with 60 days' notice, it has been automatically renewed quarterly since 1997 and is assumed to continue throughout the forecast period.

Commercial agreements impact DOTA's ability to generate non-airline revenues and may influence airline rates and charges. The subordinate bond document governs the use of Revenues and Aviation Fuel Taxes once obligations under the Certificate are met, while special facility bond documents govern the use of other income sources beyond Revenues and Aviation Fuel Taxes.

## 3.1 State Rules and Regulations

Existing state laws, rules, and regulations are established through the Hawaiʻi Constitution, Hawaiʻi Revised Statutes, session laws, and Hawaiʻi Administrative Rules. The Legislature consists of the Hawaiʻi State House of Representatives, with 51 members, and the Hawaiʻi State Senate, with 25 members. Each year, the Legislature convenes on the third Wednesday in January for a session lasting no more than 60 session-days. It may also convene special sessions organized to address specific issues. The Legislature holds broad authority over all aspects of DOTA's operations, provided that its actions do not violate existing contractual obligations.

### 3.1.1 Appropriation of Operating Budget and Capital Budget

In each odd fiscal year (e.g., FY 2025), DOTA prepares a biennium budget covering the next two fiscal years (e.g., FY 2026 and FY 2027). This includes (a) an operating budget for operating expenses, debt service, and other fund deposits, and (b) a capital budget for capital expenditures. DOTA submits this biennium budget to the Department, where it becomes part of the Governor's executive budget. Budget preparation is governed by HRS Title 5, Article 37, Part IV: the Executive Budget.

At least 30 days before the Legislature convenes, the Governor submits the executive budget to the Legislature. During the session, the Legislature reviews and revises the executive budget and develops appropriations for it, along with other bills in the regular session, for the Governor's approval. Under Article III, Section 16 of the Hawaiʻi Constitution, the Governor may approve, veto, or take no action on a bill, in which case it becomes law after 10 days. Once approved by the Governor, or otherwise enacted, the appropriation establishes DOTA's spending ceiling for the fiscal years. Adjustments can be made if internal airport funds, referred to by the State as "the special fund," are available.

The appropriation for operating costs covers operating expenses, debt service payments, other operational costs, and a number of approved positions. It is organized by expense categories—such as payroll, other expenses, equipment, motor vehicles, or lease financing—and by locations, such as HNL or OGG. DOTA may reallocate funds across certain categories, subject to completion of a staff study. Any unused appropriation for operating costs will lapse at the end of the fiscal year unless committed under a specific contract. Additionally, the appropriation does not include non-cash accrued liabilities or inter-government transfers, so it is not directly comparable to operating expenses under generally accepted accounting principles (GAAP).

The capital investment appropriation specifies the total costs and funding sources for each capital project. A revenue bond fund appropriation serves as the State's approval to issue bonds and use bond proceeds for a project. To utilize the capital appropriation, DOTA must submit an allotment request to the Office of the Governor and may advertise the project following the Governor's approval. Appropriations for a project may expire one year after the next biennium budget cycle unless encumbered under a contract. However, appropriations that include federal funding sources often have extended durations before expiration. DOTA may supplement capital appropriations with internal cash, subject to the Governor's approval, but cannot adjust bond appropriations without additional legislative authorization.

In each even fiscal year (e.g., FY 2026), DOTA submits a supplemental budget to change the second year of the biennium cycle (e.g., FY 2027). Once approved, it adjusts the existing appropriations.

### 3.1.2 Central Service, State Surcharge, and Grandfathered Payments

As part of the State government, DOTA 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 for annual appropriation and other approvals;
- Department of Public Safety for sheriff services; and
- Department of Transportation, of which DOTA is an operating branch.

In addition to certain direct reimbursements for services provided, DOTA makes payments to the State's General Fund for central service expenses, known as the State Surcharge. Established under HRS Section 36-27, the State Surcharge is intended to offset government central service expenses related to all special funds and is calculated as 5 percent of all receipts, excluding debt service payments.

The State Surcharge predates the 1999 *Policy and Procedures Concerning the Use of Airport Revenue* and is a grandfathered revenue diversion. However, under Title 49 U.S. Code Section 47115(f), the Secretary of the United States Department of Transportation (USDOT) considers such revenue diversions when distributing discretionary grants if the amount exceeds the inflation-adjusted 1994 figure, which was $18.1 million in FY 2024.

Due to rising revenues from the Hawaiʻi Airports System, the calculated State Surcharge at 5 percent of receipts (net of debt service) exceeded the inflation-adjusted amount in FY 2024. Although not required by statute, DOTA opted to cap the State Surcharge at $18.1 million in FY 2024 and intends to maintain this limit during the forecast period.

### 3.1.3 Other State Regulations

The Legislature has broad authority to influence all aspects of DOTA's operations, provided such actions do not violate existing contractual obligations. Additionally, the Office of the Governor can impact DOTA's operations through executive actions. Historically, these actions have included:

- 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 previous legislative sessions, proposals were introduced to establish an independent airports corporation to assume control of the Airports System from DOTA. This legislation was not approved and has not been enacted. A similar bill was introduced in January 2025. The Department cannot predict whether similar legislation may be enacted in the future. Although the U.S. Constitution prohibits the impairment of contracts, the Department cannot foresee what impact, if any, such legislation would have on the Airports System's operations or on the availability of Revenues or Aviation Fuel Taxes.

## 3.2 The Certificate

The Certificate outlines the annual revenue requirements (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 (referred to as the flow of funds), and other covenants governing the operation of the Hawaiʻi Airports System (the Undertaking).

### 3.2.1 Rate Covenant

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

- 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 (currently none outstanding) and carry out the Certificate's provisions and covenants.

- 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 include all income, revenue, and funds derived by the State from the ownership, operation, and management of the Hawai‘i Airports System by the Department, as well as from providing services, facilities, and commodities, including interest earnings on certain funds. Revenues do not include PFC revenues unless specifically provided through a supplemental certificate, nor do they include CFC revenues. Aviation Fuel Taxes are levied under HRS at a rate of half a cent per gallon, with a majority of these taxes credited toward landing fees through certain reimbursement procedures. In FY 2024, Aviation Fuel Taxes totaled $2.6 million, of which $1.9 million was credited back to the airlines.

An amendment to the Certificate effective FY 2020 redefined the Costs of Operation, Maintenance, and Repair. These costs generally include all expenses incurred by the Department for operating and maintaining the Hawai‘i Airports System, including the State Surcharge and reimbursements to State agencies. They exclude non-cash items like certain pension and post-retirement benefits expenses exceeding the Department's deposit to State funds for the Hawai‘i Airports System's proportional share. This exclusion of non-cash items has been reflected in Exhibit E.

DOTA no longer has general obligation bond requirements and does not anticipate incurring such obligations in the future.

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

For Rate Covenant purposes, DOTA has established an internal account—the Funded Coverage Account—to act 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." DOTA has maintained the fund balance at approximately 25 Percent of gross debt service, net of capitalized interest, with no limit on the amount in the Funded Coverage Account for Rate Covenant purposes.

The Annual Adjusted Debt Service Requirement is defined as the Debt Service Requirement, net of (i) the amount of Available PFC Revenues deposited or irrevocably committed and (ii) the amount of Federal Direct Payments deposited or irrevocably committed as provided in a Supplemental Certificate. DOTA plans to continue committing Available PFC revenues but does not plan to include PFC revenues as Revenues or to receive Federal Direct Payments.

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

### 3.2.2 Application of Revenues

As long as any Bonds remain outstanding, Revenues and Aviation Fuel Taxes must be deposited into the Airport Revenue Fund and applied according to Section 6.01 of the Certificate in the following order, as shown in Exhibit 3-1.

**Exhibit 3-1: Flow of Funds**

| Priority | Fund / Account |
|---|---|
| | **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 |

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

The Certificate does not establish a reserve for the Costs of Operation, Maintenance, and Repair. Instead, the Airline Agreement requires DOTA to reserve cash equal to 25 percent of annual operating and maintenance expenses at the beginning of each fiscal year. DOTA has created an internal account, known as the O&M Reserve Account, to retain 25 percent of the annual operating cost appropriation, net of debt service. Since the O&M Reserve Account is established under the Airline Agreement rather than the Certificate and is initially funded from internal cash rather than Revenues and Aviation Fuel Taxes, the deposit requirement is not shown separately in the Application of Revenues. Similarly, the credit to the Funded Coverage Account is not separately listed in the Application of Revenues.

In recent years, DOTA has aimed to maintain an MMRRA balance of $60 million, following the Consulting Engineer's recommendations. For repair and maintenance needs, DOTA expects to rely primarily on operating costs or capital appropriations rather than the MMRRA.

### 3.2.3 Additional Bond Test

The proposed 2025 Bonds are to be issued as Additional Bonds under the Certificate. The Certificate specifies conditions for issuing Additional Bonds, which can be met through either a historical coverage test or a prospective coverage test:

- The **historical coverage test** requires that Net Revenues and Taxes, along with certain unencumbered funds, for the most recent fiscal year with audited financial statements, be at least 125 percent of the maximum aggregate Annual Adjusted Debt Service Requirement, accounting for both the Outstanding Bonds and the proposed bonds (such as the 2025 Bonds). The amount of unencumbered funds considered is capped at 25 percent of the applicable Annual Adjusted Debt Service Requirement.
- The **prospective 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 in this Report reflect DOTA's intention to issue Future Bonds, in addition to the 2025 Bonds, to fund the CIP. This Report does not demonstrate compliance with the Additional Bond Test under the Certificate. DOTA anticipates meeting 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 methodology for airline rates and charges is primarily set out in the 2007 Extension. 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 the purposes of this Report, it was assumed that the Airline Agreement exists in its current form throughout the forecast period.

Exhibit 3-2 lists Signatory Airlines that have operated in the Hawaiʻi Airports System in FY 2024; they collectively accounted for approximately 95.6 percent of the landing fee revenues in FY 2024.

**Exhibit 3-2: Signatory Airlines (as of FY 2024)**

| | | |
|---|---|---|
| Aeko Kula Inc. | China Airlines | Philippine Airlines Inc. |
| Air Canada | Delta Air Lines Inc. | Qantas Airways Ltd. |
| Air New Zealand Ltd. | Federal Express Corp. | Singapore Airlines, Inc. |
| Air Pacific, Ltd. | Hawaiian Airlines Inc. | Southern Airways Express LLC |
| Alaska Airlines Inc. | Japan Airlines | Southwest Airlines, Co. |
| All Nippon Airways Co Ltd. | Jetstar Airways PTY Limited | Sun Country, Inc. |
| American Airlines | Kalitta Air, L.L.C. | United Airlines Inc. |
| Atlas Air Inc. | Korean Airlines Company, Ltd. | United Parcel Service Co. |
| Asiana Airlines, Inc. | Northern Air Cargo | WestJet |

*Source: DOTA.*

### 3.3.1 Ratemaking Methodology

The 2007 Extension outlines hybrid residual ratemaking methodologies for establishing 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:

- Airfield Cost Center, which comprises the airfields of every airport in the Hawaiʻi Airports System;
- Terminal Cost Centers:
  - HNL Terminal Cost Center;
  - OGG Terminal Cost Center;
  - KOA Terminal Cost Center;
  - LIH Terminal Cost Center; and
  - ITO Terminal Cost Center

Remaining costs are related to all other cost centers of the Hawaiʻi 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 at all airports within the Hawaiʻi Airports System. The Airfield Requirement includes direct and indirect operating expenses, debt service, deposits to the MMRRA, and the O&M Reserve Account. After applying a credit from the non-signatory landing fee, the Net Airfield Requirement is divided by Total Landed Weight to determine the landing fee rate, which incorporates the Interisland Rate. The Interisland Rate is a discount applied to landing fees and certain terminal user fees for interisland operations. Initially set at 36 percent for FY 2008, it increases by one percentage point annually until it reaches 100 percent. By FY 2025, the Interisland Rate is 54 percent, resulting in an interisland landing fee rate of $2.74 per 1,000 pounds of landed weight, compared to an overseas landing fee rate of $5.17.

Terminal rental rates are calculated separately for each of the five Primary Airports on a cost center residual basis, with the exception of ITO, where only 50 percent of net costs are recovered unless annual enplanements reach 2.0 million. In FY 2024, ITO's enplaned passenger count was 715,000.

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 a credit from annual terminal concession revenues and is divided by airline Leased Space within each terminal cost center to determine terminal rental rates. Duty-free revenues are credited to the HNL terminal rental rate calculation.

The 2007 Extension also provides for calculating the Airports System Support Charges (ASSC), which serve as a residual safety net for the Hawaiʻi Airports System. If airline and non-airline revenues are insufficient to cover all obligations, the ASSC is implemented to ensure compliance with the Rate Covenant. A net ASSC Requirement below zero indicates that DOTA has generated an operating surplus from the Non-Airline Cost Center, which may be used for any lawful purpose, including funding the CIP. The Interisland Rate is applied in the calculation of the ASSC Rate.

Additionally, the 2007 Extension and subsequent revisions establish 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.

- 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 have not been implemented; and
- Common Use Passenger Processing Systems Charges, which have not been implemented.

Rental rates for commuter terminals and other non-terminal buildings or terminal building at Non-primary airports are established pursuant to DOTA 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 outlines the capital review process that remains effective. To submit Additional Capital Improvements to the Signatory Airlines for review and concurrence, the following steps are followed:

- The Department submits a report to the Signatory Airlines, including a description, justification, financing plan, and the impact on Costs of Operation, Maintenance, and Repair.
- Within 30 to 60 days after distributing the report, the Signatory Airlines meet with the Department to discuss the proposed Additional Capital Improvement. The improvement is deemed accepted

unless, within 60 days of the report’s distribution, at least 50 percent of the Signatory Airlines, representing at least 50 percent of total landing fees and ASSCs paid in the previous state fiscal year, specifically withhold concurrence in writing.

- If the Additional Capital Improvement is not accepted, the Department may convene a second meeting within 120 days of the report's distribution. The improvement is again deemed accepted unless, within 30 days of this meeting, concurrence is specifically withheld as described above.
- Even if concurrence is withheld, the Department may include the cost of such projects in the airline rates and charges calculation for the succeeding fiscal year if it determines that the project is necessary or prudent to ensure compliance, maintain operation and maintenance, satisfy judgments, or repair casualty damage to the Hawai‘i Airports System.

The Department has received bond appropriations and the necessary airline concurrence for the projects to be funded by the 2025 Bond proceeds.

### 3.3.3 Facility Control

The 2007 Extension specifies that holdrooms at the Hawai‘i Airports System are designated for Joint Use or preferential use. Any Signatory Airline meeting the threshold of at least six daily turns per holdroom may submit an annual request for preferential holdrooms to the Department. The Department reviews each request and grants approval at its discretion. If a Signatory Airline’s usage falls below the utilization threshold, the Department may revoke its preferential holdroom status. In the second half of FY 2025, DOTA assigned 19 of the 52 holdrooms at HNL for preferential use, including 11 for Hawaiian Airlines, six for Southwest Airlines, and two for Alaska Airlines. Other preferential holdrooms included ten at OGG, four at KOA, four at LIH, and two at ITO.

### 3.3.4 Non-Signatory Airlines

The 2007 Extension mandates that the Department set non-Signatory Airline rates and charges at 125 percent of Signatory Airline rates and charges. DOTA has implemented Procedure 4.13 to establish these rates for non-signatory commercial air carriers in accordance with Hawai‘i Revised Statutes (HRS) Section 261-7. It continues to set rates for general aviation users based on Hawai‘i Administrative Rules (HAR) Chapter 19-16.1. Non-signatory commercial air carriers are defined as non-Signatory Airlines operating under Federal Aviation Regulations Part 121 or 129, or as high-frequency Part 135 operators.

### 3.3.5 Prepaid Airport Use Charge Fund Agreement

Following the execution of the 2007 Extension, the Department and the Signatory Airlines entered into a Prepaid Airport Use Charge Fund (PAUCF) Agreement for the annual settlement calculation. After each fiscal year ends, the Department recalculates airline rates and charges based on actual results, including Costs of Operation, Maintenance, and Repair, debt service, non-airline revenues, traffic statistics, and other relevant data. Any positive variance between the actual accrued revenues and the recalculated airline requirement is deposited into the PAUCF. A negative variance can be withdrawn from the PAUCF with the Signatory Airlines’ approval or billed directly to the Signatory Airlines.

The Department and the Signatory Airlines agree that the PAUCF is the property of the Signatory Airlines, though DOTA maintains it as a restricted internal fund. The Airlines Committee of Hawai‘i (ACH), representing a majority of the Signatory Airlines operating within the Hawai‘i Airports System, may periodically request, and the State may approve, the use of funds in the PAUCF. Historically, and as recently as FY 2016, PAUCF funds have been used to reduce the Annual Adjusted Debt Service Requirement and, in turn, lower airline rates and charges (referred to as Airline Prepaid Interests). Although this Report does not forecast such use, the ACH may request similar applications of the PAUCF in the future. The ending balance as of June 30, 2024 was $35.9 million, of which $18.7 million will be transferred to the Revenue Fund in FY 2025 to cover the FY 2024 underpayment.

## 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 Hawaiʻi Airports System. Exhibit 3-3 summarizes key agreements and the earliest expiration dates.

**Exhibit 3-3: Summary of Key Concession Agreements (as of December 2024)**

| *Type/Airport* | *Concessionaire* | *Earliest Expiration Date* |
|---|---|---|
| ***Duty-Free – Statewide*** | DFS Group, L.P. | March 2025 |
| ***Food and Beverage*** | | |
| *HNL* | Host International, Inc. | April 2031 |
| *ITO/KOA* | Volume Services | February 2038 |
| *OGG* | Host International, Inc. | September 2028 |
| *LIH* | Host International, Inc. | September 2025 |
| ***Parking*** | | |
| *HNL* | ABM Parking Services | May 2028 |
| *ITO* | SP Plus Corporation | May 2029 |
| *KOA* | SP Plus Corporation | January 2028 |
| *OGG* | ABM Parking Services | December 2034 |
| *LIH* | ABM Parking Services | Holdover |
| ***Rental Car*** | Varies | Described below |
| ***Retail*** | | |
| *HNL* | DFS Group, L.P. | March 2025 |
| *ITO/KOA* | Tiare Enterprises, Inc. | August 2025 |
| *OGG* | DFS Group, L.P. | August 2026 |
| *LIH* | Travel Traders, LLC | September 2027 |
| ***Advertising*** | | |
| *HNL* | Clear Channel Airports, Inc. | January 2027 |
| *Other Airports* | Pacific Radio Group | January 2027 |

*Source: DOTA.*

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 Hawaiʻi 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 of or a portion of the MAGs. The Department waived the MAGs for all participating concessionaires during the COVID-19 period and for certain concessionaires at OGG due to the Lahaina wildfire. As of January 2025, DOTA has reinstated all MAGs, except for the statewide duty-free contract described below.

Many concession agreements are expected to expire during the forecast period. It is assumed that the Department will enter into agreements with replacement concessionaires under substantially similar terms, unless noted otherwise in this Report.

### 3.4.1 Parking

ABM Parking Services manages public parking at HNL, OGG, and LIH. Under the concession agreements, DOTA receives the higher of the MAG or a percentage fee at each airport: 80 percent-85 percent of gross receipts from parking operations at HNL, 75 percent-80 at OGG, and 65 percent at LIH. SP Plus Corporation manages parking at KOA and ITO, with percentage fees set at 65 percent and 60 percent, respectively.

As of December 2024, the maximum daily parking rate is $25 at HNL and $24 at neighbor island airports. DOTA has implemented a multiyear parking rate schedule, increasing the maximum daily rate at HNL to $27 in July 2025, $29 in July 2026, and $30 in July 2027.

### 3.4.2 Rental Car

The Department has completed construction of ConRAC facilities at OGG and HNL. Four rental car companies (the Signatory RACs)—Avis Budget Group, Inc. (Avis Budget), Enterprise Holdings, Inc. (Enterprise), Hertz, and Advantage—have executed the Statewide Airports Car Rental Facilities Concession Agreement and Facility Lease (the Rental Car Agreement) for operations at HNL (commenced December 1st, 2021) and OGG (commenced May 15th, 2019). Sixt Rent a Car LLC has taken over Advantage's operations at both locations. Although the Rental Car Agreement has a term of no less than thirty years, the State has the option to require re-bidding once every ten years and may terminate the agreement with any of the Signatory RACs if it is outbid.

The Signatory RACs pay the higher of the MAG, if applicable, or 10 percent of gross receipts to DOTA as rental car concession revenue, as long as they operate on-airport, at HNL and OGG. Additionally, they pay ground rent for the ConRAC sites and other leased spaces, which are classified as non-aeronautical rentals. The Department does not anticipate any on-airport rental car operations moving off-airport during the forecast period, nor does it expect off-airport rental car operators to gain a significantly larger share of the rental car market.

CFC revenues or Minimum Annual Requirement Deficiency payments under the Rental Car Agreement are not included as Revenues defined by the Certificate, as they are pledged to special facility bonds debt service payments. Operating expenses for the ConRACs are covered by the rental car consortium and reimbursed from CFC revenues if funds are available.

Rental car companies operate at other airports (ITO, KOA, LIH, and MKK) on a month-to-month basis, and only pay a 10 percentage fee without MAGs.

### 3.4.3 Duty-Free

DFS Group, L.P. (DFS) has been operating in-bond duty-free concessions for international travelers departing from Hawaiʻi under the existing contract since 2007. Prior to COVID-19, DFS operated duty-free concessions both at airport locations and at Waikiki, Oʻahu's major tourism hub, where the Waikiki location accounted for approximately three-quarters of gross sales. DFS ceased operations during the pandemic, later resuming duty-free sales at airport locations but with almost no sales activity at the Waikiki site.

The Department and DFS have executed an amendment No. 7 that provides (1) the duty-free agreement shall end on March 31, 2025, (2) DFS shall pay $15.0 million for the duty-free operation between January 2024 through October 2024 in addition to the percentage fees, but does not need to pay MAGs, and (3) DFS shall pay percentage fees between November 2024 and March 2025. DFS may operate the duty-free concession in holdover while the Department procures a new concessionaire.

### 3.4.4 Food and Beverage

Host International Inc. (Host) operates food and beverage concessions at HNL, OGG, and LIH, with contracts expiring between 2025 and 2031. Host pays DOTA the higher of a MAG or a percentage fee, determined by sales volume and categories. Volume Services, doing business as Centerplate, operates food and beverage concessions at ITO and KOA, with a contract expiring in 2038.

### 3.4.5 Retail

DFS operates non-duty-free retail concessions at OGG, with a contract expiring in August 2026, and pays DOTA the higher of a MAG or a percentage of gross receipts. DFS also operates the retail concessions at HNL with a scheduled expiration date of March 2025, but may continue to operate in holdover while the Department procures a new concessionaire. Travel Traders, LLC operates the retail concession at LIH, with an expiration date of September 2027. Tiare Enterprise, Inc. operates retail concessions at ITO and KOA, with the earliest contract expiration in August 2025.

### 3.4.6 Other Concession Contracts

Additionally, the Department has established a variety of commercial agreements and permits with other terminal concession operators and ground transportation companies, including advertising, banking, newsstands, taxi services, shuttle buses, and transportation network companies (TNCs) like 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. Rental rates are established through an appraisal process and published under DOTA Procedure 4.13, unless otherwise specified by 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

DOTA initiated a Statewide Energy Saving Performance Contracting project (the Energy Saving Projects) in 2013, funded by proceeds from Lease Revenue Certificates of Participation (COPs) issued under the Indenture of Trust between the Department and U.S. Bank National Association, dated December 1, 2013, and subsequently 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 obligations outlined 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). The contract was amended to include an additional $7 million for HNL underground piping replacement, funded by $8.1 million from the proceeds of the 2016 COPs. In 2017, the Department issued an additional series of COPs (the 2017 COPs) totaling $51.5 million to finance the second phase of the Energy Saving Projects. As of FY 2025, the outstanding balance is approximately $140.3 million, with a final maturity date of February 1, 2034.

### 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, under an Indenture of Trust between the Department and MUFG Union Bank, N.A. as Trustee, dated August 1, 2014, and subsequently amended and supplemented (the CFC Indenture). In August 2017, the Department issued a series of CFC bonds totaling $249.8 million in par to fund rental car projects, followed by another series in August 2019 with a par amount of $194.7 million to provide additional funds and refinance the 2014 loan. These obligations under the CFC Indenture (the CFC Bonds) are not payable from Revenues and Aviation Fuel Taxes. As of FY 2025, the outstanding balance is approximately $381.4 million, with a final maturity date of July 1, 2047.

# 4. Capital Plan and Sources of Funding

To undertake a capital project at the Hawaiʻi Airports System, DOTA obtains budget appropriation from the Legislature, funding approval from the Office of the Governor, and concurrence from the Signatory Airlines. As part of the biennium budget process, DOTA submits a six-year capital plan, from which projects planned for the first two years are reviewed and approved by both the Legislature and the Governor. Approved projects are then added to the capital improvement program, which also includes projects previously appropriated and concurred. Completed projects are subsequently removed from the capital improvement program.

As of the date of this Report, DOTA is evaluating the following groups of projects:

- **Base Capital Improvement Program (Base CIP):** This program has a total estimated cost of $2.475 billion as of June 30, 2024. Most projects in this program have received appropriations and airline concurrence and are expected to be completed within the forecast period. As of June 30, 2024, the estimated remaining cost of the Base CIP was $1.85 billion, with $1.5 billion expected to be funded by bond proceeds. The Base CIP excludes projects in the close-out stage or those funded by CFC revenues.
- **Other Potential Projects**
    - **Airfield Enhancement Projects:** After completing several runway repairs in 2024 that affected airfield operations, DOTA conducted a comprehensive assessment of airfield conditions. The projects within this group have not been fully evaluated or prioritized, but full implementation may incur significant costs. These projects have not yet received appropriation or been reviewed by the Signatory Airlines.
    - **HNL Diamond Head Extension Program:** This program received preliminary airline concurrence for $1.1 billion in 2017. The Base CIP includes an initial phase with a total cost of $337 million. Remaining costs are expected to exceed $2 billion, with work starting no earlier than FY 2029 and final completion projected beyond FY 2035, though costs and timing remain uncertain.
    - **Other Identified Project Needs:** Additional project needs include the HNL Terminals 1 & 2 Improvement Projects, expanded holdrooms at LIH and other airports, improvements to the KOA holdroom area, and other potential projects. Full implementation may incur costs exceeding $2 billion. These projects have not yet received appropriation or been reviewed by the Signatory Airlines.

DOTA acknowledges the potential cost burden on the Signatory Airlines for implementing all or portions of the identified capital projects and intends to work collaboratively with them to implement, phase, or defer these projects as appropriate. The other potential projects aim to enhance the functionality and customer service quality of the Airports System but are not essential for accommodating the forecasted traffic levels outlined in this Report. DOTA may defer some or all of these projects beyond the forecast period; however, interim measures, such as taxiway pavement repairs instead of full rehabilitation, might be necessary for certain projects. DOTA does not plan to proceed with any major project before securing airline support, a process anticipated to unfold gradually in the coming years.

For the purposes of this Report, DOTA assumes full implementation of the Base CIP, with an additional allowance of $2 billion (the Additional Allowance) allocated for airfield and terminal enhancement projects, while excluding the remaining costs of the HNL Diamond Head Extension Project and other identified projects from the financial evaluation. The potential spending related to the Additional Allowance is expected to be limited in FY 2026 and FY 2027 due to the required approval process and the initial design period. Actual spending may extend through FY 2031 and beyond.

The Base CIP and the Additional Allowance are collectively referred to as the CIP, assumed to be implemented in the forecast period. If the Signatory Airlines agree to bear higher costs to enable DOTA to undertake more projects than those assumed in this Report, future CPEs may differ from the amounts projected.

As of June 30, 2024, the CIP has an estimated remaining cost of $3.85 billion, with $3.29 billion expected to be funded through bond proceeds. The remaining costs are expected to be funded by a combination of grants, PFC pay-as-you-go, and internal cash.

## 4.1 Base CIP Status

Exhibit 4-1 presents the total project costs and the remaining costs of the Base CIP by location as of June 30, 2024, with projects at HNL accounting for more than 50 percent of the Base CIP costs.

**Exhibit 4-1: Project Costs by Location (in US$ millions)**

| | Base CIP | | | |
|---|---|---|---|---|
| | **Total Costs** | **% of Total** | **Remaining Costs** | **% of Remaining** |
| Project by Airport | | | | |
| HNL | $ 1,395 | 56.4% | $ 972 | 52.7% |
| ITO | 70 | 2.8% | 57 | 3.1% |
| KOA | 174 | 7.0% | 128 | 6.9% |
| LIH | 306 | 12.3% | 283 | 15.3% |
| OGG | 297 | 12.0% | 214 | 11.6% |
| Other Airports | 91 | 3.7% | 86 | 4.7% |
| Statewide | 142 | 5.8% | 105 | 5.7% |
| **Total Base CIP** | **$ 2,475** | **100.0%** | **$ 1,845** | **100.0%** |

*Source: DOTA.*

Exhibit 4-2 presents the Base CIP project costs and the remaining costs by status as of June 30, 2024. Projects in the construction stage account for 46.2 percent of total costs, with another 29.0 percent of total costs in the bid/award or design stage.

**Exhibit 4-2: Project Costs by Status (in US$ millions)**

| | Base CIP | | | |
|---|---|---|---|---|
| | **Total Costs** | **% of Total** | **Remaining Costs** | **% of Remaining** |
| Project by Status | | | | |
| Construction | $ 1,142 | 46.2% | $583 | 31.6% |
| Bid/Award | 268 | 10.8% | 262 | 14.2% |
| Design | 449 | 18.2% | 424 | 23.0% |
| Planning | 615 | 24.9% | 576 | 31.2% |
| **Total Base CIP** | **$ 2,475** | **100.0%** | **$1,845** | **100.0%** |

*Source: DOTA.*

## 4.2 Base CIP Project Details

Exhibit A 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:

- **Diamond Head Extension Program – Initial Phase**: Estimated at $337.0 million, with $26.8 million spent as of June 30, 2024. In 2017, DOTA received airline concurrence for $1.1 billion for the planning, design, and construction of the new Diamond Head Extension at HNL, including all enabling projects, contingent on collaboration with the Signatory Airlines. DOTA has initiated planning and advanced two components due to operational needs: the HNL Parking Structure at Ualena Street for employee parking, and the HNL Wiki-Wiki Bus Maintenance Facility. Both are targeted for completion in 2028 with a combined cost estimate of $272.0 million. No other components are planned to begin before 2028, and ongoing collaboration with the Signatory Airlines will guide further implementation. Remaining components are excluded from the CIP and this Report's financial evaluation.
- **Ticket Lobby Renovation**: Estimated at $212.4 million, with $122.3 million spent as of June 30, 2024. This project continues the renovations of Terminal 2 ticket lobbies 7 and 8 by updating lobbies 4, 5, and 6, enhancing operations, maintenance, safety, and passenger experience. Improvements include upgraded baggage handling systems in Terminals 1 and 2. The project is under construction, with completion expected in 2026.
- **Runway 8L Widening, Phases 1 and 2**: Estimated at $185.4 million, with $153.4 million spent as of June 30, 2024. This project widens Runway 8L to a minimum of 200 feet to accommodate FAA design group VI aircraft, repaves shoulder areas, and updates striping, signage, and lighting. The project is substantially complete.
- **Runway and Taxiway Shoulder Rehabilitation**: Estimated at $135.9 million, with $21.2 million spent as of June 30, 2024. This project rehabilitates runway and taxiway shoulders at HNL, incorporating herbicide treatment, crack sealing, new pavement, and markings to comply with 14 CFR Part 139. The project is in the construction phase and is scheduled for completion in 2025.
- **Terminal 2 Parking Structure Improvement**: Estimated at $105.0 million, with no funds spent as of June 30, 2024. This project includes full concrete rehabilitation of the parking deck, targeted concrete spall repairs, drainage and sewer system enhancements, and upgrades to electrical infrastructure. It is in the design phase, with completion targeted for 2029.
- **Terminal Roadway Improvements**: Estimated at $88.7 million, with $5.1 million spent as of June 30, 2024. This project involves upgrades to the second and third level roadways at the Ewa and Diamond Head Concourses, including roadway spall repairs. The first phase is under construction, scheduled for completion in 2025, with spall repair completion expected by 2027.
- **HNL, Other Projects**: Estimated at $330.7 million, with $93.9 million spent as of June 30, 2024. This group includes 22 projects, each with remaining costs under $40 million, covering phase 2 of restroom improvements, terminal spall repairs, roofing repairs, equipment modernization, and other miscellaneous upgrades throughout HNL. These projects are in various stages, with completion expected by 2028.

