

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 • FAX: (808) 768-4242 • INTERNET: www.honolulu.gov



KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

February 23, 2018

Ms. K. Jane Williams
Acting Administrator
Federal Transit Administration
United States Department of Transportation
1200 New Jersey Avenue, SE
Fifth Floor
Washington, DC 20590

Dear Ms. Williams:

We would like to thank you and your staff at the Federal Transit Administration (FTA) for meeting with Honolulu Mayor Kirk Caldwell on January 24, 2018, regarding the adequacy of the Recovery Plan for the Honolulu Rail Transit Project (Project) dated September 15, 2017 (the "Recovery Plan"), submitted by the Honolulu Authority for Rapid Transportation (HART).

As was discussed at the meeting, we understand the FTA's concern about the commitment of the City and County of Honolulu (City) to cover HART's administrative costs and about the unallocated \$54 million in the Recovery Plan.

This letter serves to reconfirm the City's commitment to the Project and to propose an even stronger demonstration of the City's commitment to the Project beyond your discussions with Mayor Caldwell at your meeting last month.

By way of background, in February 2016, the City Council voted for, and Mayor Caldwell signed into law, a \$1.1 billion, 5-year extension of the 0.05% general excise tax (GET) surcharge that was levied - in the City only - as an increase to the State of Hawaii's GET. In September 2017, the Council again voted for, and Mayor Caldwell again signed, an additional 3-year extension of the 0.05% GET surcharge, which is levied only in the City and is anticipated to raise another \$1.04 billion for the construction of the Project. Those two significant actions, along with the State of Hawaii's proceeds from its Transient Accommodations Tax dedicated to the Project, and together with the City's cost share through its obligation to pay HART's administrative costs, brings Honolulu's total local share for the Project to 82%.

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The City's support of the Project is further reflected in its past and future issuance of fixed rate and tax-exempt commercial paper (TECP) and general obligation bonds for HART, which are backed by the full faith and credit of the City. HART's projections show a total of over \$5 billion of debt issuance over the life of the Project.

Subsequent to the submittal of the Recovery Plan in September 2017, HART's updated cash flow projections showed that HART would not need a City subsidy in the current Fiscal Year (FY) 2018 or in FY 2019 as there are already sufficient Project funds to cover HART's administrative costs; thus, HART sent an updated Financial Plan table to the FTA in November 2017 that eliminated the draw from any City funds in those two fiscal years.

The City and HART became aware that the updated November 2017 Financial Plan table was viewed as the City stepping back from its commitment to the Project. We can assure you, however, that we are committed to the Project more than ever.

In response to the concern about the City's commitment to the Project, we are, by way of this letter, giving you further assurance about the City's commitment to the Project and its funding. To that end, Mayor Caldwell will be including \$44 million in the Mayor's FY 2019 executive budget to support the Project. This amount will restore the \$20 million and \$24 million originally proposed in the Recovery Plan for FY 2018 and FY 2019, respectively. This budget must be approved by the City Council by June 15, 2018, pursuant to the Charter, and, by signing below, Council Chair Menor and Council Budget Committee Chair Manahan are providing their assurance that they will strongly pursue this request at the City Council's budget hearings.

Additionally, the City reaffirms the Mayor's commitment to you in the January meeting that the City will be the source of \$54 million that had been shown in the September 2017 Recovery Plan as "Additional Funds." That \$54 million has been moved to the "City Subsidy – HART Admin" line in the Financial Plan.

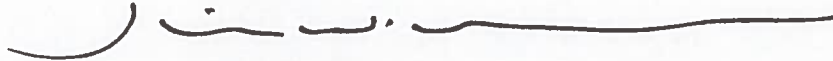
Attached for your convenience is a summary sheet that specifically outlines the commitments made in this letter.

We want to assure you that the City is highly committed to the Project, as demonstrated by the City's financial and operational support.

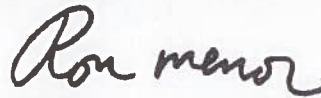
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Please let us know if you have any questions.

Sincerely,



Kirk Caldwell
Mayor, City and County of Honolulu



Ron Menor
Chair, Honolulu City Council



Joey Marahan
Budget Committee Chair, Honolulu City Council

Attachment

cc: Honolulu Authority for Rapid Transportation
Department of Budget and Fiscal Services

CITY AND COUNTY OF HONOLULU'S COMMITMENT
TO FUND CITY SUBSIDY FOR THE HONOLULU RAIL TRANSIT PROJECT

The Recovery Plan for the Honolulu Rail Transit Project (Project) dated September 15, 2017 (the "Recovery Plan"), was revised through an update to the Financial Plan based on cash flow projections, which update was provided to the FTA on December 21, 2017.

- The City's and the State's strengthened commitment to the Project is reflected in these funding sources, which combine to bring Honolulu's total local share for the Project to 82%:
 - February 2016: the City Council adopted, and Mayor Caldwell signed into law, a \$1.1 billion, 5-year extension of the 0.05% general excise tax (GET) surcharge that was levied in Honolulu only, as an increase to the State GET.
 - September 2017: the City Council adopted, and Mayor Caldwell signed into law, a \$1.04 billion, 3-year extension of the 0.05% general excise tax (GET) surcharge that was levied in Honolulu only, as an increase to the State GET.
 - Proceeds from the State of Hawaii's Transient Accommodations Tax that are dedicated to the Project.
 - The City's cost share through its obligation to pay HART's administrative costs.
 - The City's past and future issuance of fixed rate and tax-exempt commercial paper (TECP) and general obligation bonds for HART, which are backed by the full faith and credit of the City. HART's projections show a total of over \$5 billion of debt issuance over the life of the Project.

- The City proposes an even stronger financial commitment to the Project as follows:
 - The inclusion of \$44 million in the Mayor's FY2019 executive budget to support the Project. This budget must be approved by the City Council by June 15, 2018, pursuant to the Charter. Any unused portion of the FY18 deposit will be returned to the City's General Fund upon passage of the \$44 million appropriation to HART in the FY 2019 executive budget. These funds can then be made available to HART.
 - The inclusion of the \$54 million, which had been originally proposed in the Financial Plan as unattributed "Additional Funds," in the "City Subsidy – HART Admin" line assuring that the source of those funds will be the City and County of Honolulu.