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HONOLULU AUTHORITY for RAPID TRANSPORTATION

2016 OCT 11 PM 4:07

October 10, 2016

The Honorable Ernest Y. Martin, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

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Dear Chair Martin and Councilmembers:

Subject: Request and Issuance of Debt Financing for the Honolulu Authority for Rapid
Transportation (HART)

I am writing as a courtesy to inform you that HART is in the process of requesting issuance of debt financing in the form of Tax Exempt Commercial Paper (TECP) for \$20,000,000.00 very shortly in order to meet our cash flow and management needs.

For your information, I have included copies of the request to draw on the City's General Obligation TECP, and the Supplemental Tax Certificate to continue funding operations of HART which have been transmitted to the Department of Budget and Fiscal Services (BFS).

What follows is a summary of the debt financing process that HART and BFS plan on following regarding the issuance of debt financing for the project now and going forward:

Overview of the TECP Process

- HART to determine the need to draw on the TECP based on fund balance, cash flow, and MOU requirements.
- HART submits a draw request letter to BFS, which includes an amount that is requested to be drawn on the TECP.
- After the TECP is drawn, the proceeds are received and deposited into the City's General Improvement Bond Fund by the City. A transfer of these funds will then be deposited into the Transit Fund to allow HART the ability to use those funds.
- Resolution 15-314, authorizes HART to draw on the TECP up to \$350,000,000.00.
- As the TECP outstanding amount increases, it may need to be refunded through a General Obligation bond issue, which requires City Council approval, similar to any other General Obligation bond issue.
- HART reimbursement of the costs related to the debt service will be in accordance with the MOU that was executed between the City and HART.

DEPT. COM. 694

Ernest Y. Martin, Councilmember, District 2

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If you have any questions regarding this matter, please do not hesitate to contact me at 768-6146 or Diane Arakaki, Chief Financial Officer, at 768-6156.

Very truly yours,



for Michael D. Formby
Acting Executive Director

Attachments

cc: HART Board Members
Mr. Roy K. Amemiya, Jr., Managing Director
Officer of the City Clerk ✓