### 4.2.2 KOA

Key projects at KOA include:

- **Runway 17-35 Rehabilitation**: Estimated at $101.4 million, with $3.0 million spent as of June 30, 2024. This project involves rehabilitating Runway 17-35 at KOA, based on the pavement management system. The contract has been bid and awarded to Jas. W. Glove, where the project started November 1, 2024, with an expected completion for 2026.
- **KOA, Other Projects**: Estimated at $72.7 million, with $43.0 million spent as of June 30, 2024. This group includes projects such as south ramp taxiway and ramp improvements, restroom upgrades, a USDA inspection building, and other miscellaneous improvements. These projects are in various stages, with completion expected by April 2026.

### 4.2.3 ITO

Projects at ITO have an estimated total cost of $70.2 million, with $13.3 million spent as of June 30, 2024. This group of projects includes runway and taxiway lighting replacement, drainage and wind cone improvements, and other miscellaneous upgrades. The projects are in various stages, with completion scheduled through 2027.

### 4.2.4 LIH

Key projects at LIH include:

- **LIH Runway 03-21 Relocation**: Estimated at $179.7 million, with $4.9 million spent as of June 30, 2024. This project will displace the Runway 3 take-off threshold 855 feet westward to create a standard 1,000-foot Runway Safety Area (RSA) on the east end, while keeping the landing threshold in its current location. It will also displace the Runway 21 threshold by 455 feet to provide a standard600-foot RSA on the east end. The project is in the construction phase, with completion scheduled for 2027.
- **LIH, Other Projects**: Estimated at $125.7 million, with $17.5 million spent as of June 30, 2024. This group includes projects such as an inline checked baggage belt system, base yard building structure repairs, runway and taxiway rehabilitation, and other miscellaneous improvements. These projects are in various stages, with completion expected by 2028.

### 4.2.5 OGG

Key projects at OGG include:

- **Holdroom and Gate Improvements**: Estimated at $72.5 million, with $57.9 million spent as of June 30, 2024. This project expands the seating capacity of the holdrooms by enclosing the exterior walkway and connecting several existing holdroom areas. It also increases the number of gates by repositioning and adding loading bridges and strengthens second-floor support. The project is substantially complete.
- **South TSA Checkpoint**: Estimated at $57.9 million, with $3.3 million spent as of June 30, 2024. This project adds a new checkpoint, including a bridge over the service road to Hold Rooms A and B. It has been awarded and awaits permits to proceed with work. The anticipated completion is scheduled for 2027.
- **Runway 2-20 Improvements Design**: This project involves design and planning for the reconstruction of Runway 2-20 without disrupting flight operations. DOTA is working with airlines and the FAA to evaluate options but has not yet selected a final solution. Construction costs for this project are not included in the financial evaluation of this Report.

- **OGG, Other Projects**: Estimated at $124.8 million, with $13.1 million spent as of June 30, 2024. This group includes projects such as apron light replacement, aircraft firefighting training pit replacement, perimeter fence replacement, improvements to the inbound baggage handling system, and other miscellaneous projects. These projects are in various stages, with completion expected by 2028.

### 4.2.6 Other Airports

Projects at other airports within the Hawaiʻi Airports System have an estimated total cost of $90.3 million, with $4.0 million spent as of June 30, 2024. This group includes utility system improvements, repaving certain runways and taxiways, apron light replacement, perimeter fence replacement, and other miscellaneous projects. These projects are in various stages, with completion scheduled through 2027.

### 4.2.7 Statewide

This group of projects includes statewide initiatives such as wastewater and water treatment systems, fire alarm system replacement and upgrades, as well as supporting design, program management, construction management, and planning projects, with a total estimated cost of $142.3 million.

## 4.3 Funding Sources

As of June 30, 2024, 25.5 percent of the Base CIP costs have been expended. Exhibit 4-3 outlines the planned funding sources for the remaining $1.8 billion of the Base CIP, with each funding source detailed below. The $1.5 billion in bond funding includes $602.5 million from the proposed 2025 Bonds and $885.9 million from planned Future Bonds to be issued in the forecast period.

**Exhibit 4-3: Remaining CIP Costs, as of June 30, 2024 (in US$ millions)**

| | Base CIP | |
|---|---|---|
| | **Remaining Costs** | **% of Remaining** |
| Project by Funding Sources | | |
| Grants | $ 308 | 16.7% |
| PFC Paygo | 45 | 2.4% |
| Cash | 4 | 0.2% |
| Bonds | 1,488 | 80.7% |
| **Total Base CIP** | **$ 1,845** | **100.0%** |

*Source: DOTA.*

For the purposes of this Report, it is assumed that $200 million of the Additional Allowance will be funded through PFC pay-as-you-go, with the remaining $1.8 billion to be funded by proceeds of the Future Bonds to be issued in the forecast period. DOTA may implement additional projects from the identified project list if other grants become available.

### 4.3.1 AIP Grants and Other Grants

DOTA receives federal grants through the FAA's Airport Improvement Program (AIP), which provides entitlement and discretionary grants. Entitlement grants are determined by a formula based on passenger numbers and the total appropriation level, while discretionary grants are awarded by the FAA based on the specific project's priority relative to other airport projects within the FAA region. AIP grants typically cover the federal share of eligible projects—75 percent at large and medium-hub airports like HNL and OGG, and 90 percent at small-hub airports such as ITO, KOA, and LIH. Eligible projects enhance safety, security, capacity, and access. Additional

AIP grants include military airport program grants, cargo entitlement grants, noise grants, and other discretionary funding.

DOTA also receives federal grants under programs like the Bipartisan Infrastructure Law. Over the first three years of the five-year program, DOTA received $49.3 million, $49.3 million, and $50.4 million through formula allocation, as well as a total of $58.8 million through the Airport Terminals Program.

DOTA anticipates funding $308.2 million of future Base CIP costs with federal grants, including awarded entitlement and discretionary grants, and anticipated entitlement grants, excluding potential future discretionary grants. It may receive additional federal, state, or local grants for specific capital projects, such as AIP discretionary grants for OGG Runway 2-20 improvement or Transportation Security Administration (TSA) grants for baggage system projects. To the extent that the planned entitlement grants are not available, DOTA intends to adjust the capital project by either delaying the related projects or revising other funding sources to compensate. For paused grant reimbursements that were either awarded or are anticipated, DOTA anticipates having adequate other funds as interim funding sources.

### 4.3.2 Passenger Facility Charge Pay-as-you-go

The 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 authorization. Airlines collect PFC revenues from certain enplaned passengers on behalf of the airport, remitting these funds to the airport operator after deducting an administrative fee of $0.11 per transaction. PFC revenues can only be used for the capital costs of approved eligible projects, with limited exceptions. Title 49 U.S. Code Section 40117 authorizes PFC collection, and CFR Part 158 provides detailed guidelines on PFC eligibility, application, collection, amendments, and closeout. To qualify, a project must enhance or preserve the safety, security, or capacity of the national air transportation system; reduce or mitigate airport noise impacts; or improve opportunities for competition among air carriers.

PFC revenues are collected from most revenue enplaned passengers departing for overseas destinations. However, passengers on interisland flights within Hawai'i are exempt from PFC collection.

As of June 30, 2024, DOTA had a total PFC collection authority of $1.30 billion at $4.50 level, of which$667.3 million had been collected including interest earned. DOTA has spent $466.9 million on a pay-as-you-go basis and for eligible bond debt service, with an ending balance of $200.4 million. As presented in Exhibit A, DOTA plans to allocate $45.0 million of PFC revenues on a pay-as-you-go basis for the Base CIP and has assumed another $200 million for the Additional Allowance. Additionally, DOTA intends to submit more PFC applications for eligible debt service.

### 4.3.3 Internal Cash

DOTA expects to use a total of $3.5 million in internal cash for the Base CIP. DOTA has advanced $100.0 million in internal cash to the bond fund in FY 2024 and $100.0 million in FY 2025 and will reimburse itself for these amounts upon the closing of the proposed 2025 Bonds. Recognizing the importance of maintaining a strong cash position, DOTA continues to prioritize funding sources other than cash.

### 4.3.4 Bond Proceeds

DOTA plans to fund the remaining Base CIP costs through bond proceeds, including $602.5 million from the proposed 2025 Bonds and $885.9 million from the Future Bonds. It is assumed that $1.8 billion of the Additional Allowance will also be funded from proceeds of the Future Bonds.

## 4.4 Other Potential Capital Projects

DOTA intends to proceed with the projects in the Base CIP and continues discussions with the Signatory Airlines to refine the capital projects included in the Additional Allowance category. Depending on operational needs, the availability of additional grants, traffic changes, airline affordability, and other factors, the actual implementation costs and funding sources may vary from the Additional Allowance.

Additionally, DOTA's annual appropriation for operating costs includes a line item for special maintenance to fund major repair and maintenance projects. The appropriated amounts are $56.7 million for FY 2024 and $71.7 million for FY 2025, with expectations for future years to exceed $70 million annually. A portion of the special maintenance costs is capitalized as a capital asset in accordance with GAAP, while the remaining amount is included in GAAP operating expenses and thus accounted for in the Costs of Operation, Maintenance, and Repair. Special maintenance projects are not included in the CIP.

DOTA may also pursue rental car-related projects during the forecast period, anticipated to be funded by CFC revenues or, if necessary, future CFC bonds, which are not included 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 2031, considering the Outstanding Bonds, the proposed 2025 Bonds, and the Future Bonds. The Rate Covenant includes two tests:

- The "flow test" requires that the Department generate sufficient Revenues and Aviation Fuel Taxes to cover the Annual Adjusted Debt Service Requirement, Costs of Operation, Maintenance, and Repair, as well as subordinate debt service obligations such as the debt service on COPs, among other requirements.
- The "coverage test" mandates 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, ensuring this amount is at least 125 percent of the Annual Adjusted Debt Service Requirement.

The Department generates non-airline revenues through commercial agreements and permits, and airline revenues as specified 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 (a) the Airline Agreement remains in effect and (b) the Signatory Airlines continue to operate within the Hawai‘i Airports System, remaining willing and able to pay the associated airline rates and charges.

This section presents the revenue requirements, including the Annual Adjusted Debt Service Requirement, subordinate debt service, and Costs of Operation, Maintenance, and Repair. It will also discuss non-airline and airline revenues, calculate costs per enplanement (CPE), outline the two tests in the Rate Covenant, and perform a sensitivity test. The financial forecasts are based on historical audited operating results through FY 2024, and assumptions for FY 2025 through FY 2031, which have been reviewed and agreed upon by DOTA management. The forecasts are subject to uncertainty, which may result in actual outcomes significantly differing from those projected in this Report.

## 5.1 Annual Adjusted Debt Service Requirement

As of January 2025, DOTA had 13 series of bonds outstanding, with a total par amount of $1.67 billion, equating to approximately $87 per enplaned passenger based on the FY 2024 enplaned passenger count of 19.2 million. Barclays, senior managing underwriter for the proposed 2025 Bonds, provided the estimated sources and uses of funds, as well as the debt service schedules for the 2025 Bonds and Future Bonds, which are detailed in Exhibits C and D.

### 5.1.1 Debt Service on the 2025 Bonds and the Future Bonds

Exhibit C presents the expected sources and uses of bond funds, which includes $1.5 billion for the Base CIP and an assumed $1.8 billion for the Additional Allowance that DOTA will continue to refine in collaboration with the Signatory Airlines. The planned Bonds include:

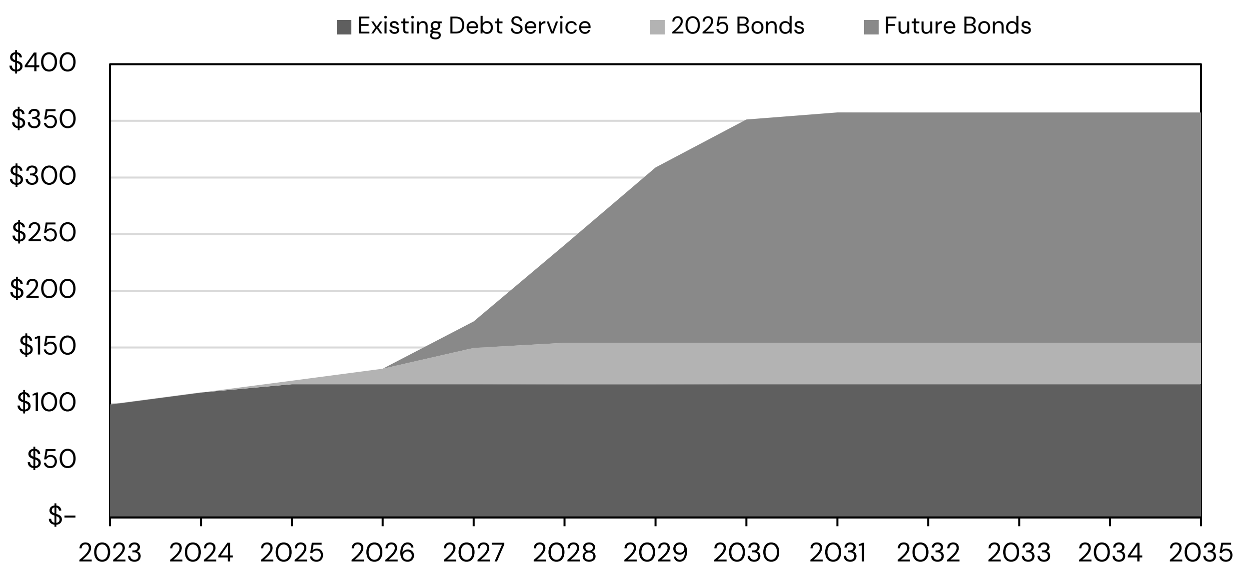
- **The 2025 Bonds**: These Bonds will be issued to fund $602.5 million in project costs, assumed to be issued at an all-in true-interest-cost (All-in TIC) of 5.48 percent, which is 100 basis points above the estimated market rate as of December 17, 2024.
- **The Future Bonds**: These are assumed to be issued at All-in TICs of 5.85 percent to 5.88 percent, which are 150 basis points above the estimated market rate as of December 17, 2024, with backloaded principal repayments designed to create an overall level annual debt service schedule and a term to final maturity of 30 years from the planned issuance date of each series. The timing of each bond issue below is selected to reflect the full potential impact on the FY 2031 operations and is subject to change. The potential spending related to the Additional Allowance is expected to be

limited in FY 2026 and FY 2027 due to the required approval process and the initial design period. Actual spending may extend through FY 2031 and beyond.

- $1.2 billion in bond par amount in July 2026 to fund $1.0 billion of capital costs
- $1.1 billion in bond par amount in July 2027 to fund $900 million of capital costs
- $956 million in bond par amount in July 2028 to fund the remaining $786 million of capital costs

Based on those assumptions, annual gross debt service, net of capitalized interest, is projected to increase from $117.5 million in FY 2025 to $357.4 million in FY 2031 and remain level, thereafter, as shown in Exhibit 5-1 below. The DOTA may issue refunding bonds from time to time to realize debt service savings, which has not been taken into consideration in this Report.

**Exhibit 5-1: Annual Gross Debt Service (in US$ millions)**




*Source: DOTA.*

### 5.1.2 Available PFC Revenues and Airline Prepaid Interest

As discussed in the previous section, DOTA has received FAA approval to use PFC revenues for project and financing costs of PFC-eligible projects in the CIP. These PFC revenues will contribute to paying a portion of the eligible debt service on the Outstanding Bonds. Additionally, DOTA plans to submit further PFC applications during the forecast period to cover other PFC-eligible costs within the CIP.

Available PFC Revenues applied to debt service are deducted from the calculation of the Annual Adjusted Debt Service Requirements. DOTA utilized $20.6 million of Available PFC Revenues in FY 2024 and plans to use $21.5 million in FY 2025. It is assumed that all annual PFC collections starting in FY 2030 will be classified as Available PFC Revenues, reflecting the expected submission and approval of future PFC applications. Exhibit D presents the Annual Aggregate Debt Service, after excluding Available PFC Revenues.

Historically, 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, thereby decreasing the allocated amount to the airline cost centers. The Department also has the option to deposit internal cash to lower the Annual Adjusted Debt Service Requirement. However, the financial forecasts in this Report do not account for such actions during the forecast period.

## 5.2 Costs of Operation, Maintenance and Repair

An amendment to the Certificate, effective FY 2020, defines the Costs of Operation, Maintenance, and Repair. These costs generally encompass all expenses incurred by the Department for the operation and maintenance of the Hawaiʻi Airports System. This includes, but is not limited to, the State Surcharge and reimbursements to State agencies, including the DOT. However, it excludes any pension and other post-retirement benefits (OPEB) expenses that exceed the amount the Department deposits to the State funds for the proportional share related to the Hawaiʻi Airports System.

Forecasts indicate that Costs of Operation, Maintenance, and Repair will change due to management actions, increased costs associated with maintaining existing facilities, and incremental expenses necessary to support the planned facilities in the CIP.

### 5.2.1 Historical Costs of Operation, Maintenance and Repair

Exhibit 5-2 presents historical Costs of Operation, Maintenance, and Repair by category. These costs increased from $314.8 million in FY 2019 to $357.7 million in FY 2023, reflecting an annual average growth rate of 3.2 percent. FY 2024 costs increased by $76.6 million to $434.3 million, including $16 million in one-time hazard pay associated with the COVID-19 period and $14.2 million in one-time anticipated bad debt, among other increases.

**Exhibit 5-2: Historical Costs of Operation, Maintenance and Repair (in US$ thousands; Fiscal Years)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | Historical 2024 | % in 2024 | AAG 2019-2023 |
|---|---|---|---|---|---|---|---|---|
| O&M Expenses | | | | | | | | |
| Salary and Wages | $ 116,993 | $ 117,938 | $ 112,195 | $ 111,622 | $ 117,463 | $ 148,351 | 34.2% | 4.9% |
| Other Personnel Services | 80,941 | 89,338 | 87,726 | 99,824 | 91,351 | 95,324 | 21.9% | 3.3% |
| Utilities | 37,614 | 34,103 | 30,765 | 41,239 | 45,911 | 46,226 | 10.6% | 4.2% |
| Special Maintenance | 5,763 | 6,859 | 9,485 | 13,643 | 21,998 | 19,058 | 4.4% | 27.0% |
| Repair and Maintenance | 34,700 | 38,531 | 48,093 | 43,935 | 38,149 | 61,910 | 14.3% | 12.3% |
| Materials and Supplies | 6,527 | 5,453 | 5,051 | 11,407 | 8,735 | 8,579 | 2.0% | 5.6% |
| DOT Administrative Expenses | 8,370 | 7,727 | 6,102 | 11,482 | 8,513 | 8,871 | 2.0% | 1.2% |
| Other Expenses | 5,196 | 7,940 | 8,007 | 8,189 | 8,042 | 27,909 | 6.4% | 40.0% |
| Bad Debt | 4,015 | 71 | 97 | - | - | - | 0.0% | -100.0% |
| Subtotal | $ 300,118 | $ 307,961 | $ 307,521 | $ 341,340 | $ 340,161 | $ 416,228 | 95.8% | 6.8% |
| State Surcharge | 14,731 | 14,384 | 8,042 | 17,041 | 17,547 | 18,068 | 4.2% | 4.2% |
| O&M Expenses | $ 314,849 | $ 322,345 | $ 315,563 | $ 358,381 | $ 357,708 | $ 434,296 | 100.0% | 6.6% |
| | | | | | | | | |
| **Year-over-year % Change** | | | | | | | | |
| O&M Expenses | | | | | | | | |
| Salary and Wages | | 0.8% | -4.9% | -0.5% | 5.2% | 26.3% | | |
| Other Personnel Services | | 10.4% | -1.8% | 13.8% | -8.5% | 4.4% | | |
| Utilities | | -9.3% | -9.8% | 34.0% | 11.3% | 0.7% | | |
| Special Maintenance | | 19.0% | 38.3% | 43.8% | 61.2% | -13.4% | | |
| Repair and Maintenance | | 11.0% | 24.8% | -8.6% | -13.2% | 62.3% | | |
| Materials and Supplies | | -16.4% | -7.4% | 125.8% | -23.4% | -1.8% | | |
| DOT Administrative Expenses | | -7.7% | -21.0% | 88.2% | -25.9% | 4.2% | | |
| Other Expenses | | 52.8% | 0.8% | 2.3% | -1.8% | 247.0% | | |
| Bad Debt | | -98.2% | 37.0% | -100.0% | 0.0% | 0.0% | | |
| Subtotal | | 2.6% | -0.1% | 11.0% | -0.3% | 22.4% | | |
| State Surcharge | | -2.4% | -44.1% | 111.9% | 3.0% | 3.0% | | |
| O&M Expenses | | 2.4% | -2.1% | 13.6% | -0.2% | 21.4% | | |

*Source: DOTA.*

#### *5.2.1.1 Salaries and Wages Expenses*

Salaries and wages expenses encompass personnel costs for DOTA staff, including regular salaries, overtime payments, pension contributions to the Employees' Retirement System of the State of Hawaiʻi (ERS), health plan contributions, and other payments, as well as non-cash accrued liabilities related to pension and OPEB expenses. Salaries and wages increased from $117.0 million in FY 2019 to $117.5 million in FY 2023, partly due to lower fringe costs related to funding for the OPEB trust fund, which concluded in FY 2023. The FY 2024 expenses include the full reimbursement for payments to the pension and OPEB trust funds.

FY 2024 salaries and wages expenses were $148.4 million, representing an increase of $30.9 million compared to FY 2023. After excluding the one-time $16 million hazard pay payment, the average annual growth rate from FY 2019 to FY 2024 was 2.5 percent. The hazard expenses were paid in FY 2025 and were accrued in FY 2024. Salaries and wages expenses accounted for 34.2 percent of total expenses in FY 2024.

Changes in salaries and wages expenses are primarily driven by:

- The number of employees in DOTA: The budgeted full-time positions increased from 1,337 in FY 2019 to 1,369 in FY 2025, of which approximately one-fifth are vacant as of the date of this Report.
- Average salaries and wages: These are influenced by cost-of-living adjustments, merit-based increases, step-based increases due to union contracts, and other discretionary changes.
- Employee benefits.

#### *5.2.1.2 Other Personnel Service Expenses*

Other personnel service expenses are payments made to DOTA's contractors for professional services. These expenses increased from $80.9 million in FY 2019 to $95.3 million in FY 2024, reflecting an average annual growth rate of 3.3 percent, and accounted for 21.9 percent of total expenses in FY 2024. Major contractors included:

- Security services: Costs for security services throughout the Hawaiʻi Airports System represented approximately two-thirds of the FY 2024 other personnel service expenses.
- Pre- and post-security shuttle bus services: This accounted for approximately 10 percent of FY 2024 other personnel service expenses.
- Department of Legal Enforcement: This entity provides police functions and accounted for approximately 9 percent of FY 2024 other personnel service expenses.
- Other miscellaneous contract services.

The increase in other personnel service expenses is primarily attributable to rising costs associated with security services, which are expected to follow the same cost-of-living adjustments (COLA) as those applied to the Department of Law Enforcement.

#### *5.2.1.3 Utility Expenses*

Utility expenses increased from $37.6 million in FY 2019 to $46.2 million in FY 2024, accounting for 10.6 percent of total expenses in FY 2024. These expenses had previously peaked at $50.4 million in FY 2013 but declined due to the implementation of Energy Saving Projects and lower electricity rates.

As a result of the Energy Saving Projects, DOTA pays debt service on COPs, which funded these initiatives and amounted to $23.9 million in FY 2024. Additionally, there are extra expenses associated with maintaining the equipment provided by the project.

In recent years, utility expenses have also risen due to costs related to electric vehicle charging and improvements in gate electrification.

#### *5.2.1.4 Special Maintenance*

DOTA's annual appropriation for operating costs includes a line item for special maintenance, initially funded from the operating budget for large maintenance projects. At the end of each fiscal year, an auditor reviews the special maintenance expenditures and classifies a portion of the actual spending as capital assets. The remaining amount in operating expenses increased from $5.8 million in FY 2019 to $19.1 million in FY 2024. The total appropriation for special maintenance was $56.7 million for FY 2024 and is projected to be $71.7 million for FY 2025.

#### *5.2.1.5 Repair and Maintenance*

Repair and maintenance expenses are paid to contractors for maintaining assets within the Hawaiʻi Airports System and are expected to cover smaller maintenance projects compared to those classified under the special maintenance category. These expenses increased from $34.7 million in FY 2019 to $61.9 million in FY 2024, reflecting an average annual growth rate of 12.3 percent, and accounted for 14.3 percent of total expenses in FY 2024. The increased spending in both maintenance categories indicates DOTA's heightened investment in renovating and rehabilitating airport facilities.

#### *5.2.1.6 DOT Administrative Expenses*

The Department provides centralized services to each operating branch, including DOTA, such as management, financial control, and human resources, among other services, and allocates a portion of its expenses based on the benefits received. The Department administrative expenses increased from $8.4 million in FY 2019 to$8.9 million in FY 2024, reflecting an average annual growth rate of 1.2 percent, and accounted for 2.0 percent of total expenses in FY 2024.

#### *5.2.1.7 Other DOTA Expenses*

Other DOTA expenses included material and supplies, bad debt, and other miscellaneous expenses. This category accounted for 8.4 percent of FY 2024 expenses, primarily due to the $14.2 million of anticipated bad debt expenses in FY 2024.

#### *5.2.1.8 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 payments. The State Surcharge increased from $14.7 million in FY 2019 to $18.1 million in FY 2024, reflecting an average annual growth rate of 4.2 percent, and accounted for 4.2 percent of total expenses in FY 2024. In FY 2024, the calculated State Surcharge, based on 5 percent of receipts net of debt service, exceeded the inflation-adjusted amount specified in U.S. Code Section 47115(f). Although there is no statutory requirement, DOTA chose to limit the State Surcharge to $18.1 million in FY 2024 and plans to remain below the inflation-adjusted limitation during the forecast period.

### 5.2.2 Forecast Costs of Operation, Maintenance and Repair

Exhibit E presents the forecast for Costs of Operation, Maintenance, and Repair through FY 2031, encompassing both the expenses required to maintain existing assets and incremental changes due to the implementation of capital projects. ConRAC-related expenses paid by rental car companies are reimbursable from CFC revenues when available, and are not part of Costs of Operation, Maintenance and Repair.

The forecast for Costs of Operation, Maintenance, and Repair required to maintain existing facilities is based on the following assumptions:

- Salaries and wages expenses are expected to increase by 6.0 percent annually starting in FY 2025, excluding the $16 million one-time hazard pay in FY 2024.
- Other personnel service expenses are anticipated to rise by 10 percent in FY 2025, 15 percent in FY 2026, and 6.0 percent annually thereafter. The increases in FY 2025 and FY 2026 are primarily attributed to expected increases in security services, which will be rebid in FY 2025, along with higher police and firefighting services.
- Utility expenses are projected to increase by 6.0 percent annually.

- Special maintenance expenses included in Operation, Maintenance, and Repair are expected to reach $40 million in FY 2025 and $50 million annually thereafter, reflecting DOTA's commitment to improving current facility conditions.
- Repair and maintenance expenses are expected to be 10 percent lower in FY 2025, excluding emergency repairs conducted in FY 2024, with a subsequent increase of 5 percent annually thereafter.
- Other categories of expenses are generally forecast to increase by 5.0 percent, excluding one-time costs.

DOTA expects these forecast expenses to be adequate for maintaining existing facilities as well as additional CIP facilities to be completed.

Total gross operating expenses are projected to increase from $434.3 million in FY 2024 to $619.9 million in FY 2031, reflecting an average annual growth rate of 6.3 percent after excluding one-time costs. Approximately two-thirds of the Costs of Operation, Maintenance, and Repair are expected to be allocated to the airline cost centers in FY 2031. 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.

## 5.3 Subordinate Obligations

In addition to the Bonds issued under the Certificate, DOTA issued Certificates of Participation (COPs) to fund the Energy Saving Projects in 2013, 2016 (bank direct purchase), and 2017 (bank direct purchase). As of October 2024, $140.3 million in COPs principal is outstanding, equating to approximately $7 per enplaned passenger based on the FY 2024 enplaned passenger count of 19.2 million. The Signatory Airlines have concurred with the Energy Saving Projects and the inclusion of COPs debt service in the calculation of airline rates and charges.

The annual COPs debt service is $23.9 million in FY 2024 and is structured to match the expected savings from the Energy Saving Projects. This annual debt service will peak at $29.8 million in FY 2029 before declining to less than $6 million annually, expiring in FY 2034. DOTA currently does not plan to issue subordinate obligations during the forecast period to fund new projects.

## 5.4 Concession Revenues

DOTA generates concession revenues through terminal concession operations, parking, rental car services, and ground transportation, all closely tied to fluctuations in enplaned passenger numbers. Exhibit 5-3 details historical concession revenues from FY 2019 to FY 2024. Concession revenues rose from $183.3 million in FY 2019 to a peak of $201.6 million in FY 2023, largely driven by increased rental car revenue. However, in FY 2024, rental car revenue dropped due to the Lahaina wildfire at Maui and weak pricing, while duty-free revenue remained low, bringing total concession revenue down to $183.5 million.

The adoption of GASB 87 on leases has created a difference between the revenues paid by concessionaires to DOTA and the revenues recognized under GAAP. Concession revenue figures in this section and Exhibit F reflect payments made by concessionaires to DOTA, with the difference included in the line "GASB 87 and Other Adjustments" (the Revenue Adjustments) on Exhibit F. The $157.2 million of concession fees on a GAAP basis included in the FY 2024 audited financial statements have been adjusted as follows:

- Adding back $11.5 million of one-time concession relief grants included in the FY 2024 Revenue Adjustments
- Excluding $14.2 million revenues associated with anticipated bad debt included in the FY 2024 Revenue Adjustments

- Adding back $29.0 million due to the adoption of GASB 87, for a total change of $26.3 million. The adjusted amount of $183.5 million is presented on Exhibit F

The GASB 87 impact in FY 2024 includes a reduction of $29.0 million to the concession revenues discussed above, a reduction of $0.5 million to other operating revenues, and an increase of $17.8 million in nonoperating interest incomes, for a net reduction of $11.7 million. This temporary difference will reverse through the life of related leases and is not forecasted for future years in this Report.

**Exhibit 5-3: Historical Concession Revenues (in US$ thousands; Fiscal Years)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | Historical 2024 | % in 2024 | AAG 2019-24 |
|---|---|---|---|---|---|---|---|---|
| **Concession Revenues** | | | | | | | | |
| Duty Free | $ 40,601 | $ 35,625 | $ - | $ 951 | $ 4,241 | $ 5,334 | 2.9% | -33.4% |
| Food and Beverage | 11,430 | 8,654 | 2,355 | 7,737 | 13,291 | 16,524 | 9.0% | 7.7% |
| Retail | 17,176 | 12,849 | 1,532 | 9,681 | 13,996 | 14,549 | 7.9% | -3.3% |
| Other Terminal Concessions | 11,375 | 9,940 | 3,863 | 7,891 | 11,893 | 11,737 | 6.4% | 0.6% |
| Parking | 27,152 | 22,394 | 11,826 | 27,288 | 33,186 | 37,766 | 20.6% | 6.8% |
| Rental Car | 72,354 | 58,876 | 38,250 | 114,761 | 121,765 | 94,018 | 51.2% | 5.4% |
| Ground Transportation | 3,187 | 2,685 | 1,354 | 2,600 | 3,277 | 3,572 | 1.9% | 2.3% |
| Total Concession Revenues | $ 183,275 | $ 151,025 | $ 59,180 | $ 170,909 | $ 201,648 | $ 183,501 | 100.0% | 0.0% |
| % Change | | -17.6% | -60.8% | 188.8% | 18.0% | -9.0% | | |
| | | | | | | | | |
| **As % of FY 2019** | | | | | | | | |
| Duty Free | | 87.7% | 0.0% | 2.3% | 10.4% | 13.1% | | |
| Food and Beverage | | 75.7% | 20.6% | 67.7% | 116.3% | 144.6% | | |
| Retail | | 74.8% | 8.9% | 56.4% | 81.5% | 84.7% | | |
| Other Terminal Concessions | | 87.4% | 34.0% | 69.4% | 104.6% | 103.2% | | |
| Parking | | 82.5% | 43.6% | 100.5% | 122.2% | 139.1% | | |
| Rental Car | | 81.4% | 52.9% | 158.6% | 168.3% | 129.9% | | |
| Ground Transportation | | 84.3% | 42.5% | 81.6% | 102.8% | 112.1% | | |
| Total Concession Revenues | | 82.4% | 32.3% | 93.3% | 110.0% | 100.1% | | |

*Source: DOTA.*

Exhibit 5-4 presents the distribution of FY 2024 concession revenues across airports, with HNL accounting for 51.6 percent of total concession revenues.

