

March 22, 2017

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To: Honorable City Councilmember Ron Menor, Chair
Honorable City Councilmembers of the City & county of Honolulu

From: Financial Accountability For Rail Mass Transit Association
Former State Senator & City Councilmember Rod Tam

Re: City Council Bill 3, CD1, Relating To Transportation Surcharge

Financial Accountability For Rail Mass Transit Association is denouncing City Council Bill 3, CD 1, Relating To Transportation Surcharge as legislation lacking true financial accountability and public scrutiny for financial accountability. Bill 3, CD 1 removes the financial accountability mandate for Mayor Kirk Caldwell and the Honolulu Authority for Rapid Transportation (HART) financial plans and continuous financial reporting to the city council, whereby the city council would conduct public hearings for public participation and testimonies. The four specific defects of

Bill 3, CD 1 are:

1. The removal of the city council in the present law in overseeing the administration's revenue and cost financial analysis and future budget projections for the mass transportation of the city's rail. Thus, resulting in the city council not to be financially accountable to taxpayer funds.
2. Eliminating the city council in conducting public hearings for the public to review and comment on the administration's revenue and cost financial analysis and future budget projections for the mass transportation of the city's rail. The public is blinded in the use of taxpayer funds.

MISC. COM. 1258

COUNCIL

3. Pre-maturely removes the ½% state excise tax till December 31, 2022 before the legislature grants approval for the perpetual continuation of the ½% tax surcharge for the over costs of the city's rail mass transit. The removal leverages the state legislature to continue the ½% state excise tax perpetually to pay for the costly rail mass transit.
4. Eliminates the city council in reviewing use of surcharge moneys above the \$4.815 billion limit. The elimination stops the city council on behalf of the taxpayers of the City & County of Honolulu in investigating why the rail mass transit project went over the budget. The Star-Advertiser has questioned why the rail construction costs escalated from \$5.26 billion in 2012 to \$8.1 billion in May 2017 with a \$1.5 billion deficit on the city's taxpayers.

A petition with over 420 signatures thus far has been signed for financial accountability with public hearings. See enclosed copy of petition.

“Residents of our City & County of Honolulu, let us come together and speak against the legislation taking away our voice to have financial accountability in the spending of our taxes. Stop questionable city government spending.”

For further information, contact Roy Nakamura, president at 454-3548 cellular or former State Senator and City Councilman Rod Tam 216-05454 cellular.

Uncertainty of Rail's 20 Miles Construction

Information stated by Star Advertiser:

Projected costs (reported by Star Advertiser):

December 2012 \$5.26 billion

December 2014 \$5.9 billion

October 2015 \$6.56 billion

March 2016 \$6.9 billion

May 2016 \$8.1 billion (700 million to 1.2 billion more)

Per FTA financial risk analysis, \$10.79 figure is the high possible cost projection.

20 mile rail estimated to be completed by December 2024.

As of June 28, 2016, Mayor Caldwell requested FTA to give the City till June 1, 2017 to provide the city to develop a more fully cost projection on the construction of the rail.

Rail is now estimated to be \$1.5 billion deficit on the city. The FTA gives the city till the end of December 2016 to address the deficit. \$1.55 billion was the federal share for the rail.

September 6, 2016 ... City and Kiewit Construction disputes trust over change orders which causes construction delays over 1st 10 miles of rail. Thus, increase in rail's price tag. Kiewit faults city.

April 30, 2017 is FTA's deadline for recovery-plan not June 1, 2017.

Note: Status of FTA's \$1.55 billion.

1. Hart received \$806,267,358 of the \$1.55 billion.
2. HART spent \$600 million.
3. \$743.7 million not access to HART.
 - a. FTA withholding \$500 million until Hart updates its financial plan and submits an acceptable recovery plan that addresses rail's latest budget woes.
 - b. \$243.7 million for fiscal year 2017 not yet appropriated to HART.

Conclusion: Mayor Caldwell lacks concrete financial accountability to the Expenditures for rail construction, administration, and future maintenance. Thus, there should be no perpetuity of the .05% general excise tax for rail.

