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Richard W. Ubersax

Regarding Bill 16 (2009), CD1: Project 2007005
5/18/09

Prior to this Council approving funds for the HONOLULU HIGH CAPACITY TRANSIT PROJECT, it is essential that the Administration submit an updated financial plan and financial risk assessment neither of which is available today.

The Administration has downplayed the reality that GET revenues will be much less than originally forecast, and has been overly optimistic on funding from the Federal Government.

The Administration continues to deceive the Public that three consultants have validated the project's financial soundness. In fact:

- 1) The Booz Allen Hamilton report was not meant to, and clearly does not address the project's financial soundness.
- 2) the Business Roundtable has not validated the project's financial plan. In fact it has projected that the GET will have to be extended 5 years to cover capital costs.
- 3) The Jacobs Engineering report is still under wraps.

In the absence of a sound financial plan, a financial risk analysis, and independent validationthis Council can not vote in good conscience to fund this project without appropriate constraints and contingencies. It fact, it would be patently irresponsible.

Booz Allen Hamilton
Spot Report #2 – PE Entry Readiness Report
October 2008
FINAL

Exerpt:

2) Executive Summary

The City and County of Honolulu (City) is requesting to enter into Preliminary Engineering (PE) for the Honolulu High-Capacity Transit Corridor (HHCTC) Project in accordance with the Federal Transit Administration (FTA) New Starts requirements. Before entering into PE, FTA requires projects to complete the appropriate steps in the areas of project development, financial management and **technical capacity and capability**. The project development and financial management requirements have been reviewed by FTA. This Project Management Oversight Contractor (PMOC) report only addresses the review of the **latter requirement**.



HAWAII BUSINESS ROUNDTABLE

October 21, 2008

TRANSIT BALLOT QUESTION

Ballot Question: "Shall the powers, duties, and functions of the city, through its director of transportation services, include establishment of a steel wheel on steel rail transit system?"

The Hawaii Business Roundtable supports the rail mass transit system and a "YES" vote on the ballot question.

The Roundtable conducted an assessment of the City's projections of the cost to build, maintain and operate the proposed steel wheel on steel rail system.

- * The build costs for construction, contingencies and inflation factors were determined to be reasonable estimates.
- * The maintenance and operational cost estimates were determined to be understated by approximately 15%, or just under \$10 million annually in 2019 dollars.
- * Additionally, the City's estimates for the growth in the .5% General Excise Tax revenue was based on 2006 data. Given the current and anticipated worsening economic climate, a more conservative estimate was used to adjust the revenue downward by approximately 50 percent. Based on this revised forecast, the expiration date for the general excise tax for rail would need to be extended from 2022 to 2027. At that point, the system would be paid in full.

Lastly, the current plan does not call for a Transit Authority to oversee construction and operation of the system. The Roundtable feels strongly that a transit authority with a separate board is an important consideration to ensure independence, accountability, and a fully integrated transportation solution.

For questions on the statement, please contact Kathryn Matayoshi, Executive Director of the Hawaii Business Roundtable, at 532-2244.