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**Exhibit 5-4: FY 2024 Concession Revenues by Airport (in US$ thousands; Fiscal Years)**

| | HNL | ITO | KOA | OGG | LIH | Others | Total |
|---|---|---|---|---|---|---|---|
| **Concession Revenues** | | | | | | | |
| Duty Free | $ 5,334 | $ – | $ – | $ – | $ – | $ – | $ 5,334 |
| Food and Beverage | 11,729 | 56 | 782 | 2,660 | 1,297 | – | 16,524 |
| Retail | 8,765 | 42 | 1,086 | 3,906 | 750 | – | 14,549 |
| Other Terminal Concessions | 8,549 | 156 | 524 | 1,779 | 718 | 10 | 11,737 |
| Parking | 24,008 | 1,735 | 3,842 | 5,734 | 2,447 | – | 37,766 |
| Rental Car | 33,370 | 2,378 | 16,252 | 26,727 | 15,055 | 235 | 94,018 |
| Ground Transportation | 2,910 | 33 | 178 | 287 | 145 | 19 | 3,572 |
| Total Concession Revenues | $ 94,665 | $ 4,401 | $ 22,664 | $ 41,095 | $ 20,411 | $ 265 | $ 183,501 |
| | | | | | | | |
| **% of Statewide Total** | | | | | | | |
| Duty Free | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 100.0% |
| Food and Beverage | 71.0% | 0.3% | 4.7% | 16.1% | 7.8% | 0.0% | 100.0% |
| Retail | 60.2% | 0.3% | 7.5% | 26.8% | 5.2% | 0.0% | 100.0% |
| Other Terminal Concessions | 72.8% | 1.3% | 4.5% | 15.2% | 6.1% | 0.1% | 100.0% |
| Parking | 63.6% | 4.6% | 10.2% | 15.2% | 6.5% | 0.0% | 100.0% |
| Rental Car | 35.5% | 2.5% | 17.3% | 28.4% | 16.0% | 0.3% | 100.0% |
| Ground Transportation | 81.5% | 0.9% | 5.0% | 8.0% | 4.1% | 0.5% | 100.0% |
| Total Concession Revenues | 51.6% | 2.4% | 12.4% | 22.4% | 11.1% | 0.1% | 100.0% |

*Source: DOTA.*

Exhibit F presents projected concession revenues, anticipated to reach $229.1 million in FY 2031, equating to approximately $10.79 per enplaned passenger, up from $9.55 per enplaned passenger in FY 2024.

### 5.4.1 Duty-Free

DFS has been operating in-bond duty-free concessions for international travelers departing from Hawai'i under the existing contract since 2007. Before COVID-19, DFS ran duty-free concessions both at airport locations and in Waikiki, O'ahu's primary tourism hub, where Waikiki alone accounted for about three-quarters of gross sales. Annual duty-free sales declined from approximately $200 million in FY 2012 to between $100 million and $110 million during FY 2015-2019 due to factors such as foreign currency exchange rates, changes in purchasing habits, passenger demographics, and merchandise selection.

DFS halted operations during the pandemic but later resumed duty-free sales at airport locations, with minimal sales activity at the Waikiki site. In FY 2024, DFS reported total gross sales of $16.4 million. The Department and DFS have executed an amendment No. 7 that provides (1) the duty-free agreement shall end on March 31, 2025, (2) DFS shall pay $15.0 million for the duty-free operation between January 2024 through October 2024 in addition to the percentage fees, but does not need to pay MAGs, and (3) DFS shall pay percentage fees between November 2024 and March 2025. DFS may operate the duty-free concession in holdover while the Department procures a new concessionaire. To provide a better comparison, the $15.0 million in FY 2025 is included in the Revenue Adjustments line instead of being split between reversal of anticipated bad debt and duty-free revenues. For the purposes of this Report, duty-free revenues during the forecast period are assumed to align with the percentage fee, calculated as 30 percent of projected gross sales on-airport, reaching an estimated $7.3 million by FY 2031. In case the replacing concessionaire includes an operate off-airport, duty-free revenues may be higher than indicated in this Report.

### 5.4.2 Food and Beverage

Food and beverage gross sales are influenced by passenger volume, product mix, pricing, and facility location. DOTA's food and beverage revenue increased from $11.4 million in FY 2019 to $16.5 million in FY 2024, reflecting an average annual growth rate of 7.7 percent. During this period, enplaned passengers grew at an average annual rate of 0.5 percent, while inflation averaged 4.2 percent. Approximately three-quarters of food and beverage revenue comes from HNL, with one-sixth from OGG, and the remainder primarily from other primary airports.

Food and beverage revenue to DOTA is projected to rise to $21.9 million by FY 2031, an average annual increase of 4.1 percent. This growth is expected to be driven by an increase in enplaned passenger counts (averaging 1.4 percent annually) and inflation adjustments, assumed at 2.5 percent annually.

### 5.4.3 Retail

Retail gross sales are influenced by passenger volume, product mix, pricing, and facility location. Retail revenues to DOTA declined from $17.2 million in FY 2019 to $14.5 million in FY 2024, partly due to reduced retail sales at HNL, which is also operated by DFS. Around 60 percent of retail revenue comes from HNL, with about a quarter from OGG, and the remainder primarily from other primary airports.

Retail revenue to DOTA is projected to reach $19.2 million by FY 2031, reflecting an average annual growth rate of 4.1 percent, driven by increases in enplaned passenger counts and inflation adjustments.

### 5.4.4 Other Terminal Concessions

Other terminal concessions include advertising, news vending, wireless internet, florists, in-flight catering, luggage cart services, merchandise delivery, and other miscellaneous revenue sources. In FY 2024, in-flight catering represented over half of this revenue category. Revenue from these terminal concessions to DOTA grew from $11.4 million in FY 2019 to $11.7 million in FY 2024.

Revenue from these terminal concessions is projected to reach $15.6 million by FY 2031, with an average annual growth rate of 4.1 percent, driven by increases in enplaned passenger counts and inflation adjustments.

### 5.4.5 Parking

Parking revenue is influenced by several factors, including the number of resident travelers, ground transportation methods, trip length, and parking rates. As Hawai‘i is a global tourist destination, resident travelers are estimated to comprise less than one-fifth of total O&D enplaned passengers. Consequently, parking revenue within the Hawai‘i Airports System is lower than rental car revenue, differing from trends at most U.S. airports. Maximum daily parking rates are $25 at the HNL garage and $24 at other primary airports. Approximately two-thirds of parking revenue is generated from HNL, with one-sixth from OGG, and the remainder primarily from other primary airports.

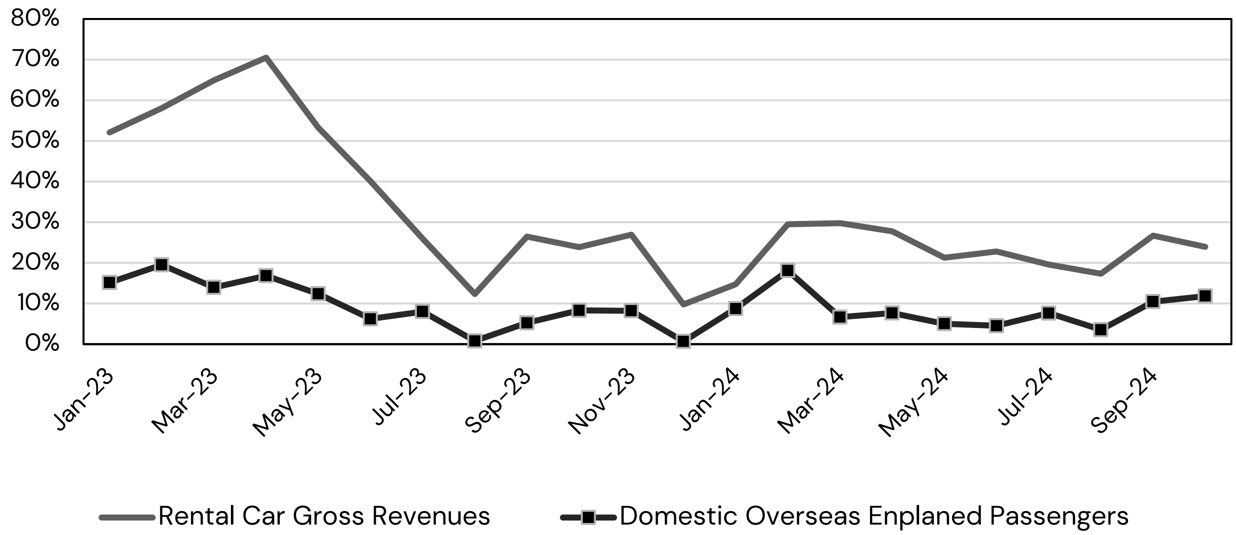
Parking revenue increased from $27.2 million in FY 2019 to $37.8 million in FY 2024, largely due to parking rate hikes. DOTA has established a multiyear schedule, raising the maximum daily rate at HNL to $27 in July 2025, $29 in July 2026, and $30 in July 2027. As a result, parking revenue is projected to grow to $45.8 million by FY 2031, reflecting an average annual increase of 2.8 percent.

### 5.4.6 Rental Car

Rental car revenues are affected by several factors, including the number of visitors, choice of ground transportation, rental transaction duration, rental car mix and pricing, and the operational locations of rental car services. Revenue rose from $72.4 million in FY 2019 to a peak of $121.8 million in FY 2023 due to higher demand and pricing. However, it declined to $94.0 million in FY 2024, impacted by the Maui wildfire and softer pricing.

As shown in Exhibit 5-5, Mainland U.S. enplaned passengers increased by up to 20 percent in calendar years 2023 and 2024, while rental car gross revenues surged to as high as 70 percent above the calendar year 2019 level. However, pricing softened in the first half of 2023, leading to year-over-year declines. In August to December 2024, monthly rental car gross revenues began to exceed the gross revenues in the same month of 2023.

**Exhibit 5-5: Rental Car Gross Revenues (percent change compared to the same month in CY 2019)**




*Source: DOTA.*

For the purposes of this report, it is assumed that (a) rental car revenue paid to DOTA will decrease from $94.0 million in FY 2024 to $90.2 million in FY 2025, and (b) future revenue growth will be driven by increased enplaned passenger counts and inflation adjustments. Rental car revenue to DOTA is projected to reach $114.6 million in FY 2031, with revenue per enplaned passenger forecasted at $5.40 in FY 2031, compared to $4.89 in FY 2024 and the peak of $7.26 in FY 2022.

### 5.4.7 Ground Transportation

Ground transportation revenue includes income from airport shuttle bus services, taxi services, TNCs, and other miscellaneous ground transportation permittees. TNCs, like taxi operators, contribute 7 percent of their gross revenue to DOTA. Ground transportation revenue is projected to grow from $3.6 million in FY 2024 to $4.8 million by FY 2031.

## 5.5 Non-Terminal Rentals and Fees

DOTA generates non-terminal rental and fee revenue from both signatory and non-signatory airlines, including cargo and maintenance hangar rentals, rental car ground rentals, and miscellaneous sources. These revenues are not directly influenced by changes in enplaned passenger counts. Revenue increased from $63.6 million in FY 2019 to $82.8 million in FY 2024, driven by higher rental rates through appraisal and increased land rent from rental car facilities. These revenues are projected to grow by 2.5 percent annually.

## 5.6 GASB 87 and Other Adjustments

As discussed previously, this line item includes the impact of adopting GASB 87 and other one-time revenues and adjustments through FY 2025. The impact of adopting GASB 87 for future years is not forecasted in this Report.

## 5.7 Non-Operating Revenues

Non-operating revenues include federal operating grants, COVID-19 relief grants, and interest income. DOTA does not anticipate any federal operating grants for FY 2025 and beyond. Interest income depends on the fund balance and projected earning rates, which are assumed to be 2.0 percent annually.

## 5.8 Airline Rates and Charges Revenues

Airline rates and charges revenue is collected from both signatory and non-signatory airlines for the use of airfield and terminal facilities, covering landing fees, terminal rentals, and terminal user fees. These rates are initially calculated prior to each fiscal year based on forecasted inputs. Non-signatory commercial carriers pay 125 percent of the rates charged to signatory airlines, while smaller non-signatory air operators are charged separate rates. As part of the year-end closing process, DOTA recalculates airline rates and charges based on actual results, settles accounts with signatory airlines, and collects additional amounts if necessary to comply with the Rate Covenant. Non-signatory airlines are not subject to year-end reconciliation.

In the initial calculation, DOTA typically follows the procedure outlined below:

- Determine Cost Requirements: This includes Costs of Operation, Maintenance, and Repair; the Annual Adjusted Debt Service Requirement; Certificates of Participation (COPs) debt service; and other fund deposits.
- Allocate Cost Requirements: These costs are distributed among the system-wide Airfield Cost Center, Terminal Cost Centers for the five Primary Airports (collectively, the Airline Cost Centers), and a separate cost center for other areas.
    - Approximately two-thirds of Costs of Operation, Maintenance, and Repair are allocated to the Airline Cost Centers.
    - The Annual Adjusted Debt Service Requirement is assigned based on funded projects. As the CIP lacks major parking or rental car projects, most related debt service is allocated to the Airline Cost Centers.
    - Fund deposits are allocated according to the funds' intended purposes.
- Credit Certain Revenues: Per the Airline Agreement, specific revenues, such as non-signatory landing fees and grant reimbursements, are credited to the landing fee rate calculation. Grant reimbursements and terminal concession revenues support the calculation of terminal rental rates for the five Primary Airports.
- Calculate Rates: The landing fee rate and terminal rental rates are calculated using a residual ratemaking methodology, except for a minor portion related to the ITO terminal. Terminal user fees are based on terminal rental rates, space square footage, and user counts.
- Collect an ASSC if Needed: An Airports System Support Charge (ASSC) may be assessed based on landed weight to ensure compliance with the Rate Covenant.

Exhibits F-1 and F-2 detail the calculations for landing fees and terminal rentals, respectively. As shown in Exhibit F-3, the passenger airline CPE is projected to increase from $16.04 in FY 2024 to $27.25 in FY 2031, reflecting higher cost recovery from airlines due to rising operating expenses and the implementation of the CIP. Total airline rates and charges for signatory airlines are estimated to represent 51.1 percent of Revenue and Aviation Fuel Taxes in FY 2024, rising to 63.6 percent by FY 2031. Based on the assumptions in this report, DOTA is not expected to implement an ASSC during the forecast period.

As discussed in Section 4, the financial forecasts account for the implementation of the Base CIP and Additional Allowance but do not include the costs of the remaining Diamond Head Extension Program and other excluded project costs.

## 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, encompassing both the flow test and the coverage test:

- **Flow Test:** This test assesses whether the Department is expected to generate sufficient Revenues and Aviation Fuel Taxes to meet the obligations outlined in the Certificate.
- **Coverage Test:** Debt service coverage was 3.10x in FY 2023 and 2.59x in FY 2024, partly supported by higher rental car revenues. As DOTA initiates the CIP and issues Future Bonds, debt service coverage is projected to decrease but remain above 1.46x throughout the forecast period.

DOTA plans to fund the Funded Coverage Account at 25 percent of gross debt service, equating to 29.0 percent of the Annual Adjusted Debt Service Requirement by FY 2031. Exhibit H provides key statistics, including enplaned passengers, debt service coverage, CPE, and concession revenues.

The unrestricted cash position, which includes the balance in the operating reserve and the Funded Coverage Account, grew from $585.0 million as of June 30, 2019, to $770.8 million as of June 30, 2024. DOTA temporarily transferred $100.0 million from unrestricted cash to the bond fund in FY 2024 ahead of the proposed 2025 Bonds issuance, which is not included in the $770.8 million total. DOTA transferred an additional $100.0 million in FY 2025. With $880.8 million in cash and $434.3 million in operating expenses in FY 2024, days cash on hand amounts to 740 days. An additional $60 million is also available from the Major Maintenance, Renewal, and Replacement Account for debt service if needed.

### 5.9.2 Sensitivity Test

Exhibit I provides key financial metrics under a hypothetical sensitivity test regarding the Department's ability to satisfy the Rate Covenants, based on the following assumptions:

- Enplaned passenger count would be 15 percent below the enplaned forecast presented in Exhibit H (the Base Case) starting in FY 2026;
- PFC revenues applied to the debt service would remain the same because DOTA has an adequate cash balance during the forecast period;
- Concession revenues are expected to decline by 15 percent in general;
- No reduction is assumed for the Costs of Operation, Maintenance and Repair, capital spending and related annual debt service, although DOTA is likely to implement such procedures

CPE is expected to increase to $33.01 in FY 2031, compared to $27.25 under the Base Case. The debt service coverage ratio is expected to be 1.37x in FY 2031, lower than the Base Case of 1.46x but above the 1.25x requirement.

Exhibits A through I are based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, DOTA 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 A: Project Costs and Sources of Funding**

**State of Hawaiʻi, Department of Transportation, Airports (for fiscal years ending June 30; numbers in thousands)**

| Project Title | Status | Remaining Costs as of June 30, 2024 — Proposed 2025 Bonds | Future Bonds | Total Bonds | Grants | PFC Paygo | Cash | Subtotal | Spent as of 6/30/2024 | Current Working Estimates |
|---|---|---|---|---|---|---|---|---|---|---|
| HNL | | | | | | | | | | |
| HNL, Diamond Head Extension | Planning | $ 30,926 | $ 234,229 | $ 265,155 | $ – | $ 45,000 | $ – | $ 310,155 | $ 26,845 | $ 337,000 |
| HNL, Ticket Lobby Renovation | Construction | 67,569 | 22,523 | 90,092 | – | – | – | 90,092 | 122,303 | 212,395 |
| HNL, Runway 8L Widening | Construction | 27,518 | – | 27,518 | 3,309 | – | 1,141 | 31,968 | 153,391 | 185,360 |
| HNL, Runway and Taxiway Shoulder Rehabilitation | Construction | 51,356 | – | 51,356 | 63,418 | – | – | 114,774 | 21,172 | 135,946 |
| HNL, Terminal 2 Parking Structure Impr. | Design | 5,000 | 100,000 | 105,000 | – | – | – | 105,000 | – | 105,000 |
| HNL, Terminal Roadway Improvements | Varies | 35,125 | 18,879 | 54,004 | 29,563 | – | – | 83,567 | 5,108 | 88,675 |
| HNL, Other Projects | Varies | 83,878 | 152,251 | 236,129 | – | – | 706 | 236,835 | 93,897 | 330,732 |
| Subtotal | | $ 301,371 | $ 527,883 | $ 829,254 | $ 96,291 | $ 45,000 | $ 1,847 | $ 972,392 | $ 422,716 | $ 1,395,107 |
| ITO Projects | Varies | $ 15,301 | $ 16,382 | $ 31,683 | $ 25,164 | $ – | $ – | $ 56,846 | $ 13,345 | $ 70,191 |
| KOA, Runway 17-35 Rehabilitation | Bid/award | $ 15,365 | $ 12,571 | $ 27,936 | $ 70,478 | $ – | $ – | $ 98,414 | $ 3,001 | $ 101,415 |
| KOA, Other Projects | Varies | 22,333 | 6,070 | 28,403 | 1,226 | – | 6 | 29,635 | 43,022 | 72,657 |
| Subtotal | | $ 37,697 | $ 18,642 | $ 56,339 | $ 71,705 | $ – | $ 6 | $ 128,050 | $ 46,023 | $ 174,072 |
| LIH, Relocate Runway 3-21 | Construction | $ 51,725 | $ 46,799 | $ 98,524 | $ 76,295 | $ – | $ (0) | $ 174,820 | $ 4,870 | $ 179,690 |
| LIH, Other Projects | Various | 20,124 | 85,029 | 105,154 | 1,506 | – | 1,541 | 108,200 | 17,456 | 125,656 |
| Subtotal | | $ 71,850 | $ 131,828 | $ 203,678 | $ 77,801 | $ – | $ 1,540 | $ 283,020 | $ 22,326 | $ 305,346 |
| OGG, Holdroom and Gate Improvements | Construction | $ 14,619 | $ – | $ 14,619 | $ – | $ – | $ – | $ 14,619 | $ 57,898 | $ 72,517 |
| OGG, South TSA Checkpoint | Bid/award | 12,512 | 20,101 | 32,613 | 22,000 | – | – | 54,613 | 3,308 | 57,921 |
| OGG, Runway 2-20 Improvements Design | Design | 28,539 | 4,008 | 32,548 | – | – | – | 32,548 | 9,524 | 42,072 |
| OGG, Other Projects | Varies | 41,327 | 70,391 | 111,718 | – | – | – | 111,718 | 13,106 | 124,824 |
| Subtotal | | $ 96,997 | $ 94,500 | $ 191,497 | $ 22,000 | $ – | $ – | $ 213,497 | $ 83,836 | $ 297,333 |
| Other Airports' Projects | Varies | $ 30,305 | $ 43,191 | $ 73,496 | $ 12,887 | $ – | $ – | $ 86,383 | $ 3,951 | $ 90,334 |
| Statewide Projects | Varies | $ 48,973 | $ 53,501 | $ 102,474 | $ 2,375 | $ – | $ 67 | $ 104,916 | $ 37,396 | $ 142,312 |
| **Base CIP** | | $ 602,493 | $ 885,927 | $ 1,488,420 | $ 308,223 | $ 45,000 | $ 3,460 | $ 1,845,103 | $ 629,592 | $ 2,474,696 |
| Additional Allowance | Planning | – | 1,800,000 | 1,800,000 | – | 200,000 | – | 2,000,000 | – | 2,000,000 |
| **TOTAL CIP (a)** | | $ 602,493 | $ 2,685,927 | $ 3,288,420 | $ 308,223 | $ 245,000 | $ 3,460 | $ 3,845,103 | $ 629,592 | $ 4,474,696 |

*Source: DOTA, December 2024.*
*Note: (a) Does not include remaining costs for the HNL Diamond Head Extension Program and other potential HNL terminal projects (See the Report for details).*

**Exhibit B: Historical and Forecast of PFC Revenues**

**State of Hawai'i, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Historical 2023 | Historical 2024 | Forecast 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|
| **PFC Collections** | | | | | | | | | |
| Enplaned Overseas Passengers (a) | 11,543 | 11,453 | 11,730 | 12,086 | 12,463 | 12,799 | 13,115 | 13,401 | 13,643 |
| Percent of PFC Eligible Passengers | 83.6% | 75.6% | 82.0% | 82.0% | 82.0% | 82.0% | 82.0% | 82.0% | 82.0% |
| PFC Eligible Enplaned Passengers | 9,651 | 8,655 | 9,619 | 9,911 | 10,220 | 10,496 | 10,754 | 10,989 | 11,187 |
| 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 | $ 42,370 | $ 37,994 | $ 42,226 | $ 43,509 | $ 44,865 | $ 46,076 | $ 47,211 | $ 48,241 | $ 49,111 |
| Cumulative PFC Collections with Interest Earnings | $ 621,970 | $ 667,277 | $ 713,718 | $ 761,498 | $ 810,630 | $ 861,282 | $ 912,274 | $ 962,410 | $ 1,012,454 |
| **PFC Cashflow** | | | | | | | | | |
| PFC Fund - Beginning Balance | $ 146,599 | $ 175,861 | $ 200,411 | $ 225,354 | $ 206,000 | $ 224,957 | $ 237,228 | $ 144,742 | $ 46,637 |
| Deposits: | | | | | | | | | |
| Annual PFC Collections | $ 42,370 | $ 37,994 | $ 42,226 | $ 43,509 | $ 44,865 | $ 46,076 | $ 47,211 | $ 48,241 | $ 49,111 |
| Interest Earnings | 4,001 | 7,313 | 4,215 | 4,271 | 4,267 | 4,576 | 3,782 | 1,895 | 933 |
| Annual PFC Revenues with Interest Earnings | $ 46,371 | $ 45,306 | $ 46,442 | $ 47,780 | $ 49,132 | $ 50,652 | $ 50,992 | $ 50,136 | $ 50,044 |
| **Annual Use of PFC Revenues** | | | | | | | | | |
| Available PFC Revenues | | | | | | | | | |
| Existing Applications | $ (16,868) | $ (20,623) | $ (21,499) | $ (22,134) | $ (20,175) | $ (23,381) | $ (23,478) | $ (24,345) | $ (28,528) |
| Future Applications | - | - | - | - | (10,000) | (15,000) | (20,000) | (23,896) | (20,583) |
| Subtotal | $ (16,868) | $ (20,623) | $ (21,499) | $ (22,134) | $ (30,175) | $ (38,381) | $ (43,478) | $ (48,241) | $ (49,111) |
| Pay-as-you-go | (240) | (133) | - | (45,000) | - | - | (100,000) | (100,000) | - |
| Total Annual Use of PFC Revenues | $ (17,109) | $ (20,756) | $ (21,499) | $ (67,134) | $ (30,175) | $ (38,381) | $ (143,478) | $ (148,241) | $ (49,111) |
| **PFC Fund - Ending Balance** | **$ 175,861** | **$ 200,411** | **$ 225,354** | **$ 206,000** | **$ 224,957** | **$ 237,228** | **$ 144,742** | **$ 46,637** | **$ 47,570** |

*Source: Historical – DOTA; Forecasts - ICF.*

*Note: (a) Interisland enplaned passengers are not subject to the PFC collection.*

**Exhibit C: Sources and Uses of Bond Funds**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Future 2025 Bonds | Future July 2026 Bonds | Future July 2027 Bonds | Future July 2028 Bonds | Other Sources | Grand Total |
|---|---|---|---|---|---|---|
| **Sources of Funds** | | | | | | |
| Bond Proceeds | $ 696,790 | $ 1,207,630 | $ 1,091,830 | $ 955,965 | $ – | $ 3,952,215 |
| Premium/(Discount) | (19,194) | (83,851) | (75,503) | (69,623) | – | (248,171) |
| Other Sources (a) | – | – | – | – | 556,683 | 556,683 |
| Total Sources | $ 677,596 | $ 1,123,779 | $ 1,016,327 | $ 886,342 | $ 556,683 | $ 4,260,728 |
| **Use of Funds** | | | | | | |
| Project Costs | $ 602,493 | $ 1,000,000 | $ 900,000 | $ 785,927 | $ 556,683 | $ 3,845,103 |
| Costs of Issuance | 3,488 | 6,040 | 5,460 | 4,780 | – | 19,768 |
| Deposit to Debt Service Reserve Account | 36,581 | 72,889 | 70,348 | 60,110 | – | 239,929 |
| Deposit for Capitalized Interest | 35,033 | 44,850 | 40,519 | 35,525 | – | 155,928 |
| **Total Uses of Funds** | $ 677,596 | $ 1,123,779 | $ 1,016,327 | $ 886,342 | $ 556,683 | $ 4,260,728 |

*Source: Barclays Capital Inc., December 2024.*
*Note: (a) Other sources include grant, PFC paygo, and internal cash.*

**Exhibit D: Annual Adjusted Debt Service Requirement and Subordinate Obligations**

**State of Hawai‘i, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Historical | | Forecast | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| **Annual Adjusted Debt Service Requirement** | | | | | | | | | |
| Outstanding Bonds | | | | | | | | | |
| 2015A New Money | $ 11,742 | $ 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 | 19,428 | 19,428 | 19,428 | 19,428 | 19,428 | 29,228 | 29,688 | 29,681 | 29,677 |
| 2018B New Money | 1,276 | 1,276 | 9,581 | 9,579 | 9,576 | – | – | – | – |
| 2018C Refunding | 3,769 | 21,103 | 19,455 | 21,063 | 19,463 | 20,825 | – | – | – |
| 2018D Refunding | 7,108 | 7,108 | 7,108 | 7,108 | 7,108 | 7,108 | 27,293 | 28,033 | 28,212 |
| 2020A New Money | 4,024 | 5,292 | 5,292 | 5,292 | 5,292 | 5,292 | 5,292 | 8,212 | 22,256 |
| 2020B New Money | 4,395 | 5,779 | 5,779 | 5,779 | 5,779 | 5,779 | 5,779 | 5,779 | 5,779 |
| 2020C New Money | 975 | 1,015 | 1,015 | 1,015 | 1,015 | 1,015 | 1,015 | 1,015 | 1,015 |
| 2020D Refunding | 7,515 | 7,515 | 7,515 | 7,515 | 9,240 | 9,144 | 9,323 | 8,584 | 8,412 |
| 2020E Refunding | 1,875 | 1,875 | 20,175 | 18,571 | 18,452 | 16,962 | 16,963 | 14,045 | – |
| 2022A New Money | 1,269 | 6,845 | 10,043 | 10,043 | 10,043 | 10,043 | 10,043 | 10,043 | 10,043 |
| 2022B Refunding | 35,837 | 20,843 | – | – | – | – | – | – | – |
| Subtotal Outstanding | $ 99,578 | $ 110,186 | $ 117,498 | $ 117,499 | $ 117,502 | $ 117,502 | $ 117,502 | $ 117,499 | $ 117,500 |
| Proposed Series 2025 Bonds | | | 3,150 | 13,718 | 32,009 | 36,581 | 36,581 | 36,581 | 36,581 |
| Future Bonds | – | – | – | – | 23,514 | 86,294 | 154,781 | 197,136 | 203,349 |
| Debt Service Requirement | $ 99,578 | $ 110,186 | $ 120,648 | $ 131,217 | $ 173,024 | $ 240,378 | $ 308,865 | $ 351,217 | $ 357,430 |
| Available PFC Revenues (a) | (16,868) | (20,623) | (21,499) | (22,134) | (30,175) | (38,381) | (43,478) | (48,241) | (49,111) |
| **Annual Adjusted Debt Service Requirement** | **$ 82,710** | **$ 89,563** | **$ 99,149** | **$ 109,084** | **$ 142,850** | **$ 201,997** | **$ 265,387** | **$ 302,975** | **$ 308,319** |
| | | | | | | | | | |
| **Subordinate Obligations** | | | | | | | | | |
| 2013 Certificate of Participation (COPs) | $ 17,705 | $ 18,774 | $ 20,222 | $ 21,249 | $ 22,069 | $ 23,339 | $ 24,892 | $ – | $ – |
| 2016 COPs | 1,168 | 1,224 | 1,284 | 78 | – | | | | |
| 2017 COPs | 3,674 | 3,858 | 4,052 | 4,255 | 4,468 | 4,691 | 4,926 | 5,173 | 5,432 |
| **Total Subordinate** | $ 22,547 | $ 23,857 | $ 25,558 | $ 25,581 | $ 26,537 | $ 28,030 | $ 29,818 | $ 5,173 | $ 5,432 |

*Source:* *Historical – DOTA; Forecasts – ICF.*
*Note:* *(a) Includes amount under approved PFC applications, and forecast amounts for other eligible projects to be requested in future PFC applications.*

**Exhibit E: Costs of Operation, Maintenance and Repair**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | | Historical | Forecast | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** |
| **Costs of Operation, Maintenance and Repair** | | | | | | | | | |
| Salary and Wages (a) | $ 117,463 | $ 148,351 | $ 140,292 | $ 148,709 | $ 157,632 | $ 167,090 | $ 177,115 | $ 187,742 | $ 199,007 |
| Other Personnel Services | 91,351 | 95,324 | 104,857 | 120,585 | 127,821 | 135,490 | 143,619 | 152,236 | 161,371 |
| Utilities | 45,911 | 46,226 | 49,000 | 51,940 | 55,056 | 58,360 | 61,861 | 65,573 | 69,507 |
| Special Maintenance | 21,998 | 19,058 | 40,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Repair and Maintenance | 38,149 | 61,910 | 55,719 | 58,505 | 61,430 | 64,502 | 67,727 | 71,113 | 74,669 |
| Materials and Supplies | 8,735 | 8,579 | 9,008 | 9,458 | 9,931 | 10,428 | 10,949 | 11,497 | 12,072 |
| DOT Administrative Expenses | 8,513 | 8,871 | 9,314 | 9,780 | 10,269 | 10,782 | 11,321 | 11,887 | 12,482 |
| Other Expenses (b) | 8,042 | 27,909 | 14,408 | 15,129 | 15,885 | 16,680 | 17,514 | 18,389 | 19,309 |
| Bad Debt | – | – | – | – | – | – | – | – | – |
| Subtotal | $ 340,161 | $ 416,228 | $ 422,598 | $ 464,107 | $ 488,024 | $ 513,331 | $ 540,107 | $ 568,438 | $ 598,415 |
| Incremental Expenses | – | – | – | – | – | – | – | – | – |
| State Surcharge | 17,547 | 18,068 | 18,520 | 18,983 | 19,458 | 19,944 | 20,443 | 20,954 | 21,478 |
| **Costs of Operation, Maintenance and Repair** | **$ 357,708** | **$ 434,296** | **$ 441,119** | **$ 483,090** | **$ 507,482** | **$ 533,275** | **$ 560,550** | **$ 589,392** | **$ 619,893** |
| % Change of Gross Operating Expenses | -0.2% | 21.4% | 1.6% | 9.5% | 5.0% | 5.1% | 5.1% | 5.1% | 5.2% |

