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June 9, 2009

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CITY CLERK
HONOLULU, HAWAII

TO: Council Chair Todd Apo and Councilmembers

FROM:  Councilmember Duke Bainum

SUBJECT: Minority Report Relating to Bill 16, CD-2 (2009), Relating to the Capital Improvement Program for the Fiscal Year July 1, 2009 to June 30, 2010 and Committee Report 191 (2009)

Attached for filing is a Minority Report opposing the Budget Committee's recommendation for approval of Bill 16, CD-2 (2009), Relating to the Capital Improvement Program for the Fiscal Year July 1, 2009 to June 30, 2010 and Committee Report 191 (2009).

The report summarizes concerns raised during Budget Committee deliberations and states continuing concerns related to funding of the Honolulu High Capacity Transit Project.

Attachment

Minority Report Relating to Bill 16 (2009), CD2, Relating to the Executive Capital Budget and Program for the Fiscal Year July 1, 2009 to June 30, 2010

The undersigned members of the Honolulu City Council submit the following Minority Report regarding the City Council's recommendation for the approval of:

Bill 16 (2009), CD2, Relating to the Executive Capital Budget and Program for the Fiscal Year July 1, 2009 to June 30, 2010, and Committee Report 191 (2009).

This report summarizes the concerns of the undersigned Councilmembers regarding Bill 16 (2009), CD2.

Discussion

For more than three decades, the City and County of Honolulu has looked into developing a rail transit system. After much deliberation over the last few years, including a vote by the citizens of the City and County of Honolulu supporting the development of a steel wheel on steel rail transit system, the project is on its way.

However, the actions of the Hannemann Administration and its management of the process to develop the transit system, as well as its management of transit revenues, are problematic. Not only have they taken steps to minimize the public's input on the project, they have been reticent in sharing information with the public which would provide a better understanding of the project's impact on our environment and its financial viability.

Our concerns include the following:

- Incomplete Environmental Impact Statement (EIS) process. The City Administration did not fully address the impacts of the entire Locally Preferred Alternative which runs from Kapolei to the University of Hawaii at Manoa, with an extension to Waikiki. Furthermore, it did not address all the alternatives identified in its Notice of Intent filed with the federal government on March 15, 2007.
- Rush to issue Requests For Proposals (RFP). Within weeks after the closing the public comment period for the DEIS, but months before a Final EIS could be issued, the City Administration has proceeded to issue three RFPs for a specific type of guideway, vehicles, and core system. The descriptions indicate that the City Administration has already determined what type of system it will build regardless of what the public comments might indicate.
- Insufficient sources of revenue. Based on the City's own projections, the drop in the General Excise Tax surcharge collections, and the State Council on Revenues

lowered economic forecast for the next few years, there will be insufficient sources of revenues to pay off the interest and principal of the General Obligation bonds issued for the project.

- Significant increase in expenditures. To date, over \$400 million has been appropriated for the transit project during the last three fiscal years and over \$300 million has been collected from the GET surcharge. Appropriating another \$1 billion dollars for the transit project – more than a 50% increase in the City’s total outstanding debt – without any assurances that federal funding is forthcoming for the project is problematic.

For those of us who support rail transit, we do not want to see the rail project go the way of the Superferry or Stryker Brigade because of an insufficient review of issues during the EIS process. Besides the potential to stall the project, a deficient EIS opens the City up to extremely costly and time-consuming litigation.

While we support all the other necessary projects included in the Fiscal Year 2010 Capital Improvement Budget, as elected City Council officials, we owe the residents of our districts a fiduciary duty to make sound financial decisions with their hard-earned money. In good consciousness, we cannot stand idly by and allow the Hannemann Administration to almost double the City’s total outstanding debt, backed by the credit of our City’s real property taxpayers, without having safety measures in place.

Therefore, it is with reluctance that we recommend that the City Council NOT approve Bill 16 (2009), CD2.

Submitted: Honolulu, Hawaii, June 9, 2009