*Source: Historical – DOTA; Forecasts - ICF.*

*Note: (a) FY 2024 salaries and wages expenses included a one-time hazard pay related to the COVID-19 pandemic at approximately $16 million.*

*(b) FY 2024 other expenses included a one-time anticipated bad debt related to the duty-free operations at approximately $14 million.*

**Exhibit F: Revenues and Aviation Fuel Taxes**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Historical | | Forecast | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| **Revenues and Aviation Fuel Taxes** | | | | | | | | | |
| Airline Rates and Charges | | | | | | | | | |
| Landing Fees | $ 101,279 | $ 128,811 | $ 127,180 | $ 142,626 | $ 172,711 | $ 221,575 | $ 272,292 | $ 300,324 | $ 314,334 |
| Terminal Rentals | 129,078 | 198,342 | 194,520 | 228,738 | 241,056 | 264,503 | 291,697 | 300,561 | 310,450 |
| Subtotal | $ 230,357 | $ 327,154 | $ 321,700 | $ 371,364 | $ 413,767 | $ 486,078 | $ 563,989 | $ 600,885 | $ 624,784 |
| Concession Revenues Pre-GASB 87 | | | | | | | | | |
| Duty Free | $ 4,241 | $ 5,334 | $ 5,370 | $ 5,785 | $ 6,241 | $ 6,605 | $ 6,909 | $ 7,162 | $ 7,316 |
| Food and Beverage | 13,291 | 16,524 | 17,030 | 17,749 | 18,607 | 19,444 | 20,284 | 21,118 | 21,922 |
| Retail | 13,996 | 14,549 | 14,949 | 15,564 | 16,314 | 17,048 | 17,784 | 18,513 | 19,222 |
| Other Terminal Concessions | 11,893 | 11,737 | 12,100 | 12,612 | 13,223 | 13,818 | 14,415 | 15,008 | 15,578 |
| Parking | 33,186 | 37,766 | 39,237 | 40,729 | 42,522 | 43,766 | 44,514 | 45,191 | 45,757 |
| Rental Car | 121,765 | 94,018 | 90,249 | 93,625 | 97,857 | 102,030 | 106,240 | 110,443 | 114,589 |
| Ground Transportation | 3,277 | 3,572 | 3,687 | 3,847 | 4,035 | 4,217 | 4,400 | 4,582 | 4,756 |
| Subtotal | $ 201,648 | $ 183,501 | $ 182,623 | $ 189,911 | $ 198,799 | $ 206,929 | $ 214,548 | $ 222,016 | $ 229,140 |
| Non-Terminal Rentals and Fees | | | | | | | | | |
| Signatory Airline Non-Terminal Rentals | $ 18,034 | $ 18,034 | $ 18,485 | $ 18,947 | $ 19,421 | $ 19,907 | $ 20,404 | $ 20,914 | $ 21,437 |
| Non-signatory Airline Non-Terminal Rentals | 23,494 | 23,534 | 24,122 | 24,725 | 25,344 | 25,977 | 26,627 | 27,292 | 27,975 |
| Nonaeronautical Rentals | 26,802 | 31,882 | 32,679 | 33,496 | 34,334 | 35,192 | 36,072 | 36,974 | 37,898 |
| Miscellaneous Operating Revenues | 8,588 | 9,352 | 9,585 | 9,825 | 10,071 | 10,322 | 10,580 | 10,845 | 11,116 |
| Subtotal | $ 76,918 | $ 82,802 | $ 84,872 | $ 86,994 | $ 89,169 | $ 91,398 | $ 93,683 | $ 96,025 | $ 98,426 |
| GASB 87 and Other Adjustments (a) | (18,692) | (26,820) | 15,000 | - | - | - | - | - | - |
| Operating Revenues | $ 490,230 | $ 566,637 | $ 604,195 | $ 648,269 | $ 701,734 | $ 784,405 | $ 872,221 | $ 918,927 | $ 952,350 |
| Federal Grant Reimbursements | (516) | 379 | - | - | - | - | - | - | - |
| COVID-19 Relief Grants | 46,888 | 3,493 | - | - | - | - | - | - | - |
| Interest Incomes (b) | 47,822 | 69,537 | 26,499 | 29,502 | 31,569 | 37,491 | 37,601 | 33,987 | 29,971 |
| **Revenues and Aviation Fuel Taxes** | **$ 584,424** | **$ 640,046** | **$ 630,694** | **$ 677,771** | **$ 733,304** | **$ 821,896** | **$ 909,822** | **$ 952,913** | **$ 982,321** |
| Airline Rates and Charges as % of Total | 39.4% | 51.1% | 51.0% | 54.8% | 56.4% | 59.1% | 62.0% | 63.1% | 63.6% |

*Source: Historical – DOTA; Forecasts - ICF.*

*Notes: (a) Including accounting changes due to implementation of GASB 87, other accounting adjustments, and duty-free related changes.*

*(b) Including $16.0 million of GASB 87 related interests in FY 2023 and $17.8 million in FY 2024.*

**Exhibit F-1: Signatory Airline Landing Fee Revenues**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Forecast 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|
| Airfield Requirement | | | | | | | |
| Costs of Operation, Maintenance and Repair | $ 107,266 | $ 117,472 | $ 123,403 | $ 129,675 | $ 136,307 | $ 143,321 | $ 150,738 |
| Equipment and Motor Vehicles | 1,160 | 1,218 | 1,279 | 1,343 | 1,410 | 1,480 | 1,554 |
| Annual Adjusted Debt Service Requirement | 10,561 | 14,829 | 40,175 | 82,259 | 125,760 | 151,986 | 158,310 |
| Certificates of Participation Payments | 5,307 | 5,576 | 5,802 | 6,129 | 6,520 | 1,110 | 1,166 |
| Deposit to MMRRA | – | – | – | – | – | – | – |
| Credit to O&M Reserve Account | 2,886 | 3,531 | 2,052 | 2,170 | 2,295 | 2,427 | 2,566 |
| Subtotal | $ 127,180 | $ 142,626 | $ 172,711 | $ 221,575 | $ 272,292 | $ 300,324 | $ 314,334 |
| LESS: | | | | | | | |
| Annual Non-signatory Landing Fee | (5,129) | (5,560) | (6,377) | (7,690) | (9,045) | (9,787) | (10,150) |
| Signatory Landing Fee Revenue Requirements | $ 122,051 | $ 137,066 | $ 166,334 | $ 213,885 | $ 263,247 | $ 290,538 | $ 304,184 |
| | | | | | | | |
| Interisland Signatory Landed Weight | 11,772 | 11,859 | 11,987 | 12,099 | 12,201 | 12,293 | 12,369 |
| Interisland Rate | 53.0% | 54.0% | 55.0% | 56.0% | 57.0% | 58.0% | 59.0% |
| Adjusted Interisland Signatory Landed Weight | 6,239 | 6,404 | 6,593 | 6,775 | 6,955 | 7,130 | 7,298 |
| Overseas Signatory Landed Weight | 18,279 | 18,413 | 18,613 | 18,786 | 18,945 | 19,088 | 19,207 |
| Adjusted Signatory Landed Weight (1,000 lbs) | 24,518 | 24,817 | 25,206 | 25,561 | 25,900 | 26,218 | 26,505 |
| | | | | | | | |
| Signatory Landing Fee Rate per 1,000 lbs | | | | | | | |
| Overseas | $ 4.98 | $ 5.52 | $ 6.60 | $ 8.37 | $ 10.16 | $ 11.08 | $ 11.48 |
| Interisland | 2.64 | 2.98 | 3.63 | 4.69 | 5.79 | 6.43 | 6.77 |

*Source: ICF.*

**Exhibit F-2: Signatory Airline Terminal Rentals**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Forecast 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|
| Honolulu Terminal Requirements | | | | | | | |
| Costs of Operation, Maintenance and Repair | $ 134,372 | $ 147,157 | $ 154,587 | $ 162,444 | $ 170,752 | $ 179,538 | $ 188,829 |
| Equipment and Motor Vehicles | 1,453 | 1,526 | 1,602 | 1,682 | 1,766 | 1,854 | 1,947 |
| Annual Adjusted Debt Service Requirement | 55,408 | 59,032 | 65,019 | 76,635 | 90,859 | 98,973 | 99,082 |
| Certificates of Participation Payments | 10,365 | 9,618 | 9,928 | 10,486 | 11,154 | 2,033 | 2,135 |
| Deposit to MMRRA | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Credit to O&M Reserve Account | 3,615 | 4,423 | 2,571 | 2,718 | 2,874 | 3,040 | 3,215 |
| Subtotal | $ 207,213 | $ 223,756 | $ 235,707 | $ 255,966 | $ 279,406 | $ 287,438 | $ 297,208 |
| LESS: | | | | | | | |
| Annual Terminal Non-airline Revenues (a) | (50,520) | (37,316) | (39,357) | (41,251) | (43,088) | (44,860) | (46,451) |
| Federal Grant Reimbursements | - | - | - | - | - | - | - |
| Net Terminal Requirements | $ 156,693 | $ 186,441 | $ 196,351 | $ 214,714 | $ 236,317 | $ 242,579 | $ 250,757 |
| Leased Space | 1,139 | 1,139 | 1,139 | 1,139 | 1,139 | 1,139 | 1,139 |
| Average Terminal Rental Rate | $ 137.59 | $ 163.72 | $ 172.42 | $ 188.54 | $ 207.51 | $ 213.01 | $ 220.19 |
| | | | | | | | |
| Airlines Terminal Rentals | | | | | | | |
| Honolulu International | $ 156,693 | $ 186,441 | $ 196,351 | $ 214,714 | $ 236,317 | $ 242,579 | $ 250,757 |
| Hilo International | 3,636 | 4,058 | 4,253 | 4,669 | 5,104 | 5,410 | 5,776 |
| Kona International | 8,975 | 10,105 | 10,370 | 11,213 | 12,158 | 12,894 | 13,675 |
| Kahului | 17,668 | 18,979 | 20,179 | 21,872 | 23,829 | 23,993 | 23,912 |
| Lihue | 7,548 | 9,155 | 9,903 | 12,033 | 14,290 | 15,685 | 16,330 |
| Total Terminal Rentals | $ 194,520 | $ 228,738 | $ 241,056 | $ 264,503 | $ 291,697 | $ 300,561 | $ 310,450 |

*Source: ICF.*

**Exhibit F-3: Passenger Airline Payments per Enplaned Passenger**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Historical | | Forecast | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
| **Airline Payments** | | | | | | | | | |
| Aviation Revenues | $ 271,885 | $ 368,722 | $ 364,307 | $ 415,036 | $ 458,531 | $ 531,961 | $ 611,020 | $ 649,091 | $ 674,196 |
| Less: Non-Terminal Aeronautical Rentals | (41,528) | (41,568) | (42,608) | (43,673) | (44,765) | (45,884) | (47,031) | (48,207) | (49,412) |
| Subtotal | $ 230,357 | $ 327,154 | $ 321,700 | $ 371,364 | $ 413,767 | $ 486,078 | $ 563,989 | $ 600,885 | $ 624,784 |
| Less: All-Cargo Landing Fee Revenues | (16,708) | (18,916) | (18,676) | (20,944) | (25,362) | (32,538) | (39,985) | (44,102) | (46,159) |
| Passenger Airline Payments | $ 213,648 | $ 308,238 | $ 303,024 | $ 350,419 | $ 388,405 | $ 453,540 | $ 524,004 | $ 556,783 | $ 578,625 |
| Enplaned Passengers | 19,505 | 19,220 | 19,224 | 19,506 | 19,930 | 20,303 | 20,651 | 20,966 | 21,231 |
| Passenger Airline Payments per e.p. (CPE) | $ 10.95 | $ 16.04 | $ 15.76 | $ 17.97 | $ 19.49 | $ 22.34 | $ 25.37 | $ 26.56 | $ 27.25 |

*Source: Historical – DOTA; Forecasts – ICF.*

**Exhibit G: Rate Covenant**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Historical 2023 | Historical 2024 | Forecast 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues and Aviation Fuel Taxes** | | | | | | | | | |
| Aviation Revenues | $ 271,885 | $ 368,722 | $ 364,307 | $ 415,036 | $ 458,531 | $ 531,961 | $ 611,020 | $ 649,091 | $ 674,196 |
| Non-airline Revenues | 237,038 | 224,735 | 224,888 | 233,232 | 243,203 | 252,444 | 261,201 | 269,835 | 278,155 |
| GASB 87 and Other Adjustments | (18,692) | (26,820) | 15,000 | – | – | – | – | – | – |
| Operating Revenues | $ 490,230 | $ 566,637 | $ 604,195 | $ 648,269 | $ 701,734 | $ 784,405 | $ 872,221 | $ 918,927 | $ 952,350 |
| Non-operating Revenues | 94,194 | 73,408 | 26,499 | 29,502 | 31,569 | 37,491 | 37,601 | 33,987 | 29,971 |
| Revenues and Aviation Fuel Taxes | $ 584,424 | $ 640,046 | $ 630,694 | $ 677,771 | $ 733,304 | $ 821,896 | $ 909,822 | $ 952,913 | $ 982,321 |
| | | | | | | | | | |
| **Application of Revenues and Aviation Fuel Taxes** | | | | | | | | | |
| Costs of Operation, Maintenance and Repair | $ 357,708 | $ 434,296 | $ 441,119 | $ 483,090 | $ 507,482 | $ 533,275 | $ 560,550 | $ 589,392 | $ 619,893 |
| Annual Adjusted Debt Service Requirement | | | | | | | | | |
| Gross Debt Service | 99,578 | 110,186 | 120,648 | 131,217 | 173,024 | 240,378 | 308,865 | 351,217 | 357,430 |
| Available PFC Revenues | (16,868) | (20,623) | (21,499) | (22,134) | (30,175) | (38,381) | (43,478) | (48,241) | (49,111) |
| Deposit to MMRRA | – | 3,393 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Reimbursement of General Fund of the State | – | – | – | – | – | – | – | – | – |
| Other Purposes | | | | | | | | | |
| Subordinate Obligations | 22,547 | 23,857 | 25,558 | 25,581 | 26,537 | 28,030 | 29,818 | 5,173 | 5,432 |
| Funds Remaining (a) | 121,460 | 88,937 | 62,868 | 58,016 | 54,435 | 56,594 | 52,067 | 53,373 | 46,676 |
| Application of Revenues and Aviation Fuel Taxes | $ 584,424 | $ 640,046 | $ 630,694 | $ 677,771 | $ 733,304 | $ 821,896 | $ 909,822 | $ 952,913 | $ 982,321 |
| | | | | | | | | | |
| **Debt Service Coverage** | | | | | | | | | |
| Revenues and Aviation Fuel Taxes | $ 584,424 | $ 640,046 | $ 630,694 | $ 677,771 | $ 733,304 | $ 821,896 | $ 909,822 | $ 952,913 | $ 982,321 |
| Costs of Operation, Maintenance and Repair | (357,708) | (434,296) | (441,119) | (483,090) | (507,482) | (533,275) | (560,550) | (589,392) | (619,893) |
| Deposit to Debt Service Reserve Account | – | – | – | – | – | – | – | – | – |
| Deposit to MMRRA | – | (3,393) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) | (2,000) |
| Reimbursement of General Fund of the State | – | – | – | – | – | – | – | – | – |
| Net Revenues and Taxes | $ 226,716 | $ 202,357 | $ 187,575 | $ 192,681 | $ 223,822 | $ 286,621 | $ 347,272 | $ 361,521 | $ 360,427 |
| Funded Coverage Account Balance (b) | 29,376 | 29,376 | 30,162 | 32,804 | 43,256 | 60,094 | 77,216 | 87,804 | 89,358 |
| Adjusted Net Revenues and Taxes | $ 256,092 | $ 231,732 | $ 217,737 | $ 225,485 | $ 267,078 | $ 346,715 | $ 424,489 | $ 449,326 | $ 449,785 |
| | | | | | | | | | |
| Gross Debt Service | $ 99,578 | $ 110,186 | $ 120,648 | $ 131,217 | $ 173,024 | $ 240,378 | $ 308,865 | $ 351,217 | $ 357,430 |
| Airline Prepaid Interests | – | – | – | – | – | – | – | – | – |
| Available PFC Revenues | (16,868) | (20,623) | (21,499) | (22,134) | (30,175) | (38,381) | (43,478) | (48,241) | (49,111) |
| Annual Adjusted Debt Service Requirement | $ 82,710 | $ 89,563 | $ 99,149 | $ 109,084 | $ 142,850 | $ 201,997 | $ 265,387 | $ 302,975 | $ 308,319 |
| | | | | | | | | | |
| **Debt Service Coverage (Must Be No Less Than 1.25)** | **3.10** | **2.59** | **2.20** | **2.07** | **1.87** | **1.72** | **1.60** | **1.48** | **1.46** |

*Source: Historical – DOTA; Forecasts – ICF.*

*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 DOTA for the purpose of the Rate Covenant.*

**Exhibit H: Summary of Financial Forecasts**

**State of Hawaiʻi, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | | Historical | Forecast | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** |
| **Enplaned Passengers** | 19,505 | 19,220 | 19,224 | 19,506 | 19,930 | 20,303 | 20,651 | 20,966 | 21,231 |
| % Change vs. Prior Year | 23.4% | -1.5% | 0.0% | 1.5% | 2.2% | 1.9% | 1.7% | 1.5% | 1.3% |
| % Change vs. FY 2019 | 4.2% | 2.6% | 2.7% | 4.2% | 6.4% | 8.4% | 10.3% | 12.0% | 13.4% |
| **Debt Service Coverage Calculation** | | | | | | | | | |
| Net Revenues and Taxes | $ 226,716 | $ 202,357 | $ 187,575 | $ 192,681 | $ 223,822 | $ 286,621 | $ 347,272 | $ 361,521 | $ 360,427 |
| Funded Coverage Account Balance | 29,376 | 29,376 | 30,162 | 32,804 | 43,256 | 60,094 | 77,216 | 87,804 | 89,358 |
| Adjusted Net Revenues and Taxes | $ 256,092 | $ 231,732 | $ 217,737 | $ 225,485 | $ 267,078 | $ 346,715 | $ 424,489 | $ 449,326 | $ 449,785 |
| Annual Adjusted Debt Service Requirement | 82,710 | 89,563 | 99,149 | 109,084 | 142,850 | 201,997 | 265,387 | 302,975 | 308,319 |
| Debt Service Coverage | 3.10 | 2.59 | 2.20 | 2.07 | 1.87 | 1.72 | 1.60 | 1.48 | 1.46 |
| **Passenger Airline Payments per e.p.** | 10.95 | 16.04 | 15.76 | 17.97 | 19.49 | 22.34 | 25.37 | 26.56 | 27.25 |
| **Concession Revenues** | | | | | | | | | |
| Concession Revenues | $ 201,648 | $ 183,501 | $ 182,623 | $ 189,911 | $ 198,799 | $ 206,929 | $ 214,548 | $ 222,016 | $ 229,140 |
| Per Enplaned Passenger | $ 10.34 | $ 9.55 | $ 9.50 | $ 9.74 | $ 9.98 | $ 10.19 | $ 10.39 | $ 10.59 | $ 10.79 |
| Percentage Change per Enplaned Passenger | -4.4% | -7.7% | -0.5% | 2.5% | 2.5% | 2.2% | 1.9% | 1.9% | 1.9% |
| Rental Car Revenues | $ 121,765 | $ 94,018 | $ 90,249 | $ 93,625 | $ 97,857 | $ 102,030 | $ 106,240 | $ 110,443 | $ 114,589 |
| Per Enplaned Passenger | $ 6.24 | $ 4.89 | $ 4.69 | $ 4.80 | $ 4.91 | $ 5.03 | $ 5.14 | $ 5.27 | $ 5.40 |
| Percentage Change per Enplaned Passenger | -14.0% | -21.6% | -4.0% | 2.2% | 2.3% | 2.3% | 2.4% | 2.4% | 2.5% |

*Source: Historical - DOTA; Forecasts - ICF*

**Exhibit I: Summary of Financial Forecasts - Sensitivity Test**

**State of Hawai'i, Department of Transportation, Airports (for Fiscal Years ending June 30; numbers in thousands)**

| | Historical 2023 | Historical 2024 | Forecast 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|
| **Enplaned Passengers** | 19,505 | 19,220 | 19,224 | 16,580 | 16,940 | 17,258 | 17,553 | 17,821 | 18,046 |
| % Change vs. Prior Year | 23.4% | -1.5% | 0.0% | -13.8% | 2.2% | 1.9% | 1.7% | 1.5% | 1.3% |
| % Change vs. FY 2019 | 4.2% | 2.6% | 2.7% | -11.5% | -9.5% | -7.8% | -6.3% | -4.8% | -3.6% |
| **Debt Service Coverage Calculation** | | | | | | | | | |
| Net Revenues and Taxes | $ 226,716 | $ 202,357 | $ 187,575 | $ 172,282 | $ 202,099 | $ 272,926 | $ 341,455 | $ 348,083 | $ 341,731 |
| Funded Coverage Account Balance | 29,376 | 29,376 | 30,162 | 32,804 | 43,256 | 60,094 | 77,216 | 87,804 | 89,358 |
| Adjusted Net Revenues and Taxes | $ 256,092 | $ 231,732 | $ 217,737 | $ 205,087 | $ 245,355 | $ 333,020 | $ 418,671 | $ 435,887 | $ 431,089 |
| Annual Adjusted Debt Service Requirement | 82,710 | 89,563 | 99,149 | 109,084 | 142,850 | 201,997 | 268,736 | 310,211 | 315,686 |
| Debt Service Coverage | 3.10 | 2.59 | 2.20 | 1.88 | 1.72 | 1.65 | 1.56 | 1.41 | 1.37 |
| **Passenger Airline Payments per e.p.** | 10.95 | 16.04 | 15.76 | 21.61 | 23.43 | 27.35 | 31.42 | 32.41 | 33.01 |
| **Concession Revenues** | | | | | | | | | |
| Concession Revenues | $ 201,648 | $ 183,501 | $ 182,623 | $ 161,656 | $ 168,947 | $ 175,662 | $ 181,985 | $ 188,217 | $ 194,228 |
| Per Enplaned Passenger | $ 10.34 | $ 9.55 | $ 9.50 | $ 9.75 | $ 9.97 | $ 10.18 | $ 10.37 | $ 10.56 | $ 10.76 |
| Percentage Change per Enplaned Passenger | -4.4% | -7.7% | -0.5% | 2.6% | 2.3% | 2.1% | 1.9% | 1.9% | 1.9% |
| Rental Car Revenues | $ 121,765 | $ 94,018 | $ 90,249 | $ 79,920 | $ 83,532 | $ 87,095 | $ 90,688 | $ 94,276 | $ 97,815 |
| Per Enplaned Passenger | $ 6.24 | $ 4.89 | $ 4.69 | $ 4.82 | $ 4.93 | $ 5.05 | $ 5.17 | $ 5.29 | $ 5.42 |
| Percentage Change per Enplaned Passenger | -14.0% | -21.6% | -4.0% | 2.7% | 2.3% | 2.3% | 2.4% | 2.4% | 2.5% |

*Source: Historical – DOTA; Projection – ICF.*

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# APPENDIX B

## Audited Financial Statements

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# Department of Transportation, Airports, State of Hawaii

(an enterprise fund of the State of Hawaii)

**Financial Report**
**with Supplementary Information**
**June 30, 2024**

# Contents

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# Independent Auditor's Report

To the Auditor and the Department of
Transportation Director
State of Hawaii

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the Department of Transportation, Airports, State of Hawaii (the "Airports"), an enterprise fund of the State of Hawaii, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Airports' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Department of Transportation, Airports, State of Hawaii as of June 30, 2024 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Airports and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

We draw attention to Note 1, which explains that these financial statements present only the Airports and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2024 and the changes in its financial position and, where applicable, its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

To the Auditor and the Department of
Transportation Director
State of Hawaii

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airports' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 audit 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.

Management has omitted the schedule of proportionate share of the net pension liability, schedule of employer contributions related to pensions, schedule of proportionate share of the net OPEB liability, and schedule of employer contributions related to OPEB that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

To the Auditor and the Department of
Transportation Director
State of Hawaii

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Department of Transportation, Airports, State of Hawaii's basic financial statements. The supplementary information, as identified in the table of contents (excluding certain information included in Schedules 5, 7, and 8 labeled unaudited), is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit 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, as identified in the table of contents (excluding certain information included in Schedules 5, 7, and 8 labeled unaudited) is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Additional Information***

Management is responsible for the accompanying information in Schedules 5, 7, and 8 labeled unaudited, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinion on the financial statements does not cover such information, and we do not express an opinion or any form of assurance thereon.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024 on our consideration of the Department of Transportation, Airports, State of Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Department of Transportation, Airports, State of Hawaii'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 Department of Transportation, Airports, State of Hawaii's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 22, 2024

The following management's discussion and analysis of the Department of Transportation, Airports, State of Hawaii's (the "Airports") activities and financial performance provides the reader with an introduction and overview of the financial statements of the Airports for the fiscal year ended June 30, 2024. 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 operate and maintain 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. Kahului Airport on the Island of Maui, and Ellison Onizuka Kona International Airport at Keahole, on the Island of Hawaii, and Lihue Airport on the Island of Kauai are the other major airports in the airports system that provide interisland and domestic overseas flights. Kahului Airport and Ellison Onizuka Kona International Airport at Keahole also provide facilities for flights to and from Canada. Hilo International Airport currently provides facilities for interisland flights. The Daniel K. Inouye International Airport accommodated 56.5 percent of total passenger traffic in the airport system during fiscal year 2024. The other 4 principal airports accommodated 42.6 percent of the total passenger traffic for fiscal year 2024.

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 the military, with the exception of the Upolu and Port Allen airports, which are used exclusively by general aviation. The Airports 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 0.9 percent of the total passenger traffic for fiscal year 2024.

The Airports are 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 the Airports' system revenue bonds and lease revenue certificates of participation issued by the Airports, federal grants, passenger facility charges (PFCs), customer facility charges (CFCs), and the Airports' cash.

***Overview of the Financial Statements***

The Airports are 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' financial report includes three financial statements: the statement of net position; the statement of revenue, expenses, and changes in net position; and the statement of cash flows. The financial statements are prepared in accordance with U.S. generally accepted accounting principle as promulgated by the Governmental Accounting Standards Board.

The Airports implemented the provisions of Governmental Accounting Standards Board Statement No. 87 (GASB 87), *Leases*, in fiscal year 2022. This standard improves accounting and financial reporting for leases by governments. During fiscal year 2024, leases receivable related to eligible GASB 87 leases decreased by approximately $90 million.

***Activities and Highlights***

For the purpose of analysis, we compare fiscal year 2024 to fiscal year 2019, since that is the last full fiscal year pre-pandemic. In fiscal year 2024, total passengers, revenue landed weights, and revenue passenger landings were (4.0) percent, 7.1 percent, and (8.4) percent, respectively, (lower) higher when compared to the corresponding levels in fiscal year 2019. However, deplaning international passengers using international arriving facilities decreased from 2,844,761 for fiscal year 2019 to 1,733,668 for fiscal year 2024, which was 60.9 percent of the fiscal year 2019 level.

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 Airports' Net Position***

| | 2023 | 2024 | Change | Percent Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current and other assets | $ 2,136,646,164 | $ 2,003,110,995 | $ (133,535,169) | (6.2) |
| Capital assets | 4,065,601,642 | 4,182,509,266 | 116,907,624 | 2.9 |
| Total assets | 6,202,247,806 | 6,185,620,261 | (16,627,545) | (0.3) |
| **Deferred Outflows of Resources** | 43,878,247 | 56,815,832 | 12,937,585 | 29.5 |
| **Liabilities** | | | | |
| Current liabilities | 269,052,338 | 297,857,573 | 28,805,235 | 10.7 |
| Noncurrent liabilities | 2,753,869,588 | 2,667,862,072 | (86,007,516) | (3.1) |
| Total liabilities | 3,022,921,926 | 2,965,719,645 | (57,202,281) | (1.9) |
| **Deferred Inflows of Resources** | 522,246,338 | 427,958,638 | (94,287,700) | (18.1) |
| **Net Position** | | | | |
| Net investment in capital assets | 1,783,567,539 | 1,806,653,524 | 23,085,985 | 1.3 |
| Restricted | 677,690,325 | 760,342,876 | 82,652,551 | 12.2 |
| Unrestricted | 239,699,925 | 281,761,410 | 42,061,485 | 17.5 |
| Total net position | **$ 2,700,957,789** | **$ 2,848,757,810** | **$ 147,800,021** | 5.5 |

The largest portion of the Airports' net position (63.4 percent and 66.0 percent at June 30, 2024 and 2023, 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 use 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' investment in their 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' net position (26.7 percent and 25.1 percent at June 30, 2024 and 2023, 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' unrestricted net position represents unrestricted cash and cash equivalents in the amount of $601.9 million and $653.8 million at June 30, 2024 and 2023, respectively. The unrestricted cash balance provides the Airports with substantial flexibility, as such unrestricted assets may be used to meet any of the Airports' ongoing operations and to fund the CIP projects.

***The Airports' Changes in Net Position***

| | 2023 | 2024 | Change | Percent Change |
|---|---|---|---|---|
| **Operating Revenue** | | | | |
| Concession fees | $ 182,956,106 | $ 157,200,688 | $ (25,755,418) | (14.1) |
| Airport landing fees - Net | 98,212,650 | 126,187,581 | 27,974,931 | 28.5 |
| Aeronautical rentals - Nonexclusive joint-use premise charges | 87,682,265 | 138,384,523 | 50,702,258 | 57.8 |
| Aeronautical rentals - Exclusive premise charges | 82,923,540 | 101,526,292 | 18,602,752 | 22.4 |
| Nonaeronautical rentals | 26,801,841 | 31,362,577 | 4,560,736 | 17.0 |
| Aviation fuel tax | 3,066,333 | 2,623,798 | (442,535) | (14.4) |
| Miscellaneous | 8,587,696 | 9,351,618 | 763,922 | 8.9 |
| Total operating revenue | 490,230,431 | 566,637,077 | 76,406,646 | 15.6 |
| **Operating Expenses** | | | | |
| Depreciation | 188,204,616 | 184,227,270 | (3,977,346) | (2.1) |
| Salaries and wages | 108,832,079 | 130,192,822 | 21,360,743 | 19.6 |
| Other personnel services | 96,970,988 | 111,068,617 | 14,097,629 | 14.5 |
| Utilities | 51,449,851 | 51,406,590 | (43,261) | (0.1) |
| Repairs and maintenance | 60,146,656 | 80,967,542 | 20,820,886 | 34.6 |
| State of Hawaii surcharge on gross receipts | 17,546,712 | 18,068,339 | 521,627 | 3.0 |
| Department of Transportation general administration expenses | 8,513,421 | 8,870,514 | 357,093 | 4.2 |
| Materials and supplies | 11,822,603 | 11,355,033 | (467,570) | (4.0) |
| Workers' compensation and other insurance claims | 4,595,120 | 4,627,884 | 32,764 | 0.7 |
| Insurance | 3,478,753 | 5,151,757 | 1,673,004 | 48.1 |
| Miscellaneous | 8,618,674 | 18,166,515 | 9,547,841 | 110.8 |
| Total operating expenses | 560,179,473 | 624,102,883 | 63,923,410 | 11.4 |
| **Operating Loss** | (69,949,042) | (57,465,806) | 12,483,236 | (17.8) |
| **Nonoperating (Expense) Revenue** | | | | |
| Loss on disposal of assets | (859,322) | (39,276) | 820,046 | (95.4) |
| Interest income | 47,559,036 | 70,227,495 | 22,668,459 | 47.7 |
| Federal operating grants | 46,371,777 | 15,627,919 | (30,743,858) | (66.3) |
| Passenger facility charges | 46,370,559 | 45,306,387 | (1,064,172) | (2.3) |
| Rental car customer facility charges | 68,116,965 | 67,082,352 | (1,034,613) | (1.5) |
| Airports system revenue bonds interest expense | (67,387,083) | (66,765,391) | 621,692 | (0.9) |
| Special facility revenue bonds interest expense | (681,264) | (4,712) | 676,552 | (99.3) |
| Lease revenue certificates of participation interest expense | (6,802,101) | (6,110,103) | 691,998 | (10.2) |
| Other interest expense | (13,640,786) | (13,447,061) | 193,725 | (1.4) |
| Total nonoperating revenue | 119,047,781 | 111,877,610 | (7,170,171) | (6.0) |
| **Income** - Before capital contributions | 49,098,739 | 54,411,804 | 5,313,065 | 10.8 |
| **Capital Contributions** - Federal capital grants | 75,020,853 | 93,388,217 | 18,367,364 | 24.5 |
| **Change in Net Position** | 124,119,592 | 147,800,021 | 23,680,429 | 19.1 |
| **Net Position** - Beginning of year | 2,576,838,197 | 2,700,957,789 | 124,119,592 | 4.8 |
| **Net Position** - End of year | **$ 2,700,957,789** | **$ 2,848,757,810** | **$ 147,800,021** | 5.5 |

The financial results for fiscal years 2024 and 2023 reflected income before capital contributions of $54.4 million and $49.1 million, respectively. Operating revenue increased by $76.4 million, or 16 percent, resulting from increased revenue from concessions revenue, airport landing fees, and aeronautical rentals. The increase is primarily attributable to higher domestic traffic activities that started in early 2021 and continues to grow. Total nonoperating revenue decreased by $7.2 million, or 6.0 percent, mainly due to a decrease in federal operating grants related to COVID-19.

- Income before capital contributions for fiscal year 2024 of $54.4 million compared to before capital contributions of $49.1 million for fiscal year 2023 was a result of an increase in operating revenue.
- Capital contributions increased by 24.5 percent, or $18.4 million, in fiscal year 2024 due to an increase in federal capital grant revenue.
- Operating expenses before depreciation for fiscal year 2024 increased by 18.3 percent, or $67.9 million, compared to fiscal year 2023 mainly due to increases in salaries and wages, utilities, repairs and maintenance, and other miscellaneous expenses offset by decreases in other personnel services, repairs and maintenance, and other miscellaneous expenses. Depreciation expense decreased by 2.1 percent, or $4.0 million.

Total nonoperating expenses for fiscal year 2024 increased by 6.0 percent, or $7.2 million, compared to fiscal year 2023 mainly due to increases in interest expense on the airports system revenue bonds and loss on disposal of assets.

As a result of the above fluctuations in revenue and expenses, net position for the Airports increased by $147.8 million during 2024.

In summary, in fiscal year 2024, the Airports generated operating income before depreciation and positive cash flows from operating activities due to the effects of recovery from COVID-19 on airport operations. The Airports continue to obtain its revenue from a diverse mix of sources. The Airports continue to monitor signatory airline requirements and adjusts rates and charges accordingly to assure financial stability and bond certificate requirements are met on a semiannual and annual basis.

***Capital Acquisitions and Construction Activities***

As of June 30, 2024 and 2023, the Airports had capital assets of approximately $4,182.5 million and $4,065.6 million, respectively. These amounts are net of accumulated depreciation of approximately $3,258.7 million and $3,077.7 million, respectively.

In fiscal year 2024, there were 10 construction bid openings totaling an estimated $193 million in construction contracts, with 1 still in the award process, and 1 rejected bid. The projects include Concrete Spall Repairs at Terminal 2 Roadways and Aircraft Rescue and Fire Fighting (ARFF) Station 2 Truck Shelter at Daniel K. Inouye International Airport, ARFF Training Facility Replacement, ARFF Truck Shelter, Fire Alarm System Upgrade, and South Transportation Security Administration Checkpoint at Kahului Airport, Runway 17-35 Rehabilitation, Renovation of Wastewater Treatment Plant and Fire Alarm System Upgrade at Ellison Onizuka Kona International Airport at Keahole, and Airport Fire Alarm System Upgrade at Hilo International Airport.

There were also many ongoing construction projects that were initiated prior to fiscal year 2024, which were under construction during the fiscal year. Major projects include Runway 8L Widening, Phase 2, Runway and Taxiway Shoulder Rehabilitation, Ticket Lobby Renovations, and Restroom Improvements, Phase 2 at Daniel K. Inouye International Airport, Holdroom and Gate Improvements at Kahului Airport, and Txiway and Runway Lighting Replacement at Hilo International Airport.

Finally, there were three projects that were substantially completed in fiscal year 2024 that involved construction projects at airports statewide to preserve, maintain, and modernize facilities. These projects include Biometric Facial Recognition System at Daniel K. Inouye International Airport, New Pass and ID Office and Conference Room at Kahului Airport, and Reconstruction of Runway 3-21 at Lanai Airport.

The Airports continue their mission to modernize airport facilities for safety and efficiency and enhance the passenger experience. In fiscal year 2025, several projects will be advertised for construction that improve safety and preserve terminal infrastructure. Major projects include Concrete Spall Repairs at Terminal 2 Roadways and Fire Sprinkler System Upgrade at Daniel K. Inouye International Airport, Utility System Improvements at Kalaeloa Airport, Aircraft Rescue and Fire Fighting Training Pit Replacement at Kahului Airport, Runway 17-35 Rehabilitation at Ellison Onizuka Kona International Airport at Keahole, and Apron Light Replacement at Lanai Airport.

Additional information on the Airports' capital assets can be found in Note 4 to the financial statements.

***Indebtedness***

***The Airports System Revenue Bonds***

In February 2022, the Airports completed the issuance of the Series 2022A Bonds (AMT) and the Series 2022B Bonds (Non-AMT) for a total principal amount of $262.3 million. The last maturity of the Series 2022A Bonds is scheduled on July 1, 2051.

As of June 30, 2024, $1,853.3 million of airports system revenue bonds, including related discounts and premiums, was outstanding compared to $1,896.7 million as of June 30, 2023.

At June 30, 2024, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,880.9 million.

***Lease Revenue Certificates of Participation***

Section 36-41 of the 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 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 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 are 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 percent of expected annual savings, which are expected to exceed annual debt service on COPs.

On April 13, 2016, the Airports 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 issued Series 2017 Lease Revenue Certificates of Participation to provide an additional $51.5 million for the ESCO Project.

As of June 30, 2024, $140.3 million of COPs was outstanding compared to $157.5 million as of June 30, 2023.

***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, 2024, there were no outstanding bond obligations. 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' indebtedness can be found in Note 5 to the financial statements.

***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. as trustee, which was assigned to Union Bank. 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 a prior loan and to provide an additional $105 million of construction funds for certain rental car related projects at Hawaii Airports System. At June 30, 2024, $392.5 million of customer facility charge revenue bonds was outstanding compared to $403.3 million as of June 30, 2023.

***Credit Rating and Bond Insurance***

As of June 30, 2024, there were 13 series of airports system revenue bonds outstanding in the principal amount of $1,704.6 million. Payment of principal and interest on the bonds was insured by bond insurance policies issued by the 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 | AA- |
| Moody’s Investors Service | A1 |
| Fitch IBCA, Inc. | A+ |

***Economic Factors and Next Year's Budgets and Rates***

The airports system generates airline revenue primarily according to the airport airline lease agreements, generates concession revenue based on various commercial agreements, pays expenses to maintain and operate the facilities, and issues airports system revenue bonds from time to time to fund capital projects, all of which are directly or indirectly affected by the general economic conditions of the State of Hawaii, the United States, and certain foreign countries such as Japan. Changes in economic conditions may impact the financial conditions of the airports system. However, the airport airline lease agreements have established a hybrid residual ratemaking methodology, which enables the airports system to retain net revenue if any, and to generate at least adequate revenue to meet obligations during an economic downturn, as more fully described in such agreements. The airports system establishes annual airline rates and charges before the start of a fiscal year and publishes such rate schedules at https://hidot.hawaii.gov/airports/doing business/.

Selected events subsequent to the end of fiscal year 2024 on June 30, 2024 include the following:

- On September 18, 2024, Alaska Air Group, Inc. announced that it completed the acquisition of Hawaii Holding, Inc. and started to secure a single operating certificate from the Federal Aviation Administration.

***Requests for Further Information***

This financial report is intended to provide a general overview of the Airports’ finances and demonstrate the Airports’ accountability for the money it receives. If you have questions about this report or need additional information, please contact Ford N. Fuchigami, Airports Administrator, State of Hawaii, Department of Transportation, Airports at airadministrator@hawaii.gov. This report, township budgets, and other financial information are available on the Airports’ website at www.hidot.hawaii.gov/airports/.

# Statement of Net Position

| | June 30, 2024 |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | $ 601,910,694 |
| Receivables: | |
| Accounts - Net of allowance | 51,223,921 |
| Leases receivable | 87,528,346 |
| Interest | 25,345,387 |
| Claims - Federal grants | 22,128,872 |
| Aviation fuel tax | 209,163 |
| Inventories of materials and supplies at cost | 483,587 |
| Restricted assets: | |
| Cash and cash equivalents | 314,111,182 |
| Passenger facility charges receivable | 8,272,730 |
| Rental car customer facility charges receivable | 9,173,268 |
| Total current assets | 1,120,387,150 |
| Noncurrent assets: | |
| Restricted assets: | |
| Restricted cash and cash equivalents | 335,749,323 |
| Restricted investment securities | 251,895,456 |
| Leases receivable | 293,294,059 |
| Capital assets: | |
| Assets not subject to depreciation | 1,311,217,308 |
| Assets subject to depreciation - Net | 2,871,291,958 |
| Lease interest receivable | 1,718,922 |
| Right-of-use lease asset | 66,085 |
| Total noncurrent assets | 5,065,233,111 |
| Total assets | 6,185,620,261 |
| **Deferred Outflows of Resources** | |
| Deferred loss on refunding | 4,422,090 |
| Deferred pension costs | 28,926,068 |
| Deferred OPEB costs | 23,467,674 |
| Total deferred outflows of resources | 56,815,832 |

See notes to financial statements.

## Statement of Net Position (Continued)

| | June 30, 2024 |
|---|---|
| **Liabilities** | |
| Current liabilities: | |
| Payable from unrestricted assets: | |
| Vouchers and contracts payable | $ 47,208,703 |
| Current portion of workers' compensation | 6,102,764 |
| Current portion of compensated absences | 8,320,091 |
| Accrued wages | 19,245,061 |
| Other | 13,727,186 |
| Payable from restricted assets: | |
| Contracts payable | 75,934,319 |
| Accrued interest | 47,420,576 |
| Current portion of airport system revenue bonds | 37,665,000 |
| Current portion of lease revenue certificates of participation | 19,760,448 |
| Current portion of customer facility charge revenue bonds | 11,080,000 |
| Security deposits | 11,393,425 |
| Total current liabilities | 297,857,573 |
| Noncurrent liabilities - Net of current portion: | |
| Workers compensation | 6,349,316 |
| Prepaid airport use charge fund | 17,231,164 |
| Compensated absences | 8,895,919 |
| Airport system revenue bonds | 1,815,690,617 |
| Lease revenue certificates of participation | 120,490,227 |
| Customer facility charge revenue bonds | 381,405,000 |
| Net pension liability | 168,533,071 |
| Net OPEB obligation | 149,221,999 |
| Lease liability | 44,759 |
| Total noncurrent liabilities - Net of current portion | 2,667,862,072 |
| Total liabilities | 2,965,719,645 |
| **Deferred Inflows of Resources** | |
| Deferred pension cost reductions | 7,691,225 |
| Deferred OPEB cost reductions | 25,093,107 |
| Leases | 395,174,306 |
| Total deferred inflows of resources | 427,958,638 |
| **Net Position** | |
| Net investment in capital assets | 1,806,653,524 |
| Restricted: | |
| Debt service requirement | 486,144,431 |
| Capital projects | 274,198,445 |
| Unrestricted | 281,761,410 |
| Total net position | **$ 2,848,757,810** |

# Department of Transportation, Airports, State of Hawaii

## Statement of Revenue, Expenses, and Changes in Net Position

| | Year Ended June 30, 2024 |
|---|---|
| **Operating Revenue** | |
| Concession fees | $ 157,200,688 |
| Airport landing fees - Net | 126,187,581 |
| Aeronautical rentals - Nonexclusive joint-use premise charges | 138,384,523 |
| Aeronautical rentals - Exclusive premise charges | 101,526,292 |
| Nonaeronautical rentals | 31,362,577 |
| Aviation fuel tax | 2,623,798 |
| Miscellaneous | 9,351,618 |
| Total operating revenue | 566,637,077 |
| **Operating Expenses** | |
| Depreciation | 184,227,270 |
| Salaries and wages | 130,192,822 |
| Other personnel services | 111,068,617 |
| Utilities | 51,406,590 |
| Repairs and maintenance | 80,967,542 |
| State of Hawaii surcharge on gross receipts | 18,068,339 |
| Department of Transportation general administration expenses | 8,870,514 |
| Materials and supplies | 11,355,033 |
| Workers' compensation and other insurance claims | 4,627,884 |
| Insurance | 5,151,757 |
| Miscellaneous | 18,166,515 |
| Total operating expenses | 624,102,883 |
| **Operating Loss** | (57,465,806) |
| **Nonoperating (Expense) Revenue** | |
| Loss on disposal of assets | (39,276) |
| Interest income | 70,227,495 |
| Federal operating grants | 15,627,919 |
| Passenger facility charges | 45,306,387 |
| Rental car customer facility charges | 67,082,352 |
| Airports system revenue bonds interest expense | (66,765,391) |
| Special facility revenue bonds interest expense | (4,712) |
| Lease revenue certificates of participation interest expense | (6,110,103) |
| Other interest expense | (13,447,061) |
| Total nonoperating revenue | 111,877,610 |
| **Income** - Before capital contributions | 54,411,804 |
| **Capital Contributions** - Federal capital grants | 93,388,217 |
| **Change in Net Position** | 147,800,021 |
| **Net Position** - Beginning of year | 2,700,957,789 |
| **Net Position** - End of year | **$ 2,848,757,810** |

See notes to financial statements.

## Statement of Cash Flows

| | Year Ended June 30, 2024 |
|---|---|
| **Cash Flows from Operating Activities** | |
| Receipts from customers | $ 570,462,033 |
| Payments to suppliers | (208,808,938) |
| Payments to employees and fringes | (244,124,259) |
| Payments from State of Hawaii | 4,842,244 |
| Net cash and cash equivalents provided by operating activities | 122,371,080 |
| **Cash Flows Provided by Noncapital Financing Activities** - Payments from federal operating grants | 15,914,304 |
| **Cash Flows from Capital and Related Financing Activities** | |
| Receipt of capital grants | 103,239,786 |
| Proceeds from passenger facility charge and customer facility charge programs | 95,499,884 |
| Purchase of capital assets | (299,327,675) |
| Principal and interest paid on capital debt | (158,458,564) |
| Net cash and cash equivalents used in capital and related financing activities | (259,046,569) |
| **Cash Flows from Investing Activities** | |
| Interest received on investments | 82,390,224 |
| Purchases of investment securities | (19,890,560) |
| Net cash and cash equivalents provided by investing activities | 62,499,664 |
| **Net Decrease in Cash and Cash Equivalents** | (58,261,521) |
| **Cash and Cash Equivalents** - Beginning of year | 1,310,032,720 |
| **Cash and Cash Equivalents** - End of year | **$ 1,251,771,199** |
| **Classification of Cash and Cash Equivalents** | |
| Cash and cash equivalents | $ 601,910,694 |
| Restricted cash - Current | 314,111,182 |
| Restricted cash - Noncurrent | 335,749,323 |
| Total cash and cash equivalents | **$ 1,251,771,199** |

| | Year Ended June 30, 2024 |
|---|---|
| **Reconciliation of Operating Loss to Net Cash from Operating Activities** | |
| Operating loss | $ (57,465,806) |
| Adjustments to reconcile operating loss to net cash from operating activities: | |
| Depreciation | 184,227,270 |
| Changes in assets and liabilities: | |
| Receivables | 8,612,386 |
| Inventories | (211,687) |
| Accounts payable | (9,928,257) |
| Net pension liability | (3,620,793) |
| Net OPEB liability | (14,537,594) |
| Accrued and other liabilities | 15,295,561 |
| Total adjustments | 179,836,886 |
| Net cash and cash equivalents provided by operating activities | **$ 122,371,080** |

**Significant Noncash Transactions** - Airports noncash capital and financing activities related to bonds payable included the following:

| | |
|---|---|
| Amortization of revenue bond premium | $ 9,737,865 |
| Amortization of revenue bond discount | (1,414) |
| Amortization of certificates of participation premium | 178,280 |
| Amortization of deferred loss on refunding revenue bonds | 783,646 |

## Note 1 - Reporting Entity

The Department of Transportation, Airports, State of Hawaii (the "Airports") 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 have 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 currently operate and maintain 15 airports located throughout the State.

The accompanying financial statements present only the activities of the Airports and are not intended to present fairly the financial position of the State or the changes in its financial position or, where applicable, its cash flows in conformity with U.S. generally accepted accounting principles.

## Note 2 - Significant Accounting Policies

***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 revenue 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 revenue. 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 Airports use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Accounting and Reporting Principles***

The Airports follow accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Airports:

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

***Cash Equivalents***

The Airports classifies its investments in the State's investment pool (the "Pool") as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Airports 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.

***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. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. At June 30, 2024, the Airports reported an allowance of $19,099,525 related to receivables.

## Note 2 - Significant Accounting Policies (Continued)

***Restricted Assets***

Restricted assets consist of moneys 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 statement 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 passenger facility charges (PFCs), unspent customer facility charges (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 to use restricted resources first and then unrestricted resources as they are needed.

***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. Assets are depreciated by the straight-line method over their estimated useful lives.

| | Depreciable Life - Years | Capitalization Threshold |
|---|---|---|
| Land improvements | 10 to 20 | $ 100,000 |
| Buildings | 45 | 100,000 |
| Building improvements | 20 | 100,000 |
| Machinery and equipment | 10 | 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.

***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.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

Deferred outflows of resources are a consumption of net position by the Airports that is applicable to a future reporting period, while deferred inflows of resources are 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, OPEB, and lease items.

***Deferred Loss on Refundings***

Deferred loss on refundings is amortized using the effective interest method over the shorter of the remaining term of the original or refunded debt. Deferred loss on refundings is reflected in the deferred outflows of resources on the statement of net position.

## Note 2 - Significant Accounting Policies (Continued)

***Compensated Absences Payable***

The Airports accrue 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.

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 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 Employees' Retirement System of the State of Hawaii. Accumulated sick leave at June 30, 2024 was $32,238,189.

***Pensions***

The Airports' 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' policy is to fund its required contribution annually.

For the purpose 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 the ERS’ fiduciary net position have been determined on the same basis as they are reported by the ERS.

***Postemployment Benefits Other Than Pensions (OPEB)***

For the purpose 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. Investments are reported at their fair value.

***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 statement of net position.

***Bond Issuance 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.

***Operating Revenue and Expenses***

Revenue from airlines, concessions, rental cars (excluding customer facility charges), federal operating grants, 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 are reported as operating expenses. Generally, interest expense and financing costs are reported as nonoperating expenses. Revenue from capital contributions is reported separately, after nonoperating revenue and expenses.

## Note 2 - Significant Accounting Policies (Continued)

***Passenger Facility Charges***

The Federal Aviation Administration (FAA) authorized the Airports to impose a passenger facility charge 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 statement of revenue, expenses, and changes in net position.

The passenger facility charge is an airport user fee with restricted uses. Before collecting and using PFC revenue, a U.S. airport operator must submit a PFC application to the FAA and receive FAA authorization. Airlines collect PFC revenue from certain enplaned passengers on the airport's behalf and then remit the PFC revenue to the airport operator after deducting an administrative fee of $0.11 per collection. PFC revenue can be used only for the capital costs of the approved eligible projects, with very limited exceptions.

***Rental Car Customer Facility Charge***

The State Legislature authorized the Airports to impose a customer facility charge 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 statement of revenue, expenses, and changes in net position.

***Capital Contributions***

The Airports receive 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/or construction of land, property, and certain types of equipment are reported in the statement 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.

***Risk Management***

The Airports are 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 are 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.

***Leases***

***Lessee***

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that is reasonably certain to be exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

## Note 2 - Significant Accounting Policies (Continued)

Key estimates and judgments related to leases include (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Airports use the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Airports generally use the estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Airports are reasonably certain to exercise.

The Airports monitor changes in circumstances that would require a remeasurement of their lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-of-use assets with other capital assets, and lease liabilities are reported with long-term liabilities on the statement of net position.

***Lessor***

The Airports recognize leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include (1) the discount rate used to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Airports use their estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Airports monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Upcoming Accounting Pronouncements***

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2025.

## Note 2 - Significant Accounting Policies (Continued)

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2026.

## Note 3 - Cash and Investments

The State has an established policy where 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 moneys paid into the investment pool. The State Director may invest any moneys of the State that, 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 guarantees 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, 2024 will be included in the Annual Comprehensive Financial Report of the State when issued.

At June 30, 2024, the amount reported as amounts held in State Treasury reflects the Airports’ relative position in the State’s investment pool and amounted to $1,366,465,764.

Deposits and investments are reported in the financial statements as follows:

| | |
|---|---|
| Petty cash | $ 4,765 |
| Amounts held in State Treasury | 1,366,465,764 |
| Certificates of deposit | 5,700,000 |
| U.S. government securities | 128,803,294 |
| Money market mutual fund | 2,692,832 |
| Total deposits and investments | $ 1,503,666,655 |

## Note 3 - Cash and Investments (Continued)

Amounts are reflected in the statement of net position as of June 30, 2024 as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 601,910,694 |
| Restricted cash and cash equivalents | 314,111,182 |
| Noncurrent assets - Restricted cash and cash equivalents | 335,749,323 |
| Noncurrent assets - Restricted investment securities | 251,895,456 |
| Total | $ 1,503,666,655 |

The Airports' cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Airports' deposits may not be returned to it. 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 Annual Comprehensive 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.

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 undercollateralized 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 percent of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Airports will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The Airports' 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 and the State require the institutions to set aside, in safekeeping, certain types of securities to collateralize repurchase agreements. The Airports and the State monitor the market value of these securities and obtain additional collateral when appropriate.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. As a means of limiting its exposure to fair value losses arising from interest rates, the Airports follows the State's policy of limiting maturities on investments to generally not more than five years from the date of investment. The Airports' U.S. Treasury bills have maturities that range from six months to one year.

## Note 3 - Cash and Investments (Continued)

***Credit Risk***

The Airports follow the State's policy of limiting their investments as authorized in the Hawaii Revised Statutes. The State's general investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating. As of June 30, 2024, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | Carrying Value | Rating | Rating Organization |
|---|---|---|---|
| U.S. Bank - Federated government obligations fund | $ 2,692,832 | AAA-mmf | Fitch |

***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, 2024, the Airports did not hold any investments with one issuer that represent more than 5 percent of total investments.

***Fair Value Measurements***

The Airports categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Airports' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Airports have the following recurring fair value measurements as of June 30, 2024:

- U.S. government securities of $128,803,294 are valued using quoted marketed prices (Level 1 inputs).

Certain investments, such as the Airports' interest in the State's investment pool, are measured using net asset value per share (or its equivalent) practical expedient and are not required to be classified in the fair value hierarchy. The Airports have no unfunded commitments or restrictions on redemptions with regard to its investment in the State's 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.

## Note 4 - Capital Assets

Capital asset activity of the Airports' business-type activities was as follows:

| | Balance July 1, 2023 | Reclassifications | Additions | Disposals and Adjustments | Balance June 30, 2024 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 333,564,645 | $ - | $ - | $ - | $ 333,564,645 |
| Land improvements | 59,037,861 | - | - | - | 59,037,861 |
| Construction in progress | 728,201,541 | (107,228,517) | 297,656,551 | (14,773) | 918,614,802 |
| Subtotal | 1,120,804,047 | (107,228,517) | 297,656,551 | (14,773) | 1,311,217,308 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 3,647,172,281 | 33,170,449 | - | - | 3,680,342,730 |
| Machinery and equipment | 390,594,286 | - | 3,583,919 | (3,247,399) | 390,930,806 |
| Land improvements | 1,984,731,566 | 74,058,068 | - | - | 2,058,789,634 |
| Subtotal | 6,022,498,133 | 107,228,517 | 3,583,919 | (3,247,399) | 6,130,063,170 |
| Accumulated depreciation: | | | | | |
| Buildings and improvements | 1,619,533,143 | - | 104,945,145 | - | 1,724,478,288 |
| Machinery and equipment | 313,816,805 | - | 12,205,346 | (3,156,596) | 322,865,555 |
| Land improvements | 1,144,350,590 | - | 67,076,779 | - | 1,211,427,369 |
| Subtotal | 3,077,700,538 | - | 184,227,270 | (3,156,596) | 3,258,771,212 |
| Net capital assets being depreciated | 2,944,797,595 | 107,228,517 | (180,643,351) | (90,803) | 2,871,291,958 |
| Net business-type activities capital assets | $ 4,065,601,642 | $ - | $ 117,013,200 | $ (105,576) | $ 4,182,509,266 |

***Construction Commitments***

At June 30, 2024, the Airports have commitments totaling $607,921,630 for construction and service contracts.

## Note 5 - Long-term Debt

Long-term debt activity for the year ended June 30, 2024 can be summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|---|---|---|---|---|
| Bonds and contracts payable - Direct borrowings and direct placements: | | | | | |
| Airport system revenue bonds | $ 1,738,200,000 | $ - | $ (33,650,000) | $ 1,704,550,000 | $ 37,665,000 |
| Airport system revenue bonds premiums | 158,469,858 | - | (9,737,865) | 148,731,993 | - |
| Airport system revenue bonds discounts | (44,353) | - | 1,414 | (42,939) | - |
| Airport systems customer facility charge revenue bonds | 403,300,000 | - | (10,815,000) | 392,485,000 | 11,080,000 |
| Lease revenue certificates of participation | 157,474,855 | - | (17,224,180) | 140,250,675 | 19,760,448 |
| Lease revenue certificates of participation premiums | 294,843 | - | (178,280) | 116,563 | - |
| Total direct borrowings and direct placements principal outstanding | 2,457,695,203 | - | (71,603,911) | 2,386,091,292 | 68,505,448 |
| Workers' compensation | 9,724,293 | 7,493,879 | (4,766,092) | 12,452,080 | 6,102,764 |
| Compensated absences | 14,812,631 | 9,503,326 | (7,099,947) | 17,216,010 | 8,320,091 |
| Prepaid airport use charge fund | 35,942,237 | - | (18,711,073) | 17,231,164 | - |
| Net OPEB liability | 150,342,283 | - | (1,220,284) | 149,121,999 | - |
| Net pension liability | 158,863,330 | 9,669,741 | - | 168,533,071 | - |
| Lease liability | 60,711 | 21,981 | (15,881) | 66,811 | 22,052 |
| Total long-term liabilities | $ 2,827,440,688 | $ 26,688,927 | $ (103,417,188) | $ 2,750,712,427 | $ 82,950,355 |

***The 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 was initially authorized for issuance. Subsequent issues of revenue bonds were covered by 1st through 31st supplemental certificates to the original 1969 Certificate.

Certain amendments to the Certificate contained in the 26th Supplemental Certificate took effect contemporaneously with the 27th Supplemental Certificate and delivery of the Airports System Revenue Bonds, Refunding Series of 2001. Other amendments, which required the consent of 100 percent of the bondholders, took effect as of June 30, 2004 with the issuance of the Airports System Revenue Bonds, Refunding Series of 2003.

## Note 5 - Long-term Debt (Continued)

These revenue bonds are payable solely from and are collateralized solely by the revenue generated by the Airports, including all aviation fuel taxes levied. The amended Certificate established an order of priority for the appropriation, application, or expenditure of this revenue as follows:

- To pay or provide for the payment of the costs of operation, maintenance, and repair of airport properties
- To pay when due all bonds and interest. Payment shall be provided from the following accounts:
    - Interest account
    - Serial bond principal account
    - Sinking fund account
    - Debt service reserve account
- To fund the major maintenance, renewal, and replacement account
- To reimburse the State General Fund for general obligation bond requirements
- To provide for betterments and improvements to the airports
- To provide such special reserve funds and other special funds as created by law
- 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 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 are 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 revenue 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 are 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 determine that a material adverse change has occurred.

At June 30, 2024, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2024, the revenue bond debt service reserve accounts (reported as restricted assets in the accompanying statement of net position) consisted of the following:

| | |
|---|---|
| Debt service reserve account | $ 117,502,457 |
| Major maintenance, renewal, and replacement account | 56,241,327 |
| Total | 173,743,784 |
| Principal and interest due on July 1 | 75,524,104 |
| Total | $ 249,267,888 |

At June 30, 2024, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,880,967,597.

The revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102 to 100 percent of principal.

## Note 5 - Long-term Debt (Continued)

The following is a summary of the airports system revenue bonds issued and outstanding at June 30, 2024, excluding premiums and discounts:

| Series | Original Issue Amount | Interest Rate | Final Maturity Date (July 1) | Outstanding Amount |
|---|---|---|---|---|
| 2015A, nonrefunding | $ 235,135,000 | 3.85% - 4.20% | 2045 | $ 235,135,000 |
| 2015B, nonrefunding | 9,125,000 | 4.02% | 2045 | 9,125,000 |
| 2018A, nonrefunding | 388,560,000 | 5.00% | 2048 | 388,560,000 |
| 2018B, nonrefunding | 26,125,000 | 3.00 % - 5.00% | 2027 | 26,125,000 |
| 2018C, refunding | 93,175,000 | 3.58% | 2028 | 91,835,000 |
| 2018D, refunding | 142,150,000 | 5.00% | 2034 | 142,150,000 |
| 2020A, nonrefunding | 113,140,000 | 4.00% - 5.00% | 2040 | 113,140,000 |
| 2020B, nonrefunding | 165,885,000 | 3.48% | 2050 | 165,885,000 |
| 2020C, nonrefunding | 20,295,000 | 5.00% | 2050 | 20,295,000 |
| 2020D, refunding | 184,855,000 | 4.00% - 5.00% | 2039 | 184,855,000 |
| 2020E, refunding | 98,315,000 | 1.392% - 2.330% | 2030 | 98,315,000 |
| 2022A, nonrefunding | 209,280,000 | 4.00% - 5.00% | 2051 | 209,280,000 |
| 2022B, refunding | 53,035,000 | 5.00% | 2024 | 19,850,000 |
| Subtotal | | | | 1,704,550,000 |
| Add unamortized premium | | | | 148,731,993 |
| Less unamortized discount | | | | (42,939) |
| Less current portion | | | | (37,665,000) |
| Total | | | | $ 1,815,574,054 |

Annual debt service requirements to maturity for the airports system revenue bonds are as follows:

| Years Ending | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 37,665,000 | $ 74,903,069 | $ 112,568,069 |
| 2026 | 43,410,000 | 73,463,578 | 116,873,578 |
| 2027 | 44,660,000 | 72,137,986 | 116,797,986 |
| 2028 | 46,065,000 | 70,689,602 | 116,754,602 |
| 2029 | 47,560,000 | 69,124,942 | 116,684,942 |
| 2030-2034 | 268,725,000 | 312,469,159 | 581,194,159 |
| 2035-2039 | 301,990,000 | 243,714,475 | 545,704,475 |
| 2040-2044 | 348,740,000 | 172,063,225 | 520,803,225 |
| 2045-2049 | 372,470,000 | 81,851,217 | 454,321,217 |
| 2050-2052 | 193,265,000 | 11,169,084 | 204,434,084 |
| Total | $ 1,704,550,000 | $ 1,181,586,337 | $ 2,886,136,337 |

***Pledged Future Revenue***

In accordance with the Certificate, the Airports have pledged future revenue net of operation, maintenance, and repair expenses and certain adjustments (net revenue and taxes available for debt service) to repay $1,704,550,000 in revenue bonds issued in 2011, 2015, 2018, 2020, and 2022 and payable through 2052. The total debt service remaining to be paid on the revenue bonds for the Airports is $2,886,136,337. In fiscal year 2024, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports was $89,562,758 and $266,082,206, respectively.

## Note 5 - Long-term Debt (Continued)

***Lease Revenue Certificates of Participation***

The Airports 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 the Airports and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports in the amount of $167,740,000 at interest rates ranging from 3.00 to 5.25 percent, payable annually, with a final maturity date of 2029.

On April 13, 2016, the Airports 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 the Airports and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports in the amount of $8,056,521 at an interest rate of 1.74 percent, payable annually, with a final maturity date of 2026.

On March 31, 2017, the Airports 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 the Airports and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports in the amount of $51,473,427 at an interest rate of 2.87 percent, payable annually, with a final maturity date of 2034.

The lease revenue certificates of participation are payable from revenue derived by the Airports 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 Airports. Lease rent payments to holders of the certificates of participation are payable from revenue and aviation fuel taxes, subordinate in right of payment to the payments of debt service on bonds.

The outstanding lease revenue certificates of participation contain a provision that if the Airports are unable to make payment, outstanding amounts are due immediately. The lease revenue certificates of participation contain a subjective acceleration clause that allows the holders to accelerate payment of the entire principal amount to become immediately due if the holders determine that a material adverse change has occurred.

At June 30, 2024, the outstanding balances of the lease revenue certificates of participation and the unamortized premium are $140,250,675 and $116,563, respectively.

The schedule of lease rent payments for the lease revenue certificates of participation is as follows:

| Years Ending | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 19,760,448 | $ 5,797,450 | $ 25,557,898 |
| 2026 | 20,754,604 | 4,826,606 | 25,581,210 |
| 2027 | 22,769,584 | 3,767,301 | 26,536,885 |
| 2028 | 25,411,030 | 2,619,075 | 28,030,105 |
| 2029 | 28,458,186 | 1,360,045 | 29,818,231 |
| 2030-2034 | 23,096,823 | 1,730,163 | 24,826,986 |
| Total | $ 140,250,675 | $ 20,100,640 | $ 160,351,315 |

## Note 5 - Long-term Debt (Continued)

***Customer Facility Charge Revenue Bonds***

In July 2017, the Airports issued $249,805,000 of the airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2017A) at interest rates ranging from 1.70 to 4.14 percent. 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, 2024, the outstanding balance of the Series 2017A Bonds is $217,990,000, with a maturity of July 1, 2047.

At June 30, 2024, 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 issued $194,710,000 of the airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2019A) at interest rates ranging from 1.819 to 2.733 percent. 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 from rental car facilities at all airports in the Airports' System. At June 30, 2024, the outstanding balance of the Series 2019A Bonds is $174,495,000, with a maturity of July 1, 2047.

Annual debt service requirements to maturity for the customer facility charge revenue bonds are as follows:

| Years Ending | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 11,080,000 | $ 13,271,288 | $ 24,351,288 |
| 2026 | 11,370,000 | 12,983,853 | 24,353,853 |
| 2027 | 11,680,000 | 12,676,756 | 24,356,756 |
| 2028 | 12,000,000 | 12,352,045 | 24,352,045 |
| 2029 | 12,350,000 | 12,006,989 | 24,356,989 |
| 2030 - 2034 | 67,695,000 | 54,083,023 | 121,778,023 |
| 2035 - 2039 | 79,985,000 | 41,788,758 | 121,773,758 |
| 2040 - 2044 | 95,795,000 | 25,977,308 | 121,772,308 |
| 2045 - 2048 | 90,530,000 | 6,893,490 | 97,423,490 |
| Total | $ 392,485,000 | $ 192,033,510 | $ 584,518,510 |

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 in each fiscal year plus the amount on deposit in the rolling coverage fund provide no less than 1.40 times the aggregate debt service on the bonds.

## Note 5 - Long-term Debt (Continued)

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 revenue 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 are 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 determine that a material adverse change has occurred. No material adverse changes occurred during the fiscal year ended June 30, 2024.

## Note 6 - Leases

The Airports lease 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. Leases receivable consist of agreements with others for the right to use the underlying assets and are measured at the present value of payments expected to be received during the lease term. The discount rates used vary depending on the length of the lease.

During the year ended June 30, 2024, the Airports recognized the following related to its lessor agreements:

| | |
|---|---|
| Lease revenue | $ 157,200,688 |
| Interest income related to its leases | 17,849,303 |

Future principal and interest payment requirements related to the Airports' leases receivable at June 30, 2024 are as follows:

| Years Ending | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 87,528,346 | $ 15,382,823 | $ 102,911,169 |
| 2026 | 79,158,051 | 11,487,198 | 90,645,249 |
| 2027 | 72,862,425 | 7,801,151 | 80,663,576 |
| 2028 | 37,206,223 | 5,286,191 | 42,492,414 |
| 2029 | 26,166,801 | 3,971,931 | 30,138,732 |
| 2030-2034 | 56,111,037 | 8,837,758 | 64,948,795 |
| 2035-2039 | 10,782,402 | 3,957,929 | 14,740,331 |
| 2040-2044 | 7,048,999 | 1,449,172 | 8,498,171 |
| 2045-2049 | 1,965,799 | 638,323 | 2,604,122 |
| 2050-2054 | 1,992,322 | 179,621 | 2,171,943 |
| Total | $ 380,822,405 | $ 58,992,097 | $ 439,814,502 |

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 the fiscal year ended June 30, 2024 were approximately $47,100,000.

Concession fee revenue from the DFS Group, L.P. (DFS), which operates the in-bond (duty free) concession, accounted for approximately 19 percent of total concession fee revenue for fiscal year 2019 and approximately 3 percent, net of bad debt expense, for fiscal year 2024. The Airports waived the minimum annual guarantees (MAGs) for eligible concessionaires in April 2020 and reinstated the MAG requirements effective May 1, 2022, except for the in-bond concession lease whose MAG was reinstated after January 1, 2024.

Such lease agreement has been subject to rebids, extensions, and renewals over the years.

## Note 6 - Leases (Continued)

***Regulated Leases***

The Airports is party to certain regulated leases, as defined by GASB Statement No. 87 (GASB 87). In accordance with GASB 87, the Airports does not recognize a lease receivable or a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, (e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers, and other aeronautical users).

***Airports***

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 (the "lease agreement"). Under the 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 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.

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 First Amended Lease Extension Agreement, the DOT agreed to amend the methodology for calculating fees and charges so that nonsignatory airline fees and charges would be 125 percent of signatory airline fees and charges.

***Prepaid Airport Use Charge Fund***

The Prepaid Airport Use Charge Fund (PAUCF) was established in 1994 to provide a process to transfer moneys paid to the Airports by the signatory airlines in excess of the amounts required under each lease. The PAUCF is co-terminus with the First Amended Lease Extension Agreement.

Net excess over- and underpayments for fiscal years 1996 through 2023 have been transferred to the PAUCF (see Note 13). Excess overpayments are required to be set aside as restricted, are the property of the signatory airlines, and can be spent only for purposes mutually designated by the State and the Airlines Committee of Hawaii that substantially benefit the state airport system. Underpayments may be collected from the signatory airlines through agreed-upon rate increases in subsequent periods.

## Note 6 - Leases (Continued)

***The Airports System Rates and Charges***

Signatory and nonsignatory airlines were assessed the following airports system rates and charges:

- Airport landing fees amounted to $128,047,784 for fiscal year 2024. Airport landing fees are shown net of aviation fuel tax credits of $1,860,203 on the statement of revenue, expenses, and changes in net position, which resulted in net airport landing fees of $126,187,581. 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 are set at 51 percent for fiscal year 2024 and are scheduled to increase 1 percent annually until they reach 100 percent.
- 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 $138,384,523 for fiscal year 2024.
- Exclusive-use premise charges amounted to $101,526,292 for fiscal year 2024 and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounting to $75,099,858 Remaining charges include other nonterminal rentals.

Future expected minimum payments from the leases with signatory airlines and other users related to land and buildings for aeronautical purposes at June 30, 2024 are as follows:

| | |
|---|---|
| 2025 | $ 23,030,449 |
| 2026 | 20,526,502 |
| 2027 | 18,986,614 |
| 2028 | 16,603,060 |
| 2029 | 13,614,138 |
| 2030-2034 | 31,599,450 |
| 2035-2039 | 6,251,089 |
| 2040-2044 | 5,339,315 |
| 2045-2049 | 6,407,178 |
| 2050-2054 | 4,282,819 |
| Total | $ 146,640,614 |

## Note 7 - Passenger Facility Charges

Passenger facility charge activity for the year ended June 30, 2024 is as follows:

| | |
|---|---|
| Restricted assets - Passenger facility charges - Beginning of year | $ 175,860,868 |
| Passenger facility charges during the year | 37,993,659 |
| Interest earned on passenger facility charges during the year | 7,312,728 |
| Capital expenditures during the year | (20,756,430) |
| Restricted assets - Passenger facility charges - End of year | $ 200,410,825 |

Restricted assets - Passenger facility charges are presented on the statement of net position as of June 30, 2024 as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 192,096,911 |
| Receivable | 8,272,730 |
| Other reconciling items | 41,184 |
| Total restricted assets - Passenger facility charges | $ 200,410,825 |

## Note 8 - Rental Car Customer Facility Charge

Rental car customer facility charge activity for the year ended June 30, 2024 is as follows:

| | |
|---|---|
| Restricted assets - Rental car customer facility charge - Beginning of year | $ 100,989,472 |
| Rental car customer facility charges during the year | 61,987,829 |
| Interest earned on rental care customer facility charges during the year | 5,094,523 |
| Operating and maintenance expenditures during the year | (23,676,954) |
| Capital expenditures during the year | (1,514,604) |
| Interest paid on debt service | (24,353,156) |
| Restricted assets - Rental car customer facility charges - End of year | $ 118,527,110 |

Restricted assets - Rental car customer facility charges are presented on the statement of net position as of June 30, 2024 as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 1,963,953 |
| Investments | 109,942,194 |
| Receivable | 9,173,268 |
| Payable | (2,552,305) |
| Total restricted assets - Rental car customer facility charges | $ 118,527,110 |

## Note 9 - Pension Plan

### *Plan Description*

All eligible employees of the Airports 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 noncontributory members. Qualified contributory and noncontributory members were given the option of becoming hybrid members, effective July 1, 2006, or remain in their existing class. Starting on July 1, 2006, all new employees covered by Social Security are required to be hybrid members.

### *Benefits Provided*

The three benefit structures provide a monthly retirement allowance equal to the benefit multiplier percentage (1.25 percent or 2.00 percent), multiplied by the average final compensation (AFC), multiplied by years of credited service. The benefit multiplier decreased by 0.25 percent 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 retiree's original retirement allowance is increased by 2.5 percent on each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5 percent of the original retirement allowance without a ceiling (2.5 percent of the original retirement allowance the first year, 5.0 percent the second year, 7.5 percent the third year, etc.). For new members hired after June 30, 2012, the postretirement annuity increase was decreased to 1.5 percent per year.

## Note 9 - Pension Plan (Continued)

***Contributions***

The following summarizes the plan provisions relevant to the general employees of the respective classes:

***Contributory***

Police officers, firefighters, and certain other members who are not covered by Social Security first hired prior to July 1, 2012 contribute 12.2 percent of their salary and receive a retirement benefit using the benefit multiplier of 2.5 percent for qualified service, up to a maximum of 80 percent of the AFC. These members may retire at age 55 with 5 years of credited service or at any age with 25 years of credited service, provided the last 5 years of credited service are for any of the qualified occupations.

Police officers, firefighters, and certain other members who are not covered by Social Security first hired after June 30, 2012 contribute 14.20 percent of their salary and receive a retirement benefit using the benefit multiplier of 2.25 percent for qualified service, up to a maximum of 80 percent of the 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 5 years of credited service are for any of the qualified occupations.

All other employees in the contributory class are required to contribute 7.8 percent of their salary and are fully vested for benefits upon receiving 5 years of credited service. The Airports may also make contributions for these members. Under the contributory class, employees may retire with full benefits at age 55 with 5 years of 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 percent for employees covered by Social Security.

New employees in the contributory class hired after June 30, 2012 are required to contribute 9.8 percent 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 with 10 years of credited service or at age 55 with 25 years of credited service with reduced benefits. The benefit multiplier is 1.75 percent for employees covered by Social Security.

***Hybrid***

Employees in the hybrid class are required to contribute 6.0 percent of their salary and are fully vested for benefits upon receiving 5 years of credited service. The Airports may also make contributions for these members. Employees may retire with full benefits at age 62 with 5 years of credited service or at age 55 with 30 years of credited service or at age 55 with 20 years of service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 2.0 percent.

New employees in the hybrid class hired after June 30, 2012 are required to contribute 8 percent 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 with 10 years of credited service or at age 60 with 30 years of credited service or at age 55 with 20 years of service with reduced benefits. The benefit multiplier is 1.75 percent for employees covered by Social Security.

***Noncontributory***

Employees in the noncontributory class are fully vested upon receiving 10 years of credited service. The Airports is required to make all contributions for these members.

Employees may retire with full benefits at age 62 with 10 years of credited service or at age 55 with 30 years of credited service or at age 55 with 20 years of credited service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 1.25 percent.

## Note 9 - Pension Plan (Continued)

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 2022 were 41.00 percent for police officers and firefighters and 24.00 percent 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 5 years.

The required pension contributions by the Airports for the year ended June 30, 2024 were $21,867,103. 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.

### *Net Pension Liability*

At June 30, 2024, the Airports reported a liability of $168,533,071 for its proportionate share of the net pension liability. The net pension liability at June 30, 2024 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airports' 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, 2023, the Airports' proportion was 2.56 percent, which was a decrease of 0.05 percent from its proportion measured as of June 30, 2022.

There were no changes in actuarial assumptions as of June 30, 2022 to June 30, 2023. There were no changes between the measurement date, June 30, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the proportionate share of the net pension liability

### *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2024, the Airports recognized pension expense of $18,246,316.

At June 30, 2024, the Airports reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 3,472,628 | $ 1,970,711 |
| Changes in assumptions | - | 5,374,943 |
| Net difference between projected and actual earnings on pension plan investments | 2,289,193 | - |
| Changes in proportion and differences between the Airports' contributions and proportionate share of contributions | 1,297,144 | 345,571 |
| Airports contributions subsequent to the measurement date | 21,867,103 | - |
| Total | $ 28,926,068 | $ 7,691,225 |

## Note 9 - Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

| Years Ending June 30 | Amount |
|---|---|
| 2025 | $ 170,837 |
| 2026 | 714,896 |
| 2027 | (1,049,137) |
| 2028 | (454,160) |
| 2029 | (14,696) |
| Total | $ (632,260) |

***Actuarial Assumptions***

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS' board of trustees on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

- Inflation: 2.50 percent
- Payroll growth rate: 3.50 percent
- Investment rate of return: 7.00 percent per year, compounded annual including inflation
- There were no changes to ad hoc postemployment benefits, including cost of living allowances.
- Postretirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Preretirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

***Discount Rate***

The discount rate used to measure the net pension liability was 7.00 percent, consistent with the rate used at the prior measurement date. 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 periods of projected benefit payments to determine the total pension liability.

## Note 9 - Pension Plan (Continued)

### *Investment Rate of Return*

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 "resampling with a replacement" that directly keys in on specific plan-level risk factors stipulated by the ERS' 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 plus inflation) by the target asset allocation percentage. The rates of return based on the ERS' investment consultant as of June 30, 2023 are summarized in the following table:

| Strategic Allocation (Risk-based Classes) | Strategic Class Weights | Long-term Expected Geometric Rate of Return |
|---|---|---|
| Broad growth: | | |
| Private equity | 13.50 % | 10.00 % |
| Global equity | 20.00 | 7.90 |
| Low volatility equity | 4.00 | 7.10 |
| Global options | 4.00 | 5.80 |
| Credit | 6.00 | 8.00 |
| Core real estate | 6.00 | 6.00 |
| Noncore real estate | 4.50 | 7.90 |
| Timber/Agriculture/Infrastructure | 5.00 | 7.20 |
| Diversifying strategies: | | |
| TIPS | 2.00 | 3.20 |
| Global macro | 4.00 | 6.00 |
| Reinsurance | 4.00 | 7.00 |
| Alternative risk premia | 8.00 | 5.00 |
| Long treasurys | 5.00 | 3.80 |
| Intermediate government | 4.00 | 3.20 |
| Systematic trend following | 10.00 | 4.70 |

### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Airports, calculated using the discount rate of 7.00 percent, as well as what the Airports' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percentage Point Decrease (6.00%) | Current Discount Rate (7.00%) | 1 Percentage Point Increase (8.00%) |
|---|---|---|---|
| Airports' proportionate share of the net pension liability | $ 224,367,562 | $ 168,533,071 | $ 122,292,502 |

### *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, HI 96813

## Note 9 - Pension Plan (Continued)

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/.

## Note 10 - Other Postemployment Benefit Plan

***Plan Description***

The State provides certain health care and life insurance benefits to all qualified employees and retirees. Pursuant to Act 88, SLH 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 the purpose of the Airports' financial statements, the EUTF is reported as a cost-sharing multiple-employer plan in accordance with the requirements of GASB 75.

***Benefits Provided***

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 percent 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 fewer 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 percent of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent 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 fewer 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 percent of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent 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, 2023, the State's plan members covered by benefit terms consisted of the following:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 40,136 |
| Inactive plan members entitled to but not yet receiving benefits | 7,520 |
| Active plan members | 48,709 |
| Total plan members | 96,365 |

***Contributions***

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the OPEB plan from the Airports were $17,134,412 for the fiscal year ended June 30, 2024. The employer is also required to make all contributions for members, which is charged to salaries, wages, and benefits expense.

## Note 10 - Other Postemployment Benefit Plan (Continued)

***Net OPEB Liability***

At June 30, 2024, the Airports reported a net OPEB liability of $149,221,999 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Airports' proportion of the net OPEB liability was based on the Airports' contributions to the EUTF for the fiscal year relative to the total contributions of participating employers to the EUTF.

As of July 1, 2023, the Airports' proportion of the net OPEB liability was 0.9290 percent, which was a decrease of 0.4391 percent from its proportion measured as of July 1, 2022 of 1.3681 percent.

There were no changes between the measurement date, July 1, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the net OPEB liability.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2024, the Airports recognized OPEB expense of $2,596,818.

At June 30, 2024, the Airports 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 |
|---|---|---|
| Difference between expected and actual experience | $ - | $ 21,627,740 |
| Changes in assumptions | 1,021,227 | 3,465,367 |
| Net difference between projected and actual earnings on OPEB plan investments | 5,312,035 | - |
| Airports contributions to the plan subsequent to the measurement date | 17,134,412 | - |
| Total | $ 23,467,674 | $ 25,093,107 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

| Years Ending June 30 | Amount |
|---|---|
| 2025 | $ (5,940,286) |
| 2026 | (6,391,218) |
| 2027 | (3,090,217) |
| 2028 | (3,137,963) |
| 2029 | (185,385) |
| Thereafter | (14,776) |
| Total | $ (18,759,845) |

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's board of trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

The investment rate of return was assumed to be 7.00 percent, net of OPEB plan investment expense, including inflation.

## Note 10 - Other Postemployment Benefit Plan (Continued)

***Health Care Cost Trend Rates***

PPO* - Initial rate of 6.30 percent; declining to a rate of 4.25 percent after 21 years
HMO* - Initial rate of 6.30 percent; declining to a rate of 4.25 percent after 21 years
Part B and Base Monthly Contribution - Initial rate of 5.00 percent; declining to a rate of 4.25 percent after 21 years
Dental - 4.00 percent
Vision - 2.50 percent
Life insurance - 0.00 percent

*Blended rates for medical and prescription drug

***Mortality Rates***

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

***Discount Rate***

The discount rate used to measure the net OPEB liability was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent. 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. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on the EUTF's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Investment Rate of Return***

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 weighting 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 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Private equity | 15.00 % | 10.00 % |
| U.S. microcap | 3.00 | 8.70 |
| Global equity | 27.50 | 7.60 |
| Global options | - | 4.90 |
| Real assets | 12.00 | 4.30 |
| Private credit | 10.00 | 7.80 |
| TIPS | 5.00 | 2.00 |
| Long treasurys | 5.50 | 2.40 |
| Reinsurance | 5.00 | 3.40 |
| Alternative risk | 5.00 | 3.30 |
| Trend following | 10.00 | 2.10 |
| Tail risk | 2.00 | (1.10) |

## Note 10 - Other Postemployment Benefit Plan (Continued)

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the Airports, calculated using the discount rate of 7.00 percent, as well as what the Airports' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percentage Point Decrease (6.00%) | Current Discount Rate (7.00%) | 1 Percentage Point Increase (8.00%) |
|---|---|---|---|
| Airports proportionate share of the net OPEB liability | $ 186,599,476 | $ 149,221,999 | $ 119,388,420 |

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the Airports, calculated using the assumed health care cost trend rate, as well as what the Airports' net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1 Percentage Point Decrease | Current Health Care Cost Trend Rate | 1 Percentage Point Increase |
|---|---|---|---|
| Airports proportionate share of the net OPEB liability | $ 115,855,725 | $ 149,221,999 | $ 191,929,665 |

***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 revenue is 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. The EUTF’s complete financial statements are available at http://eutf.hawaii.gov.

## Note 11 - Transactions with Other Government Agencies

The State assesses a surcharge of 5 percent for central service expenses on all receipts of the Airports, after deducting any amounts pledged, charged, or encumbered, for the payment of bonds and interest during the year. The assessments amounted to $18,068,339 in fiscal year 2024.

The Airports is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $8,870,514 in fiscal year 2024.

During fiscal year 2024, revenue received from other state agencies totaled $7,365,694, and expenditures to other state agencies totaled $23,639,457. The revenue received relates to various rental agreements that the Airports has with the State of Hawaii. The expenses paid relate to various items, including security, salary, and insurance.

## Note 12 - Risk Management

The Airports is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Airports generally address these risks through commercial insurance policies. Settled claims have not exceeded this commercial coverage in any of the past three years.

***Torts***

The Airports are involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Airports' financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State General Fund.

***Property and Liability Insurance***

The Airports are 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 are covered under the State of Hawaii Statewide Insurance Program for Property, Auto and Crime Insurance.

***Workers' Compensation***

The State is self-insured for workers' compensation. Accordingly, the Airports are 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, 2024, the workers' compensation reserve was $12,452,080, of which $6,102,764 is included in current liabilities (payable from unrestricted net assets) and $6,349,316 is included in long-term liabilities in the accompanying statement of net position. In the opinion of management, the Airports have adequately reserved for such claims.

Changes in the estimated liability for the past two fiscal years were as follows:

| | 2024 | 2023 |
|---|---|---|
| Estimated liability - Beginning of year | $ 9,724,293 | $ 6,934,962 |
| Estimated claims incurred, including changes in estimates | 2,986,900 | 3,155,742 |
| Claim payments | (259,113) | (366,411) |
| Estimated liability - End of year | $ 12,452,080 | $ 9,724,293 |

## Note 13 - Contingent Liabilities

***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' financial position. In addition, the State has not determined whether the ultimate liabilities, if any, will be imposed on the Airports. Accordingly, no provisions for any liabilities that might result have been made in the accompanying financial statements.

## Note 13 - Contingent Liabilities (Continued)

***Arbitrage***

In compliance with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, the Airports are 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, 2024, if any, are not material to the financial statements. Accordingly, no rebates payable have been recorded in the accompanying financial statements.

***Asserted Claims***

In fiscal year 2024, there was an overpayment from the signatory airlines resulting in a prepaid airport use charge payable at June 30, 2024 of $17,231,164.

***Temporary Hazard Pay***

The State entered into multiple settlement agreements regarding the Temporary Hazard Pay (THP) with unions for periods covering dates in March 2020 through March 2022, for those employees who performed essential functions during the COVID-19 pandemic. Total accrued payroll and fringe benefits as of June 30, 2024 related to temporary hazard pay for Airports' employees was $8,372,940.

Act 049, SLH 2024 provided emergency appropriations for public employment cost items and cost adjustments for employees of certain collective bargaining units. Effective July 1, 2024, the State appropriated a total of $458.8 million as a result of a negotiated settlement for employees who met certain requirements during the COVID-19 pandemic.

As of the date of the issuance of these financial statements, the State continues to negotiate with the remaining unions, and it was not practical to estimate the total liability owed to eligible Airports employees.

# Supplementary Information

**DEPARTMENT OF TRANSPORTATION, AIRPORTS**
**STATE OF HAWAII**
(An Enterprise Fund of the State of Hawaii)
Operating Revenues and Operating Expenses Other than Depreciation
Year ended June 30, 2024

| | | | Airports | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Totals** | **Statewide** | **Daniel K. Inouye International** | **Kahului** | **Lihue** | **Ellison Onizuka Kona International at Keahole** | **Hilo International** | **All Others** |
| Operating revenue: | | | | | | | | |
| Concession fees: | | | | | | | | |
| Duty free | 18,140,275 | - | 18,140,275 | | | | | |
| Retail | 8,557,915 | - | 8,254,984 | 302,931 | | | | |
| Airport parking | 31,739,751 | - | 18,511,541 | 6,068,067 | 2,446,674 | 3,000,834 | 1,712,636 | |
| Car rental | 75,905,970 | - | 19,256,608 | 22,728,972 | 15,054,905 | 16,251,717 | 2,378,300 | 235,467 |
| Food and beverage | 7,085,955 | - | 5,073,660 | 554,130 | 324,683 | 1,058,744 | 74,738 | |
| Other concessions | 15,770,823 | - | 9,573,487 | 5,009,011 | 1,131,974 | 189,166 | (162,105) | 29,290 |
| Total concession fees | 157,200,689 | - | 78,810,555 | 34,663,111 | 18,958,236 | 20,500,460 | 4,003,570 | 264,757 |
| Airport landing fees | 126,187,581 | | 82,127,580 | 20,031,729 | 8,983,915 | 11,525,779 | 2,857,016 | 661,563 |
| Aeronautical Rentals: | | | | | | | | |
| Nonexclusive Joint-Use Premises | 138,384,523 | - | 118,340,653 | 6,896,319 | 4,422,324 | 6,413,156 | 2,312,071 | - |
| Exclusive-Use Premise Charges | 101,526,292 | - | 71,866,466 | 12,901,903 | 6,098,369 | 5,399,236 | 2,442,495 | 2,817,822 |
| Non Aeronical Rentals | 31,362,577 | - | 22,211,664 | 4,538,072 | 1,295,516 | 3,081,228 | 340,742 | 110,801 |
| Aviation Fuel Tax | 2,623,798 | - | 1,306,149 | 664,120 | 228,467 | 425,062 | - | - |
| Miscellaneous | 9,351,618 | 1,067,813 | 5,639,902 | 550,514 | 794,724 | 846,313 | 113,245 | 339,107 |
| | 566,637,078 | 1,067,813 | 380,302,969 | 80,245,770 | 40,781,550 | 48,191,234 | 12,069,138 | 4,194,051 |
| Allocation of statewide miscellaneous revenues (note 1) | | (1,067,813) | 717,751 | 151,449 | 76,968 | 90,952 | 22,778 | 7,915 |
| Net Operating Revenue | 566,637,078 | - | 381,020,720 | 80,397,219 | 40,858,517 | 48,282,186 | 12,091,917 | 4,201,966 |
| Operating expenses other than depreciation: | | | | | | | | |
| Salaries and wages | 130,192,822 | 2,685,568 | 61,247,748 | 19,578,582 | 13,586,572 | 11,313,467 | 9,504,735 | 12,276,150 |
| Other personnel services | 111,068,617 | 8,954,708 | 65,816,660 | 14,217,823 | 6,201,620 | 6,097,939 | 5,691,386 | 4,088,481 |
| Repairs and maintenance | 61,909,920 | 19,813,587 | 31,099,448 | 4,378,280 | 3,502,387 | 1,074,586 | 1,534,448 | 507,184 |
| Utilities | 51,406,590 | 311 | 34,519,961 | 8,355,076 | 2,466,017 | 3,630,054 | 1,614,023 | 821,149 |
| Special maintenance | 19,057,622 | 15,666,153 | 2,909,730 | (362,270) | 253,483 | 518,391 | 19,199 | 52,937 |
| State of Hawaii surcharge on gross receipts (note 2) | 18,068,339 | 18,068,339 | - | - | - | - | - | - |
| Department of Transportation general administration expenses | 8,870,514 | 8,870,514 | - | - | - | - | - | - |
| Materials and supplies | 11,355,033 | 1,138,767 | 5,569,838 | 2,220,665 | 735,521 | 772,393 | 623,693 | 294,156 |
| Insurance | 5,151,757 | 5,151,757 | - | - | - | - | - | - |
| Workers' compensation and other insurance claims | 4,627,885 | 2,756,087 | 1,069,074 | 224,617 | 35,244 | 167,326 | 131,750 | 243,786 |
| Miscellaneous | 93,884,721 | 77,462,341 | 15,327,844 | 292,830 | 167,143 | 316,004 | 178,493 | 140,067 |
| | 515,593,819 | 160,568,131 | 217,560,303 | 48,905,604 | 26,947,985 | 23,890,160 | 19,297,726 | 18,423,909 |
| Less Bond Interest | (75,718,206) | (75,718,206) | - | - | - | - | - | - |
| | 439,875,613 | 84,849,925 | 217,560,303 | 48,905,604 | 26,947,985 | 23,890,160 | 19,297,726 | 18,423,909 |
| Allocation of statewide expenses (3) | - | (84,849,925) | 51,996,168 | 11,688,272 | 6,440,476 | 5,709,667 | 4,612,090 | 4,403,251 |
| Total operating expenses other than depreciation for statement of revenue, expenses and changes in net position | 439,875,613 | - | 269,556,472 | 60,593,876 | 33,388,462 | 29,599,827 | 23,909,816 | 22,827,161 |

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 surgcharge 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) Statewide expenses are allocated to the airpors based upon their respective current year operating expenses to total current year operating expenses for all airports.



See accompanying independent auditors' report.

**Schedule 2**

**DEPARTMENT OF TRANSPORTATION, AIRPORTS**
**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, 2024**

| | | |
|---|---|---|
| **Net revenue and taxes:** | | |
| Concession fees | $ | 157,200,688 |
| Airport landing fees | | 126,187,581 |
| Aeronautical rentals: | | |
| Nonexclusive joint-use premise charges | | 138,384,523 |
| Exclusive-use premise charges | | 101,526,292 |
| Nonaeronautical rentals | | 31,362,577 |
| Aviation fuel tax | | 2,623,798 |
| Airport system support charges | | - |
| Interest income, exclusive of interest on investments in direct financing leases and including interest income of $ 2,449,296 on capital improvement projects | | 69,537,175 |
| Federal operating grants | | 3,871,312 |
| Miscellaneous | | 9,351,618 |
| Subtotal | | 640,045,564 |
| Deductions: | | |
| Operating expense other than depreciation (Schedule 1) | | 439,875,613 |
| Less: operating expenses for Special Facility (note 3) | | (23,737,537) |
| Non-cash pension and OPEB expenses (note 4) | | 18,158,356 |
| Less: Operating expenses paid from major maintenance, renewal and replacement account | | (1,297) |
| Annual reserve required on major maintenance, renewal and replacement account | | 3,392,570 |
| Total deductions | | 437,687,705 |
| Net revenue and taxes | | 202,357,859 |
| Add funded coverage per bond certificate | | 29,375,614 |
| Adjusted net revenue and taxes | | 231,733,473 |
| Debt service requirement: | | 37,665,000 |
| Interest (note 1) | | 72,520,984 |
| Total debt service | | 110,185,984 |
| Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2) | | (20,623,226) |
| Total debt service requirement | | 89,562,758 |
| Debt service coverage percentage | | 125% |
| Total debt service with coverage requirement | | 111,953,447 |
| Excess of net revenue and taxes over debt service requirement | $ | 119,780,026 |

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 2022 bond proceeds used to pay interest on the Series 2022 bonds until the projects funded by the Series 2022 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 $20,623,226 of Passenger Facility Charge revenue into the Airport Revenue Fund for credit to the interest account for Passenger Facility Charge eligible debt service.

(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.

See accompanying independent auditors' report.

**DEPARTMENT OF TRANSPORTATION, AIRPORTS**
**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, 2024

| | | Annual Principal & Interest Requirements | | |
|---|---|---|---|---|
| | | Airports System Revenue Bonds | | |
| | | Principal | Interest | Total |
| Year ending June 30: | | | | |
| 2025 | $ | 37,665,000 | 74,903,068 | 112,568,068 |
| 2026 | | 43,410,000 | 73,463,577 | 116,873,577 |
| 2027 | | 44,660,000 | 72,137,985 | 116,797,985 |
| 2028 | | 46,065,000 | 70,689,602 | 116,754,602 |
| 2029 | | 47,560,000 | 69,124,942 | 116,684,942 |
| 2030 | | 49,195,000 | 67,303,029 | 116,498,029 |
| 2031 | | 51,200,000 | 65,201,861 | 116,401,861 |
| 2032 | | 53,395,000 | 62,770,215 | 116,165,215 |
| 2033 | | 56,065,000 | 60,033,715 | 116,098,715 |
| 2034 | | 58,870,000 | 57,160,340 | 116,030,340 |
| 2035 | | 61,810,000 | 54,143,340 | 115,953,340 |
| 2036 | | 64,900,000 | 51,239,065 | 116,139,065 |
| 2037 | | 55,940,000 | 48,654,040 | 104,594,040 |
| 2038 | | 58,390,000 | 46,147,740 | 104,537,740 |
| 2039 | | 60,950,000 | 43,530,290 | 104,480,290 |
| 2040 | | 63,625,000 | 40,846,440 | 104,471,440 |
| 2041 | | 66,320,000 | 37,908,265 | 104,228,265 |
| 2042 | | 69,505,000 | 34,648,340 | 104,153,340 |
| 2043 | | 72,840,000 | 31,174,716 | 104,014,716 |
| 2044 | | 76,450,000 | 27,485,466 | 103,935,466 |
| 2045 | | 80,220,000 | 23,624,216 | 103,844,216 |
| 2046 | | 84,170,000 | 19,580,395 | 103,750,395 |
| 2047 | | 66,305,000 | 16,010,292 | 82,315,292 |
| 2048 | | 69,315,000 | 12,933,579 | 82,248,579 |
| 2049 | | 72,460,000 | 9,702,736 | 82,162,736 |
| 2050 | | 75,775,000 | 6,623,954 | 82,398,954 |
| 2051 | | 78,615,000 | 3,573,255 | 82,188,255 |
| 2052 | | 38,875,000 | 971,875 | 39,846,875 |
| **TOTAL** | $ | **1,704,550,000** | **1,181,586,338** | **2,886,136,338** |

See accompanying independent auditors' report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)
Debt Service Requirements to Maturity - Airports System Revenue Bonds
Year ended June 30, 2024

| | New Issue 2015A 4.125% to 5.25% | New Issue 2015B 4.00% | New Issue 2018A 5.00% | New Issue 2018B 3.00% to 5.00% | Refunding Series 2018C 3.58% | Refunding Series 2018D 5.00% | Series 2020A AMT 4% to 5% | Series 2020B Taxable 3.48% | 2020C Non AMT 5.00% | Refunding Series 2020D (Non Amt) 4.00% to 5.00% | Refunding Series 2020E (Taxable) 1.392% to 2.330% | Series 2022A (AMT) 4.00% to 5.00% | Refunding Series 2022B (AMT) 5.00% | Total | Interest | Total Requirements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year Ending June 30: | | | | | | | | | | | | | | | | |
| 2025 | - | - | - | - | 17,815,000 | - | | - | - | - | - | - | 19,850,000 | 37,665,000 | 74,903,069 | 112,568,069 |
| 2026 | - | - | - | 8,305,000 | 16,805,000 | - | | - | - | - | 18,300,000 | - | - | 43,410,000 | 73,463,578 | 116,873,578 |
| 2027 | - | - | - | 8,695,000 | 19,015,000 | - | | - | - | - | 16,950,000 | - | - | 44,660,000 | 72,137,986 | 116,797,986 |
| 2028 | - | - | - | 9,125,000 | 18,095,000 | - | | - | - | 1,725,000 | 17,120,000 | - | - | 46,065,000 | 70,689,602 | 116,754,602 |
| 2029 | - | - | 9,800,000 | - | 20,105,000 | - | | - | - | 1,715,000 | 15,940,000 | - | - | 47,560,000 | 69,124,942 | 116,684,942 |
| 2030 | - | - | 10,750,000 | - | - | 20,185,000 | | - | - | 1,980,000 | 16,280,000 | - | - | 49,195,000 | 67,303,029 | 116,498,029 |
| 2031 | - | - | 11,280,000 | - | - | 21,935,000 | 2,920,000 | - | - | 1,340,000 | 13,725,000 | - | - | 51,200,000 | 65,201,861 | 116,401,861 |
| 2032 | - | - | 11,840,000 | - | - | 23,210,000 | 17,110,000 | - | - | 1,235,000 | - | - | - | 53,395,000 | 62,770,215 | 116,165,215 |
| 2033 | - | - | 12,435,000 | - | - | 24,365,000 | 17,965,000 | - | - | 1,300,000 | - | - | - | 56,065,000 | 60,033,715 | 116,098,715 |
| 2034 | - | - | 13,050,000 | - | - | 25,590,000 | 18,865,000 | - | - | 1,365,000 | - | - | - | 58,870,000 | 57,160,340 | 116,030,340 |
| 2035 | - | - | 13,710,000 | - | - | 26,865,000 | 19,805,000 | - | - | 1,430,000 | - | - | - | 61,810,000 | 54,143,340 | 115,953,340 |
| 2036 | - | - | 12,205,000 | - | - | - | 20,795,000 | - | - | 31,900,000 | - | - | - | 64,900,000 | 51,239,065 | 116,139,065 |
| 2037 | - | - | 12,820,000 | - | - | - | 1,330,000 | - | - | 33,170,000 | - | 8,620,000 | - | 55,940,000 | 48,654,040 | 104,594,040 |
| 2038 | - | - | 13,450,000 | - | - | - | 1,385,000 | - | - | 34,505,000 | - | 9,050,000 | - | 58,390,000 | 46,147,740 | 104,537,740 |
| 2039 | - | - | 14,130,000 | - | - | - | 1,440,000 | - | - | 35,880,000 | - | 9,500,000 | - | 60,950,000 | 43,530,290 | 104,480,290 |
| 2040 | - | - | 14,840,000 | - | - | - | 1,500,000 | - | - | 37,310,000 | - | 9,975,000 | - | 63,625,000 | 40,846,440 | 104,471,440 |
| 2041 | 34,570,000 | 1,375,000 | 18,445,000 | - | - | - | 1,555,000 | - | - | - | - | 10,375,000 | - | 66,320,000 | 37,908,265 | 104,228,265 |
| 2042 | 36,295,000 | 1,430,000 | 19,375,000 | - | - | - | 1,610,000 | - | - | - | - | 10,795,000 | - | 69,505,000 | 34,648,340 | 104,153,340 |
| 2043 | 38,110,000 | 1,490,000 | 20,340,000 | - | - | - | 1,675,000 | - | - | - | - | 11,225,000 | - | 72,840,000 | 31,174,715 | 104,014,715 |
| 2044 | 40,020,000 | 1,545,000 | 21,355,000 | - | - | - | 1,745,000 | - | - | - | - | 11,785,000 | - | 76,450,000 | 27,485,465 | 103,935,465 |
| 2045 | 42,020,000 | 1,610,000 | 22,420,000 | - | - | - | 1,815,000 | - | - | - | - | 12,355,000 | - | 80,220,000 | 23,624,215 | 103,844,215 |
| 2046 | 44,120,000 | 1,675,000 | 23,540,000 | - | - | - | 1,625,000 | 265,000 | - | - | - | 12,945,000 | - | 84,170,000 | 19,580,395 | 103,750,395 |
| 2047 | - | - | 35,775,000 | - | - | - | - | 18,960,000 | - | - | - | 11,570,000 | - | 66,305,000 | 16,010,292 | 82,315,292 |
| 2048 | - | - | 37,560,000 | - | - | - | - | 19,620,000 | - | - | - | 12,135,000 | - | 69,315,000 | 12,933,579 | 82,248,579 |
| 2049 | - | - | 39,440,000 | - | - | - | - | 20,305,000 | - | - | - | 12,715,000 | - | 72,460,000 | 9,702,736 | 82,162,736 |
| 2050 | - | - | - | - | - | - | - | 62,425,000 | - | - | - | 13,350,000 | - | 75,775,000 | 6,623,954 | 82,398,954 |
| 2051 | - | - | - | - | - | - | - | 44,310,000 | 20,295,000 | - | - | 14,010,000 | - | 78,615,000 | 3,573,255 | 82,188,255 |
| 2052 | - | - | - | - | - | - | - | - | - | - | - | 38,875,000 | - | 38,875,000 | 971,875 | 39,846,875 |
| | $ 235,135,000 | 9,125,000 | 388,560,000 | 26,125,000 | 91,835,000 | 142,150,000 | 113,140,000 | 165,885,000 | 20,295,000 | 184,855,000 | 98,315,000 | 209,280,000 | 19,850,000 | 1,704,550,000 | 1,181,586,338 | 2,886,136,338 |

See accompanying independent auditors' report.

**DEPARTMENT OF TRANSPORTATION, AIRPORTS**
**STATE OF HAWAII**
**(An Enterprise Fund of the State of Hawaii)**
**Airports System Charges - Fiscal year 2008 Lease Extension**
**Year ended June 30, 2024**

| | Airline Activity (Unaudited) | | | Airports System Charges | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nonexclusive Joint Use Premise Charges | | | | | | | | | |
| | Approved Maximun Revenue Landing Weights (1,000 pound units) | Revenue Passenger Landings | Deplaned International Passengers | Airports Landing Fees | International Arrivals Building Charges | Joint Use Charges - Overseas Baggage | Joint Use Charges - Overseas Holdroom | Joint Use Charges - Overseas Baggage Make Up | Joint Use Charges Interisland Baggage | Joint Use Charges Interisland Holdroom | Preferential Use | Exclusive Use Premises Charges- Terminal Space | TOTAL |
| AEKO KULA, INC. | 1,237,029 | | | 3,166,794 | | | | | | | | 130,489 | 3,297,283 |
| AIR CANADA | 163,124 | 974 | | 802,571 | | 541,784 | 358,570 | 196,857 | | | | 582,329 | 2,482,111 |
| AIR NEW ZEALAND LTD. | 66,854 | 157 | 33,862 | 328,922 | 587,506 | | 104,082 | 71,721 | | | | | 1,092,231 |
| AIR PACIFIC, LTD. | 23,990 | 157 | 16,020 | 118,029 | 277,947 | | 50,817 | 35,017 | | | | 2,480,865 | 2,962,675 |
| ALASKA AIRLINES, INC. | 1,505,276 | 7151 | | 7,405,958 | | 4,528,004 | 292,338 | 1,399,832 | 37 | 150 | 1,055,268 | (280,199) | 14,401,388 |
| ALL NIPPON AIRWAYS CO., LTD. | 719,654 | 1022 | 277,362 | 3,540,697 | 4,812,231 | | 803,267 | 550,409 | | | | 2,630,282 | 12,336,886 |
| AMERICAN AIRLINES, INC. | 1,164,723 | 5160 | | 5,721,549 | | 2,985,432 | 2,070,176 | 972,472 | | | | 2,632,145 | 14,381,775 |
| ATLAS AIR INC. | 300,939 | 9 | | 1,208,446 | | | | | | | | | 1,208,446 |
| ASIANA AIRLINES, INC. | 120,642 | 196 | 66,166 | 593,560 | 1,147,980 | | 189,585 | 130,639 | | | | 150,091 | 2,211,854 |
| CHINA AIRLINES | 456 | | | 2,245 | | | | | | | | | 2,245 |
| CONTINENTAL AIRLINES, INC. | 0 | | | | | | | | | | | 799,828 | 799,828 |
| DELTA AIR LINES, INC. | 1,638,035 | 6,282 | 42,425 | 8,059,131 | 736,074 | 4,288,470 | 2,883,501 | 1,609,426 | | | | 5,586,498 | 23,163,100 |
| FEDERAL EXPRESS CORPORATION | 852,325 | | | 4,193,439 | | | | | | | | 10,561 | 4,204,000 |
| HAWAIIAN AIRLINES, INC. | 10,463,162 | 70,087 | 538,148 | 36,658,984 | 9,336,868 | | 6,115,496 | 626,099 | 17,425,503 | 100,436 | 10,976,860 | 17,333,426 | 98,573,673 |
| JAPAN AIRLINES INTERNATIONAL CO., LTD. | 565,070 | 1,551 | 282,323 | 2,780,144 | 4,898,304 | | 846,983 | 578,373 | | | | 2,690,728 | 11,794,533 |
| JETSTAR AIRWAYS PTY LIMITED | 100,291 | 261 | 73,840 | 493,431 | 1,281,124 | | 234,740 | 161,754 | | | | | 2,171,049 |
| KALITTA AIR, L.L.C. | 291,257 | | | 1,402,210 | | | | | | | | | 1,402,210 |
| KOREAN AIRLINES COMPANY, LTD. | 221,925 | 367 | 101,630 | 1,091,871 | 1,763,281 | | 285,258 | 196,565 | | | | 611,129 | 3,948,103 |
| NORTHERN AIR CARGO, LLC | 164,630 | | | 809,980 | | | | | | | | | 809,980 |
| PHILIPPINE AIRLINES, INC. | 109,592 | 261 | 68,736 | 539,193 | 1,192,570 | | 191,814 | 132,175 | | | | 249,609 | 2,305,360 |
| QANTAS AIRWAYS LIMITED | 227,050 | 203 | 61,675 | 1,117,086 | 1,070,061 | | 177,526 | 122,329 | | | | 1,053,765 | 3,540,768 |
| SINGAPORE AIRLINES, INC. | 255,875 | | | 1,258,905 | | | | | | | | | 1,258,905 |
| SOUTHERN AIRWAYS EXPRESS LLC | 358,079 | 37,341 | | 916,681 | | | | | | | | 1,464 | 918,145 |
| SOUTHWEST AIRLINES CO. | 4,694,433 | 31,011 | | 15,220,887 | | 10,003,469 | 109,845 | 3,089,768 | | 338,290 | 3,118,190 | 5,443,123 | 37,323,572 |
| SUN COUNTRY, INC. | 0 | | | - | | | | | | | | 60,900 | 60,900 |
| UNITED AIRLINES, INC. | 3,093,721 | 8,607 | 116,224 | 15,221,106 | 2,016,486 | 7,758,702 | 5,458,230 | 2,880,471 | | | | 8,983,187 | 42,318,182 |
| UNITED PARCEL SERVICE CO. | 1,453,789 | | | 6,143,065 | | | | | | | | 52,314 | 6,195,379 |
| WESTJET | 248,707 | 1,464 | | 1,223,637 | | 678,739 | 469,147 | 213,555 | | | | 236,616 | 2,821,695 |
| TOTAL SIGNATORY AIRLINES | 30,040,628 | 172,261 | 1,678,411 | 120,018,520 | 29,120,431 | 30,784,599 | 20,641,378 | 12,967,461 | 17,425,540 | 438,877 | 15,150,318 | 51,439,151 | 297,986,276 |
| TOTAL NON-SIGNATORY AIRLINES | 1,720,254 | 80,023 | 55,257 | 4,940,499 | 1,167,140 | 12,085 | 211,896 | 172,399 | | | - | 1,178,841 | 7,682,860 |
| TOTAL AIRPORT SYSTEM CHARGES BILLED | 31,760,882 | 252,284 | 1,733,668 | 124,959,019 | 30,287,570 | 30,796,685 | 20,853,274 | 13,139,860 | 17,425,540 | 438,877 | 15,150,318 | 52,617,992 | 305,669,135 |
| Signatory Airlines billed | | | | 120,018,520 | 29,120,431 | 30,784,599 | 20,641,378 | 12,967,461 | 17,425,540 | 438,877 | 15,563,683 | 52,226,496 | 299,186,986 |
| Signatory Airlines requirements | | | | 123,107,285 | 34,403,111 | 32,781,929 | 21,034,839 | 12,459,199 | 18,821,329 | 581,945 | 17,152,016 | 57,556,407 | 317,898,060 |
| Fiscal year 2024 underpayment | | | | (3,088,765) | (5,282,680) | (1,997,330) | (393,461) | 508,262 | (1,395,789) | (143,068) | (1,588,333) | (5,329,910) | (18,711,074) |

Note: Certain other aeronautical 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, 2024 were as follows:

| | |
|---|---|
| Signatory Airlines | $ 18,034,325 |
| Nonsignatory Airlines | $ 23,533,998 |
| | $ 41,568,323 |

See accompanying independent auditors' report.

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS
(An Enterprise Fund of the State of Hawaii)
Approved Maximum Revenue Landing Weights and Airport Landing Fees - Signatory Airlines
Year ended June 30, 2024

| | Signatory airlines | Nonsignatory airlines | Total |
|---|---|---|---|
| Gross airport landing fees billed | $ 120,018,520 | $ 4,940,499 | $ 124,959,019 |
| Less aviation fuel tax credit | (1,815,881) | (44,323) | (1,860,203) |
| Net airport landing fees billed | $ 118,202,639 | $ 4,896,176 | $ 123,098,816 |

See accompanying independent auditors' report.

Schedule 7

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS
(An Enterprise Fund of the State of Hawaii)
Approved Maximum Revenue Landing Weights and Airport Landing Fees - Signatory Airlines
Year ended June 30, 2024

| | Approved Maximum Revenue Landing Weights (unaudited) (1,000 pound units) | | | | Airport Landing Fees: Daniel K. Inouye International Airport & Kona International Airport | | | | | Airport Landing Fees: All Other Airports | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Carrier | Daniel K. Inouye International Airport | Kona International Airport | All Other Airports | Total | Daniel K. Inouye International Airport | Kona International Airport | Total | Aviation Fuel Tax Credit | Adjusted Airport Landing Fees | All Other Airports | Aviation Fuel Tax Credit | Adjusted Airport Landing Fees | Total Adjusted Airport Landing Fees Billed |
| AEKO KULA, INC. | 412,378 | 194,219 | 630,432 | 1,237,029 | $1,055,687.68 | $497,200.64 | $1,552,888.32 | | $1,552,888.32 | $1,613,905.92 | | $1,613,905.92 | $3,166,794.24 |
| AIR CANADA | 101,487 | 16,197 | 45,440 | 163,124 | $499,315.56 | $79,688.26 | $579,003.82 | | $579,003.82 | $223,566.77 | | $223,566.77 | $802,570.59 |
| AIR NEW ZEALAND LTD. | 66,854 | | 0 | 66,854 | $328,921.68 | | $328,921.68 | | $328,921.68 | $0.00 | | $0.00 | $328,921.68 |
| AIR PACIFIC, LTD. | 23,990 | | 0 | 23,990 | $118,028.85 | | $118,028.85 | | $118,028.85 | $0.01 | | $0.01 | $118,028.86 |
| ALASKA AIRLINES, INC. | 681,714 | 327,272 | 496,290 | 1,505,276 | $3,354,030.91 | $1,610,175.80 | $4,964,206.71 | ($267,097.30) | $4,697,109.41 | $2,441,751.24 | | $2,441,751.24 | $7,138,860.65 |
| ALL NIPPON AIRWAYS CO., LTD. | 719,654 | | 0 | 719,654 | $3,540,696.98 | | $3,540,696.98 | | $3,540,696.98 | $0.00 | | $0.00 | $3,540,696.98 |
| AMERICAN AIRLINES, INC. | 562,276 | 131,129 | 471,318 | 1,164,723 | $2,766,399.26 | $645,155.17 | $3,411,554.43 | ($51,716.29) | $3,359,838.14 | $2,309,994.63 | | $2,309,994.63 | $5,669,832.77 |
| ATLAS AIR INC. | 69,637 | 116,300 | 115,002 | 300,939 | $341,844.68 | $572,196.00 | $914,040.68 | | $914,040.68 | $294,405.12 | | $294,405.12 | $1,208,445.80 |
| ASIANA AIRLINES, INC. | 120,642 | | 0 | 120,642 | $593,559.66 | | $593,559.66 | | $593,559.66 | $0.00 | | $0.00 | $593,559.66 |
| CHINA AIRLINES | 456 | | 0 | 456 | $2,245.25 | | $2,245.25 | | $2,245.25 | $0.00 | | $0.00 | $2,245.25 |
| CONTINENTAL AIRLINES, INC. | | | 0 | 0 | $0.00 | | $0.00 | | $0.00 | $0.00 | | $0.00 | $0.00 |
| DELTA AIR LINES, INC. | 1,189,531 | 128,058 | 320,446 | 1,638,035 | $5,852,492.38 | $630,045.66 | $6,482,538.04 | ($122,600.05) | $6,359,937.99 | $1,576,593.04 | | $1,576,593.04 | $7,936,531.03 |
| FEDERAL EXPRESS CORPORATION | 852,325 | | 0 | 852,325 | $4,193,439.00 | | $4,193,439.00 | | $4,193,439.00 | $0.00 | | $0.00 | $4,193,439.00 |
| HAWAIIAN AIRLINES, INC. | 6,040,030 | 923,570 | 3,499,562 | 10,463,162 | $23,146,997.96 | $2,579,223.74 | $25,726,221.70 | ($1,199,148.65) | $24,527,073.05 | $10,932,762.49 | | $10,932,762.49 | $35,459,835.54 |
| JAPAN AIRLINES INTERNATIONAL CO., LTD. | 556,700 | 8,370 | 0 | 565,070 | $2,738,964.00 | $41,180.40 | $2,780,144.40 | ($3,632.76) | $2,776,511.64 | $0.00 | | $0.00 | $2,776,511.64 |
| JETSTAR AIRWAYS PTY LIMITED | 100,291 | | 0 | 100,291 | $493,431.29 | | $493,431.29 | | $493,431.29 | $0.00 | | $0.00 | $493,431.29 |
| KALITTA AIR, L.L.C. | 278,217 | 13,040 | 0 | 291,257 | $1,368,827.64 | $33,382.40 | $1,402,210.04 | | $1,402,210.04 | $0.00 | | $0.00 | $1,402,210.04 |
| KOREAN AIRLINES COMPANY, LTD. | 221,925 | | 0 | 221,925 | $1,091,871.00 | | $1,091,871.00 | | $1,091,871.00 | $0.00 | | $0.00 | $1,091,871.00 |
| MOKULELE FLIGHT SERVICE, INC. | | | 0 | 0 | | | $0.00 | | $0.00 | $0.00 | | $0.00 | $0.00 |
| NORTHERN AIR CARGO, LLC | 164,630 | | 0 | 164,630 | $809,979.60 | | $809,979.60 | | $809,979.60 | $0.00 | | $0.00 | $809,979.60 |
| PHILIPPINE AIRLINES, INC. | 109,592 | | 0 | 109,592 | $539,192.64 | | $539,192.64 | | $539,192.64 | $0.00 | | $0.00 | $539,192.64 |
| QANTAS AIRWAYS LIMITED | 227,050 | | 0 | 227,050 | $1,117,086.00 | | $1,117,086.00 | | $1,117,086.00 | $0.00 | | $0.00 | $1,117,086.00 |
| SINGAPORE AIRLINES, INC. | 255,875 | | 0 | 255,875 | $1,258,905.00 | | $1,258,905.00 | | $1,258,905.00 | $0.00 | | $0.00 | $1,258,905.00 |
| SOUTHERN AIRWAYS EXPRESS LLC | 99,156 | 11,138 | 247,785 | 358,079 | $253,839.36 | $28,513.28 | $282,352.64 | ($12,058.10) | $270,294.54 | $634,328.32 | | $634,328.32 | $904,622.86 |
| SOUTHWEST AIRLINES CO. | 2,235,725 | 546,567 | 1,912,141 | 4,694,433 | $7,339,468.40 | $1,744,301.42 | $9,083,769.82 | | $9,083,769.82 | $6,137,117.25 | | $6,137,117.25 | $15,220,887.07 |
| UNITED AIRLINES, INC. | 1,978,324 | 410,667 | 704,730 | 3,093,721 | $9,733,354.56 | $2,020,483.60 | $11,753,838.16 | ($153,259.15) | $11,600,579.01 | $3,467,267.67 | | $3,467,267.67 | $15,067,846.68 |
| UNITED PARCEL SERVICE CO. | 1,116,304 | 159,815 | 177,670 | 1,453,789 | $5,079,069.36 | $412,203.84 | $5,491,273.20 | ($6,368.47) | $5,484,904.73 | $651,791.36 | | $651,791.36 | $6,136,696.09 |
| WESTJET | 107,226 | 21,008 | 120,473 | 248,707 | $527,553.40 | $103,361.32 | $630,914.72 | | $630,914.72 | $592,722.24 | | $592,722.24 | $1,223,636.96 |
| TOTAL: | 18,291,989 | 3,007,350 | 8,741,289 | 30,040,628 | $ 78,145,202.10 | 10,997,111.53 | 89,142,313.63 | $ (1,815,880.77) | $ 87,326,432.86 | $ 30,876,206.06 | $ - | $ 30,876,206.06 | $ 118,202,638.92 |

| | | | |
|---|---|---|---|
| Overseas (Sig and NonSig) | Landed Wgt | | 19,195,260 |
| interisland (Sig and NonSig) | Landed Wgt | | 12,565,622 |
| | | | 31,760,882 |
| Fuel Tax Credit: | Signatory | $ | (1,815,880.77) |
| | Non-Signatory | | (44,322.63) |
| | | $ | (1,860,203.40) |

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2024.
See accompanying independent auditors' report.

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS
(An Enterprise Fund of the State of Hawaii)
Approved Maximum Revenue Landing Weights and Airport Landing Fees - Nonsignatory Airlines
Year ended June 30, 2024

| | Approved Maximum Revenue Landing Weights (unaudited) (1,000 pound units) | | | | Airport Landing Fees: Daniel K. Inouye International Airport & Kahului Airport | | | | | Airport Landing Fees: All Other Airports | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Carrier | Daniel K. Inouye International Airport | Kahului Airport | All Other Airports | Total | Daniel K. Inouye International Airport | Kahului Airport | Total | Aviation Fuel Tax Credit | Adjusted Airport Landing Fees | All Other Airports | Aviation Fuel Tax Credit | Adjusted Airport Landing Fees | Total Adjusted Airport Landing Fees Billed |
| AERO MICRONESIA, INC. | 69,930 | | 0 | 69,930 | $ 427,074.90 | | $ 427,074.90 | | $ 427,074.90 | $ - | | $ - | $ 427,074.90 |
| AIR PREMIIA INC. | 16,150 | | 0 | 16,150 | $ 99,322.50 | | $ 99,322.50 | | $ 99,322.50 | $ - | | $ - | $ 99,322.50 |
| AIR SERVICE HAWAII, INC | 45,247 | 31,782 | (0) | 77,029 | $ 99,789.64 | $ 66,693.52 | $ 166,483.16 | $ - | $ 166,483.16 | $ 129,994.83 | | $ 129,994.83 | $ 296,477.99 |
| AIR TRANSPORT INTERNATIONL LLC | 344,951 | | 0 | 344,951 | $ 1,926,219.77 | | $ 1,926,219.77 | $ (29,756.34) | $ 1,896,463.43 | $ 359,191.58 | | $ 359,191.58 | $ 2,255,655.01 |
| AIR VENTURES HAWAII, LLC | 74 | | 0 | 74 | $ 63.24 | | $ 63.24 | | $ 63.24 | $ 9,177.24 | | $ 9,177.24 | $ 9,240.48 |
| AIRBORNE AVIATION INC. | | | 0 | 0 | | | $ - | | $ - | $ 12,497.55 | | $ 12,497.55 | $ 12,497.55 |
| ALEXAIR, INC. | | 10,015 | 0 | 10,015 | | 7,294.21 | $ 7,294.21 | | $ 7,294.21 | $ - | | $ - | $ 7,294.21 |
| ALOHA HELICOPTER TOURS LLC | | | 0 | 0 | | | $ - | | $ - | $ 4,332.41 | | $ 4,332.41 | $ 4,332.41 |
| ARIS, INC. | | 19,099 | (0) | 19,099 | | 16,233.96 | $ 16,233.96 | $ (1,580.94) | $ 14,653.02 | $ 8,185.84 | | $ 8,185.84 | $ 22,838.86 |
| BIG ISLAND AIR, INC. | | | 0 | 0 | | | $ - | | $ - | $ - | | $ - | $ - |
| BRADLEY PACIFIC AVIATION, INC. | 78,726 | 58,402 | (0) | 137,128 | $ 179,309.99 | $ 120,832.51 | $ 300,142.50 | | $ 300,142.50 | $ 205,176.07 | | $ 205,176.07 | $ 505,318.57 |
| CASTLE & COOKE HOMES HAWAII, INC. | 28,454 | | 0 | 28,454 | $ 64,539.52 | | $ 64,539.52 | | $ 64,539.52 | $ - | | $ - | $ 64,539.52 |
| CORPORATE AIR | 20,978 | | 0 | 20,978 | $ 66,742.85 | | $ 66,742.85 | | $ 66,742.85 | $ 69,277.55 | | $ 69,277.55 | $ 136,020.40 |
| GOJUMP HAWAII, LLC | | | | | | | | | | $ 23,582.43 | | $ 23,582.43 | $ 23,582.43 |
| GEORGE'S AVIATION SERVICES, INC. | | | 0 | 0 | | | $ - | | $ - | $ - | | $ - | $ - |
| HAWAII HELICOPTERS LLC | 94 | 187 | 0 | 281 | $ 79.56 | $ 159.12 | $ 238.68 | | $ 238.68 | $ 153.00 | | $ 153.00 | $ 391.68 |
| HAWAII PACIFIC AVIATION INC. | 2,213 | | (0) | 2,213 | $ 1,880.88 | | $ 1,880.88 | | $ 1,880.88 | $ 10,883.71 | | $ 10,883.71 | $ 12,764.59 |
| HELICOPTER CONSULTANTS OF MAUI, INC. | 15,544 | 15,390 | (0) | 30,933 | $ 13,211.97 | $ 13,081.08 | $ 26,293.05 | $ (4,930.73) | $ 21,362.32 | $ 32,759.12 | | $ 32,759.12 | $ 54,121.44 |
| HONOLULU HELICOPTER TOURS LLC | 2,910 | | (0) | 2,910 | $ 2,473.31 | | $ 2,473.31 | | $ 2,473.31 | $ (600.59) | | $ (600.59) | $ 1,872.72 |
| HONOLULU SOARING CLUB, INC. | | | 0 | 0 | | | $ - | | $ - | $ 769.41 | | $ 769.41 | $ 769.41 |
| ISLAND HELICOPTERS KAUAI, INC. | | | 0 | 0 | | | $ - | | $ - | $ 18,246.84 | | $ 18,246.84 | $ 18,246.84 |
| JACK HARTER HELICOPTERS, INC. | | | 0 | 0 | | | $ - | $ 954.96 | $ 954.96 | $ 10,834.82 | $ (2,435.08) | $ 8,399.74 | $ 9,354.70 |
| K & S HELICOPTERS, INC. | | 653 | 0 | 653 | | $ 555.05 | $ 555.05 | | $ 555.05 | $ 6,921.55 | | $ 6,921.55 | $ 7,476.60 |
| KAMAKA AIR, INC. | 33,172 | 8,789 | (0) | 41,960 | $ 28,195.86 | $ 7,470.48 | $ 35,666.34 | | $ 35,666.34 | $ 33,724.77 | | $ 33,724.77 | $ 69,391.11 |
| LANI LEA SKY TOURS LLC | 41 | | (0) | 41 | $ 34.68 | | $ 34.68 | | $ 34.68 | $ - | | $ - | $ 34.68 |
| MAKANI KAI HELICOPTERS, LTD. | 6,386 | | 0 | 6,386 | $ 5,428.10 | | $ 5,428.10 | | $ 5,428.10 | $ 61.88 | | $ 61.88 | $ 5,489.98 |
| MISCELLANEOUS | 2,634 | | 0 | 2,634 | $ 14,669.76 | | $ 14,669.76 | | $ 14,669.76 | $ - | | $ - | $ 14,669.76 |
| MN AIRLINES LLC | 2,341 | | (0) | 2,341 | $ 11,259.25 | | $ 11,259.25 | | $ 11,259.25 | $ - | | $ - | $ 11,259.25 |
| NATIONAL AIRLINES - NPB | 66,504 | | 0 | 66,504 | $ 7,429.17 | | $ 7,429.17 | | $ 7,429.17 | $ - | | $ - | $ 7,429.17 |
| NIIHAU HELICOPTERS, INC. | | | 0 | 0 | | | $ - | | $ - | $ 373.08 | | $ 373.08 | $ 373.08 |
| NOVICTOR AVIATION, LLC | 21,415 | | 0 | 21,415 | $ 18,202.93 | | $ 18,202.93 | | $ 18,202.93 | $ - | | $ - | $ 18,202.93 |
| OMNI AIR INTERNATIONAL, INC. | 11,160 | (470) | 0 | 10,690 | $ 86,890.90 | $ (977.60) | $ 85,913.30 | | $ 85,913.30 | $ - | | $ - | $ 85,913.30 |
| PACIFIC AIR CHARTERS, INCORPORATED | | | 0 | 0 | | | $ - | | $ - | $ - | | $ - | $ - |
| PACIFIC HELICOPTER TOURS, INC. | | | 0 | 0 | | | $ - | | $ - | $ - | | $ - | $ - |
| POFOLK AVIATION HAWAII, INC. | | | 0 | 0 | | | $ - | | $ - | $ 18,877.33 | | $ 18,877.33 | $ 18,877.33 |
| RESORT AIR, LLC | 1,306 | | 0 | 1,306 | $ 1,110.21 | | $ 1,110.21 | | $ 1,110.21 | $ 180.05 | | $ 180.05 | $ 1,290.26 |
| SAFARI AVIATION, INC. | | | 0 | 0 | | | $ - | | $ - | $ 15,071.01 | | $ 15,071.01 | $ 15,071.01 |
| SUNSHINE HELICOPTERS, INC. | | 4,697 | 0 | 4,697 | | $ 3,992.11 | $ 3,992.11 | | $ 3,992.11 | $ 8,836.60 | $ (1,806.42) | $ 7,030.18 | $ 11,022.29 |
| TRANS EXECUTIVE AIRLINES OF HAWAII, INC.DI | 30,535 | 4,904 | 0 | 35,438 | $ 25,954.36 | $ 4,168.00 | $ 30,122.36 | $ (4,768.08) | $ 25,354.28 | $ 17,503.23 | | $ 17,503.23 | $ 42,857.51 |
| WESTERN AIRCRAFT INC. | 47,673 | 149 | 0 | 47,822 | $ 40,522.29 | $ 126.52 | $ 40,648.81 | | $ 40,648.81 | $ 38,280.46 | | $ 38,280.46 | $ 78,929.27 |
| WESTERN GLOBALAIRLINES | 8,657 | | 0 | 8,657 | $ 52,862.43 | | $ 52,862.43 | | $ 52,862.43 | $ (200.00) | | $ (200.00) | $ 52,662.43 |
| WINGS OVER KAUAI LLC | | | 0 | 0 | | | $ - | | $ - | $ 2,774.40 | | $ 2,774.40 | $ 2,774.40 |
| ZIPAIR TOKYO, INC. | 80,180 | | 0 | 80,180 | $ 490,735.80 | | $ 490,735.80 | | $ 490,735.80 | $ - | | $ - | $ 490,735.80 |
| TOTAL: | 937,274 | 153,595 | 0 | 1,090,868 | $ 3,664,003.87 | $ 239,628.96 | 3,903,632.83 | $ (40,081.13) | $ 3,863,551.70 | $ 1,036,866.17 | $ (4,241.50) | $ 1,032,624.67 | $ 4,896,176.37 |

| | |
|---|---|
| Overseas Landed Weight: | 953,746 |
| Interisland Landed Weight: | 877,115 |
| Total Landed Weight: | 1,830,861 |

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2024.
See accompanying independent auditors' report.

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## 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 2024 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 is described below under the "**Outlook for the Economy**" section, with brief descriptions in the "**State of the Economy**" and "**Tourism**" sections explaining the impact of these components on the State's fiscal position.

### State of the Economy

Hawaii's major economic indicators were mixed in the third quarter of 2024. The labor force, employment, and private building authorizations decreased while non-agricultural wage and salary jobs, government contracts awarded, State general fund tax revenues, and visitor arrivals increased compared to the third quarter of 2023. The August 8, 2023 Maui wildfires occurred during the third quarter of 2023, with immediate impacts on tourism.

In the third quarter of 2024, the total number of visitors arriving by air to Hawaii increased 88,324 or 3.8 percent and the daily visitor census increased 1,449 or 0.6 percent from the same quarter of 2023.

In the third quarter of 2024, the construction sector added 4,600 jobs or 12.0 percent compared with the same quarter of 2023, while the permit value for private construction decreased $3.5 million or 0.3 percent. Government contracts awarded in the third quarter of 2024 increased $1,835.1 million or 621.0 percent compared to the same quarter of 2023. According to the most recent data available, the contracting tax base increased 11.0 percent or $332.2 million in the second quarter of 2024, compared to the same quarter of 2023.

In the third quarter of 2024, State general fund tax revenues increased $448.0 million or 19.4 percent over the same period of 2023. The State general excise tax revenue increased $44.5 million or 4.0 percent, the net individual income tax revenues increased $66.6 million or 8.4 percent, the net corporate income tax revenues increased $12.5 million or 19.0 percent, and the transient accommodations tax decreased $7.1 million or 3.2 percent. In the first three quarters of 2024, State general fund tax revenues increased $512.2 million or 7.0 percent compared to same period of the previous year.

Labor market conditions were mixed. In the third quarter of 2024, the civilian labor force decreased 5,700 or 0.8 percent from the same quarter of 2023. Civilian employment decreased 6,050 or 0.9 percent. The unemployment rate (not seasonally adjusted) was 3.1 percent in the third quarter of 2024, the same as in the third quarter of 2023. Non-agricultural wage and salary jobs increased by 6,200 jobs or 1.0 percent from the third quarter of 2023.

The job increase in the third quarter of 2024 was due to both private sector and government sector job increases. The number of non-agricultural jobs in the private sector increased by 4,500 compared to the third quarter of 2023. The number of jobs increased the most in Construction, which gained 4,600 jobs or 12.0 percent, followed by Health Care and Social Assistance, which gained 2,700 jobs or 3.6 percent in the quarter. The number of jobs decreased the most in Transportation, Warehousing and Utilities, which lost 1,500 jobs or 4.4 percent and Retail Trade, which lost 1,200 jobs or 1.8 percent in the quarter. The Government sector gained 1,700 jobs or 1.4 percent in the third quarter of 2024 compared to the same quarter of 2023. The Federal Government added 400 jobs or 1.1 percent, the State Government added 1,100 jobs or 1.7 percent, and the Local Government added 300 jobs or 1.6 percent, compared to the third quarter of 2023.

In the second quarter of 2024, total annualized nominal GDP increased $5,218 million or 4.8 percent, from the same quarter of 2023. In the first half of 2024, total annualized nominal GDP increased $5,305 million or 4.9 percent from the previous year. In the second quarter of 2024, total annualized real GDP (in chained 2017 dollars) increased $1,521 million or 1.7 percent from the same quarter of 2023. In the first half of 2024, total annualized real GDP increased $1,567 million or 1.8 percent from the previous year.

In the second quarter of 2024, total non-farm private sector annualized earnings increased $2,581.7 million or 5.4 percent from the same quarter of 2023. In dollar terms, the largest increase occurred in Construction; followed by Accommodation and Food Services; Professional, Scientific & Technical services; and Health Care and Social Assistance. During the second quarter of 2024, total government earnings increased $1,304.0 million or 7.3 percent from the same quarter of 2023. Earnings from the federal government increased $856.5 million. Earnings from the state and local governments increased $447.4 million in the quarter.

In the first half of 2024, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 4.7 percent from the same period in 2023. This is 1.5 percentage points above the 3.2 percent increase for the U.S. average CPI-U. It is also higher than the 3.4 percent increase in the Honolulu CPI-U for the first half of 2023 compared to the same period of the previous year. In the first half of 2024, the Honolulu CPI-U increased the most in Housing (8.0 percent), followed by Food and Beverages (4.1 percent), Other Goods and Services (3.9 percent), and Recreation (3.4 percent). The Honolulu CPI-U decreased in Apparel (2.6 percent), Education and Communication (1.1 percent), and Transportation (0.3 percent) compared to the first half of 2023.

**Outlook for the Economy**

As measured by real gross domestic product (GDP), Hawaii's economy rebounded to exceed pre-pandemic (fourth quarter of 2019) levels by 0.7 percent as of the second quarter of 2024. While tourism-related sectors (accommodation, transportation, retail trade, recreation, and food services) only recovered to 93 percent of pre-pandemic levels, non-tourism sectors have shown firm growth. Based on the most recent data from the U.S. Bureau of Economic Analysis, Hawaii's real GDP grew 1.7 percent in the second quarter of 2024 compared to the second quarter of 2023. Hawaii's nominal personal income grew by 5.4 percent in the second quarter of 2024 compared to the second quarter of 2023.

During the first 10 months of 2024, total visitor arrivals fell by 0.7 percent from the same period in 2023. U.S. visitor arrivals by air fell 2.9 percent while international visitor arrivals rose 7.0 percent. Visitor expenditures, measured in current dollars, decreased by 1.0 percent year to date through October 2024.

The construction industry continues to boom. Construction payroll jobs reached 43,300 (not seasonally adjusted) in October 2024, a record high level in Hawaii's history. The value of private building permits increased 28.6 percent during the first ten months of 2024. During the first half of 2024, the contracting tax base totaled $6.5 billion or a 14.8 percent increase from the same period in 2023. The $9.8 billion government contracts awarded in calendar years 2022 and 2023 will have lasting effects for several years into the future.

Hawaii home sales increased 18 percent during the first nine months of 2024 as compared with the same period in 2023. Sales of single-family homes increased 14.6 percent and sales of condominium homes increased 21.2 percent. The average sale prices of single-family homes and condominium homes both increased during the first nine months of 2024 compared to the same period in 2023.

Hawaii's labor force (not seasonally adjusted) for the first ten months of 2024 decreased 0.9 percent compared to the same period in 2023. Hawaii's unemployment rate (not seasonally adjusted) averaged 3.0 percent during the first ten months of 2024, ranking eighth lowest among the 50 states.

Hawaii's consumer inflation, as measured by the Honolulu Consumer Price Index for All Urban Consumers, was at 4.2 percent in September 2024, 2.0 percentage points higher than Hawaii's inflation rate in September 2023 and 1.8 percentage points higher than the national inflation rate of 2.4 percent.

At the national level, the November 2024 Blue Chip Economic Indicators report, which reflects the consensus of 50 economic forecasting organizations, projected the U.S. economy to grow at 2.7 percent in 2024, and 2.1 percent in 2025. DBEDT estimates that the Hawaii's real GDP will increase by 1.6 percent in 2024, 2.0 percent in 2025, 2.0 percent in 2026, and 1.8 percent in 2027.

Visitor arrivals are projected to decrease by 0.6 percent in 2024 and will improve starting in 2025 as the Japanese visitor market recovery accelerates. Full recovery in arrivals will not happen until 2027 when 10.4 million visitors will come to the state. Visitor spending is projected to be $20.6 billion in 2024 and is expected to increase to $23.2 billion by 2027.

Non-agriculture payroll jobs are expected to increase by 0.9 percent in 2024, 1.2 percent in 2025, 1.2 percent in 2026, and 1.0 percent in 2027. A full recovery of non-agriculture payroll jobs is expected to occur in 2027 when the total will reach 659,800 jobs.

The state unemployment rate is expected to be 2.9 percent in 2024 and will improve to 2.7 percent in 2025 and 2.6 percent in 2026 and 2.5 percent in 2027.

Personal income is expected to grow at 4.7 percent in 2024, 4.4 percent in 2025, 4.1 percent in 2026, and 4.1 percent in 2027.

As measured by the Honolulu Consumer Price Index for Urban Consumers, inflation is expected to be at 4.3 percent in 2024, which is higher than the projected U.S. consumer inflation rate of 2.9 percent for the same year. Hawaii consumer inflation is expected to decrease to 2.6 percent by 2027.

Hawaii's population is expected to decrease by 0.2 percent in 2024, and then increase by 0.1 percent each year in 2025, 2026, and 2027.

## Table 1
## SELECTED ECONOMIC ACTIVITIES: STATE

| SERIES | 3rd QUARTER 2023 | 3rd QUARTER 2024 | 3rd QUARTER % CHANGE YEAR AGO | YEAR-TO-DATE 2023 | YEAR-TO-DATE 2024 | YEAR-TO-DATE % CHANGE YEAR AGO |
|---|---|---|---|---|---|---|
| Civilian labor force, NSA (persons) 1/ | 676,350 | 670,650 | -0.8 | 676,900 | 670,400 | -1.0 |
| Civilian employed, NSA | 655,700 | 649,650 | -0.9 | 657,000 | 650,550 | -1.0 |
| Civilian unemployed, NSA | 20,650 | 21,050 | 1.9 | 19,900 | 19,900 | 0.0 |
| Unemployment rate, NSA (%) 1/ 2/ | 3.1 | 3.1 | 0.0 | 2.9 | 3.0 | 0.1 |
| Total wage and salary jobs, NSA | 633,100 | 639,300 | 1.0 | 636,100 | 640,000 | 0.6 |
| Total non-agric. wage & salary jobs | 628,100 | 634,300 | 1.0 | 631,100 | 635,000 | 0.6 |
| Nat. Resources, Mining, Constr. | 38,200 | 42,800 | 12.0 | 38,000 | 41,500 | 9.2 |
| Manufacturing | 12,600 | 13,000 | 3.2 | 12,700 | 12,700 | 0.0 |
| Wholesale Trade | 17,500 | 17,400 | -0.6 | 17,400 | 17,300 | -0.6 |
| Retail Trade | 65,300 | 64,100 | -1.8 | 65,100 | 64,100 | -1.5 |
| Transp., Warehousing, Util. | 34,400 | 32,900 | -4.4 | 34,600 | 33,300 | -3.8 |
| Information | 7,600 | 6,500 | -14.5 | 8,400 | 6,700 | -20.2 |
| Financial Activities | 27,800 | 26,800 | -3.6 | 27,800 | 26,800 | -3.6 |
| Professional & Business Services | 71,600 | 71,700 | 0.1 | 71,800 | 71,500 | -0.4 |
| Educational Services | 13,900 | 14,600 | 5.0 | 14,300 | 14,700 | 2.8 |
| Health Care & Social Assistance | 74,300 | 77,000 | 3.6 | 73,800 | 76,100 | 3.1 |
| Arts, Entertainment & Recreation | 13,100 | 13,300 | 1.5 | 13,100 | 13,200 | 0.8 |
| Accommodation | 39,400 | 39,900 | 1.3 | 39,200 | 39,800 | 1.5 |
| Food Services & Drinking Places | 66,600 | 67,500 | 1.4 | 66,500 | 66,500 | 0.0 |
| Other Services | 26,300 | 25,800 | -1.9 | 26,500 | 25,900 | -2.3 |
| Government | 119,400 | 121,100 | 1.4 | 122,000 | 124,800 | 2.3 |
| Federal | 35,300 | 35,700 | 1.1 | 35,000 | 35,600 | 1.7 |
| State | 65,100 | 66,200 | 1.7 | 68,300 | 70,100 | 2.6 |
| Local | 19,000 | 19,300 | 1.6 | 18,700 | 19,000 | 1.6 |
| Agriculture wage and salary jobs | 5,000 | 5,000 | 0.0 | 5,000 | 5,000 | 0.0 |
| State general fund revenues ($1,000) | 2,308,899 | 2,756,861 | 19.4 | 7,291,280 | 7,803,499 | 7.0 |
| General excise & use tax rev. ($1,000) | 1,124,191 | 1,168,734 | 4.0 | 3,399,129 | 3,450,601 | 1.5 |
| Income-individual ($1,000) | 792,169 | 858,730 | 8.4 | 2,647,116 | 2,609,858 | -1.4 |
| Declaration estimated taxes ($1,000) | 175,123 | 211,624 | 20.8 | 977,833 | 889,784 | -9.0 |
| Payment with returns ($1,000) | 44,037 | 44,201 | 0.4 | 338,423 | 328,277 | -3.0 |
| Withholding tax on wages ($1,000) | 675,047 | 707,584 | 4.8 | 1,982,394 | 2,124,133 | 7.1 |
| Refunds ('-' relative to State) ($1,000) | -102,038 | -104,680 | 2.6 | -651,534 | -732,336 | 12.4 |
| Transient accommodations tax ($1,000) | 221,517 | 214,421 | -3.2 | 664,921 | 639,886 | -3.8 |
| County surcharges ($1,000) 3/ | 115,019 | 143,200 | 24.5 | 331,646 | 407,692 | 22.9 |
| Private Building Permits ($1,000) | 1,029,313 | 1,025,789 | -0.3 | 2,765,895 | 3,280,464 | 18.6 |
| Residential ($1,000) | 517,209 | 452,591 | -12.5 | 1,182,561 | 1,427,273 | 20.7 |
| Commercial & industrial ($1,000) | 63,972 | 126,093 | 97.1 | 328,316 | 297,296 | -9.4 |
| Additions & alterations ($1,000) | 448,132 | 447,105 | -0.2 | 1,255,019 | 1,555,895 | 24.0 |
| Visitor Days - by air | 20,702,397 | 20,835,694 | 0.6 | 65,216,965 | 62,605,150 | -4.0 |
| Domestic visitor days - by air | 17,477,498 | 17,666,043 | 1.1 | 55,073,268 | 52,501,310 | -4.7 |
| International visitor days - by air | 3,224,898 | 3,169,651 | -1.7 | 10,143,697 | 10,103,840 | -0.4 |
| Visitor arrivals by air - by air | 2,344,923 | 2,433,247 | 3.8 | 7,231,005 | 7,127,426 | -1.4 |
| Domestic flight visitors - by air | 1,961,382 | 2,035,903 | 3.8 | 6,124,885 | 5,911,583 | -3.5 |
| International flight visitors - by air | 383,541 | 397,344 | 3.6 | 1,106,120 | 1,215,843 | 9.9 |
| Visitor expend. - arrivals by air ($1,000) | 4,940,384 | 5,229,010 | 5.8 | 15,725,966 | 15,448,845 | -1.8 |
| Hotel occupancy rates (%) 2/ | 75.5 | 73.6 | -1.9 | 75.0 | 74.4 | -0.6 |

1/ Labor force and jobs are Hawaii 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 Oahu's mass transit system and took effect January 1, 2007. Other counties have since enabled surcharges and are included here.

Source: Hawaii State Department of Business, Economic Development, & Tourism <https://dbedt.hawaii.gov/economic/>, Hawaii State Department of Taxation <http://www.hawaii.gov/tax/a5_3txcolrpt.htm> and Hospitality Advisors, LLC. 12/2/2024

**Table 2**
**ACTUAL AND FORECAST KEY ECONOMIC INDICATORS FOR HAWAII**
**2019 TO 2024**

| Economic Indicators | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| | Actual | | Forecast | | | |
| Total population (thousands) 1/ | 1,439 | 1,435 | 1,433 | 1,434 | 1,435 | 1,437 |
| Visitor arrivals (thousands) 2/ | 9,234 | 9,658 | 9,602 | 9,906 | 10,162 | 10,407 |
| Visitor days (thousands) 2/ | 85,240 | 86,426 | 83,561 | 85,903 | 87,800 | 89,770 |
| Visitor expenditures (million dollars) 2/ | 19,800 | 20,866 | 20,572 | 21,461 | 22,305 | 23,203 |
| Honolulu CPI-U (1982-84=100) | 316.1 | 326.0 | 340.0 | 350.7 | 360.3 | 369.8 |
| Personal income (million dollars) | 90,054 | 94,971 | 99,481 | 103,842 | 108,125 | 112,592 |
| Real personal income (millions of constant 2017$) | 69,266 | 70,965 | 72,258 | 73,427 | 74,568 | 75,815 |
| Personal income deflator | 130.0 | 133.6 | 137.7 | 141.5 | 145.1 | 148.6 |
| Non-agricultural wage & salary jobs (thousands) | 618.1 | 632.2 | 637.7 | 645.4 | 653.0 | 659.8 |
| Civilian unemployment rate (%) | 3.5 | 3.0 | 2.9 | 2.7 | 2.6 | 2.5 |
| Gross domestic product (million dollars) | 103,153 | 110,265 | 115,248 | 120,406 | 125,509 | 130,836 |
| Real gross domestic product (millions of chained 2017$) | 86,888 | 88,614 | 89,997 | 91,755 | 93,558 | 95,284 |
| Gross domestic product deflator (2017=100) | 118.7 | 124.4 | 128.1 | 131.4 | 134.5 | 137.8 |
| **Annual Percentage Change** | | | | | | |
| Total population | -0.5 | -0.3 | -0.2 | 0.1 | 0.1 | 0.1 |
| Visitor arrivals | 36.2 | 4.6 | -0.6 | 3.2 | 2.6 | 2.4 |
| Visitor days | 30.5 | 1.4 | -3.3 | 2.8 | 2.2 | 2.2 |
| Visitor expenditures | 50.5 | 5.4 | -1.4 | 4.3 | 3.9 | 4.0 |
| Honolulu CPI-U | 6.5 | 3.1 | 4.3 | 3.1 | 2.7 | 2.6 |
| Personal income | 1.9 | 5.5 | 4.7 | 4.4 | 4.1 | 4.1 |
| Real personal income | -4.7 | 2.5 | 1.8 | 1.6 | 1.6 | 1.7 |
| Personal income deflator | 7.0 | 2.8 | 3.1 | 2.7 | 2.5 | 2.4 |
| Non-agricultural wage & salary jobs | 5.3 | 2.3 | 0.9 | 1.2 | 1.2 | 1.0 |
| Civilian unemployment rate 3/ | -2.5 | -0.5 | -0.1 | -0.2 | -0.2 | -0.1 |
| Gross domestic product | 10.4 | 6.9 | 4.5 | 4.5 | 4.2 | 4.2 |
| Real gross domestic product | 2.9 | 2.0 | 1.6 | 2.0 | 2.0 | 1.8 |
| Gross domestic product deflator | 7.3 | 4.8 | 2.9 | 2.6 | 2.4 | 2.5 |

1/ July 1 count.

2/ Visitors who came to Hawaii by air and by cruise ship. Expenditures includes supplementary business expenditures.

3/ Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, December 4, 2024.

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**Tourism**

Visitor arrivals increased slightly in 2024 compared to 2023. A total of 9,689,113 visitors arrived in 2024, a slight growth of 0.3 percent from 9,657,607 visitors in 2023. Total arrivals decreased 6.7 percent when compared to 10,386,673 visitors in 2019.

In 2024, total visitor spending was $20.68 billion, a slight decrease of 0.2 percent from $20.73 billion in 2023, but an increase of 16.7 percent compared to $17.72 billion in 2019. Visitor expenditures by air totaled $20.60 billion in 2024, a decrease of $66.7 million or 0.3 percent from $20.66 billion in 2023, but an increase of 16.6 percent from $17.66 billion in 2019.

The total number of visitor arrivals by air increased 21,083 or 0.2 percent to 9,521,078 visitors in 2024, compared to 9,499,995 visitors in 2023. The total average daily census by air decreased by 6,426 or 2.7 percent to 228,298 visitors for 2024, compared to 234,724 visitors in 2023.

In 2024, total visitor arrivals on domestic flights decreased 94,122 or 1.3 percent to 7,333,120 visitors, compared to 7,427,242 visitors in 2023. In 2024, arrivals on international flights increased 115,205 or 5.6 percent to 2,187,958 visitors, compared to 2,072,753 visitors in 2023.

In terms of major market areas, for 2024, arrivals from the U.S. West decreased 29,198 or 0.6 percent to 4,970,901 visitors, compared to 5,000,099 visitors in 2023. Arrivals in 2024 from the U.S. East decreased 64,926 or 2.7 percent to 2,362,218 visitors, compared to 2,427,144 visitors in 2023. Arrivals in 2024 from Japan increased 131,316 or 22.3 percent to 720,488 visitors, compared to 589,172 visitors in 2023.

In 2024, the total average daily visitor census by air decreased 2.7 percent or 6,426 visitors per day to 228,298 visitors, compared to 234,724 visitors in 2023. In 2024, the domestic average daily census by air decreased 2.9 percent or 5,203 visitors per day to 176,409 visitors, compared to 181,612 visitors in 2023. In 2024, the international average daily census by air decreased 2.3 percent or 1,223 visitors per day to 51,889 visitors, compared to 53,112 visitors in 2023.

In 2024, total airline capacity, as measured by the number of available seats flown to Hawaii, increased 1.3 percent or 174,193 seats to 13,251,219 seats, compared to 13,077,026 seats in 2023. In 2024, domestic seats decreased 0.9 percent or 90,581 seats to 10,572,881 seats, compared to 10,663,732 seats in 2023. In 2024, international seats increased 11.0 percent or 265,044 seats to 2,678,338 seats, compared to 2,413,294 seats in 2023.

In 2024, the statewide hotel occupancy rate averaged 73.3 percent, 1.2 percentage points lower than 74.5 percent in 2023.

The above-referenced tourism information is based on preliminary statistics issued by the DBEDT on January 30, 2025. Tables 4 below is based on the latest annual quarterly report from the DBEDT. Readers interested in visitor statistics on a monthly basis can find them on the DBEDT website at: https://dbedt.hawaii.gov/visitor/tourism/ and those interested in daily passenger arrival data may access them at: https://dbedt.hawaii.gov/visitor/daily-passenger-counts/.

## Table 3
## VISITOR ARRIVALS BY AIR
## Average Length of Stay, Visitor Days, Average Daily Census

| | 2020 | 2021 | 2022 | 2023 | % Change 2020-2021 | % Change 2021-2022 | % Change 2022-2023 |
|---|---|---|---|---|---|---|---|
| Total Arrivals: | | | | | | | |
| Total | 2,678,073 | 6,777,760 | 9,138,674 | 9,499,995 | 153.1 | 34.8 | 4.0 |
| Domestic | 2,065,689 | 6,656,779 | 8,233,186 | 7,942,159 | 222.3 | 23.7 | -3.5 |
| International | 612,384 | 120,981 | 905,488 | 1,557,836 | -80.2 | 648.5 | 72.0 |
| Average Length of Stay: | | | | | | | |
| Total | 10.7 | 9.6 | 9.3 | 9.0 | -9.5 | -3.8 | -2.7 |
| Domestic | 11.3 | 9.5 | 9.1 | 9.0 | -15.8 | -4.1 | -1.3 |
| International | 8.4 | 15.2 | 10.5 | 9.0 | 81.7 | -31.2 | -13.9 |
| Visitor Days: | | | | | | | |
| Total | 28,516,797 | 65,312,274 | 84,736,187 | 85,674,126 | 129.0 | 29.7 | 1.1 |
| Domestic | 23,395,216 | 63,473,882 | 75,263,260 | 71,637,671 | 171.3 | 18.6 | -4.8 |
| International | 5,121,581 | 1,838,392 | 9,472,927 | 14,036,455 | -64.1 | 415.3 | 48.2 |
| Average Daily Census: | | | | | | | |
| Total | 77,915 | 178,938 | 232,154 | 234,724 | 129.7 | 29.7 | 1.1 |
| Domestic | 63,921 | 173,901 | 206,201 | 196,268 | 172.1 | 18.6 | -4.8 |
| International | 13,993 | 5,037 | 25,953 | 38,456 | -64.0 | 415.3 | 48.2 |

Source: Hawaii Tourism Authority, Annual Visitor Research Reports – Summary of Air Visitor Characteristics

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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 | 70.4 | 14.7 | 21.7 | 22.0 | 37.1 |
| 2021 | 32.2 | 63.1 | 70.2 | 62.4 | 57.5 |
| 2022 | 70.3 | 75.1 | 77.2 | 73.3 | 73.6 |
| 2023 1/ | 75.1 | 74.2 | 75.5 | 73.2 | 74.7 |
| 2024 1/ | 76.5 | 73.0 | 73.6 | Year-to-Date | 74.4 |

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-Fifth Supplemental Certificate. Reference is hereby made to the Certificate and the Thirty-Fifth 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 2025 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 2025 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 Opinions

[February __, 2025]/[April __, 2025]

Edwin H. Sniffen
Director of Transportation
Department of Transportation
State of Hawaii
869 Punchbowl Street
Honolulu, Hawaii 96813

**$________**
**STATE OF HAWAII**
**Airports System Revenue Bonds**
consisting of

| | |
|---|---|
| **[$________<br>Series 2025A<br>(AMT)** | **$________<br>Series 2025B<br>(Non-AMT)]**[1] |
| **[$________<br>Refunding Series<br>2025C (AMT)** | **$________<br>Refunding Series<br>2025C (Non-AMT)]**[2] |

Dear Mr. Sniffen:

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) $________ aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2025A (AMT) (the "*Series 2025A Bonds*") and (ii) $________ aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Series 2025B (Non-AMT) (the "*Series 2025B Bonds*")]/[(i) $________ aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2025C (AMT) and (ii) $________ aggregate principal amount of State of Hawaii Airports System Revenue Bonds, Refunding Series 2025D (Non-AMT) (the "*Series 2025D Bonds*")] (collectively, the "*Series 2025 Bonds*").

The Series 2025__ Bonds are dated ________, 2025, 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 2025__ Bonds maturing in a particular year bearing interest payable semiannually each January 1 and July 1, commencing July 1, 2025 at the rate per annum set opposite such year, as follows:

---

[1] The Series 2025A Bonds and the Series 2025B Bonds are expected to be delivered on February __, 2025.

[2] The Series 2025C Bonds and the Series 2025D Bonds are expected to be delivered on April __, 2025.

| Maturity (July 1) | Amount ($) | Interest Rate (%) |
|---|---|---|

The Series 2025 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 2025 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 2025 Bonds are being issued for the purpose of funding or reimbursing 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 2025 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-Fifth Supplemental Certificate of the Director of the Department of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds, Series 2025A (AMT), Series 2025B (Non-AMT), Refunding Series 2025C (AMT) and Refunding Series 2025D (Non-AMT), dated as of February 1, 2025 (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 2025 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, as amended (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 2025 Bonds. These requirements relate to, among other things, the use and investment of the proceeds of the Series 2025 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 2025 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 2025 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 continuing 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 2025 Bonds to be included in gross income for federal income tax purposes under the Code.

The rights and obligations under the Series 2025 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 2025 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 2025 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 2025 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes.

(4) Interest on the [Series 2025A Bonds]/[Series 2025C 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 2025A Bonds]/[Series 2025C 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 2025A Bonds]/[Series 2025C Bonds] is an item of tax preference for purposes of the federal alternative minimum tax.

(5) Interest on the [Series 2025B Bonds]/[Series 2025D Bonds] is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is included in the adjusted financial statement income of those corporations subject to the corporate alternative minimum tax.

(6) Interest on the Series 2025 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 2025 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 2025 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 2025 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 2025 Bonds concludes with their issuance, and we disclaim any obligation to update this letter after the date hereof.

Very truly yours,

## APPENDIX G

### Form of Continuing Disclosure Certificate

Dated February ___, 2025

**$_______**
**STATE OF HAWAII**
**Airports System Revenue Bonds**
consisting of

| | | | |
|---|---|---|---|
| **$_________** | **$_________** | **$_________** | **$_________** |
| **Series 2025A (AMT)** | **Series 2025B (Non-AMT)** | **Refunding Series 2025C (AMT)** | **Refunding Series 2025D (Non-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 $_________ State of Hawaii Airports System Revenue Bonds, Series 2025A (AMT), $_________ State of Hawaii Airports System Revenue Bonds, Series 2025B (Non-AMT), $_________ State of Hawaii Airports System Revenue Bonds, Refunding Series 2025C (AMT) and $_________ State of Hawaii Airports System Revenue Bonds, Refunding Series 2025D (Non-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 February ___, 2025, 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

Concession Fees, 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 2025A (AMT), Series 2025B (Non-AMT), Refunding Series 2025C (AMT), and Refunding Series 2025D (Non-AMT). |
| Date of Issuance: | __________, 2025 |

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 ___, 2025. 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 2025 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 2025 Bonds. The Series 2025 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 2025 Bond will be issued for each maturity of each issue of the Series 2025 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 2025 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2025 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 2025 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 2025 Bonds representing their ownership interests in Series 2025 Bonds, except in the event that use of the Book-Entry System for the Series 2025 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025 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 2025 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 2025 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2025 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 2025 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2025 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate or other Series 2025 Bond documents. For example, Beneficial Owners of Series 2025 Bonds may wish to ascertain that the nominee holding the Series 2025 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 2025 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 2025 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2025 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 2025 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 2025 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 2025 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 2025 Bond certificates are required to be printed and delivered.

In reviewing this Official Statement it should be understood that while the Series 2025 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 2025 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 2025 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 2025 Bonds or (v) any other event or purpose.