

## FTA: City's financial plan fails entry into next stage.

It's difficult to know what to say about the Mayor's recent intemperate outburst, which primarily concerned the IMG's forecasts for GE tax collections and ridership shortfalls. In our view the IMG Report was correct in both cases and here is our take on them.

### GE Tax shortfall

Star Advertiser: "The IMG report predicts the city's funds from the 0.5 percent general excise tax surcharge on Oahu will not generate the money needed for the project."

"The prediction that there will be less money raised from the GET tax is wrong," Carlisle said.

The following excerpts all reference the August 2009 financial plan which is unchanged to date.

- In an August 12, 2009, letter to FTA, the City acknowledged FTA's requirement that it obtain a waiver from the City's Administrative Policy restricting the debt financing to 20 percent of the City's annual budget. It is also required to engage an independent financial professional for the GE Tax revenue projections. The City has not done that yet.
- The FTA's Financial Management Oversight Contractor (FOMC) wrote in its September 2, 2009 review, that if it applied the Council on Revenues forecasts through 2015 and the City's forecasts thereafter, the City would need to reduce its forecast tax collections by \$322 million. For the category *Capital Cost Estimates, Planning Assumptions, and Financial Capacity* the FOMC rated the City *Low*. They added that, "The major factors contributing to this rating are: (i) material downside risks to the GET surcharge revenue forecast, and consequently the inability to cover all debt service cost; (ii) no net debt capacity; and (iii) lack of information to substantiate the City's capacity to absorb a material amount (up to \$535 million) of cost risk."
- The FTA's letter giving permission for the City to enter PE contained the following: "Some elements of the current financial plan may not fare well in the stress tests that FTA will apply to evaluate robustness. These elements include the projected revenue stream from the General Excise Tax, the diversion of FTA Section 5307 funds from ongoing capital needs of the bus system, and the increasing share of the City's annual budget that is required to fund the transit system. Were this plan submitted today in support of a request to advance the project into final design, its weaknesses would likely cause FTA to deny the request."<sup>i</sup> (our underline)

### Rail ridership forecast is overly ambitious:

Star Advertiser: "The report also predicts ridership will be "substantially lower" than current projections, which "would require an unprecedented and unrealistic growth" in use of public transit for a city that already has one of the highest public transit user rates in the country.

Carlisle again called the report's assumption erroneous. "Model forecasting indicates that the more people who ride the TheBus, the more people will ride rail," he said."

IMG used quite sophisticated methodologies to achieve their ridership forecasts but here is a simpler way for the numerically challenged to understand this issue:

The City's Final EIS forecasts that transit use by O'ahu residents will increase over the next 22 years from 6.0 percent of residents to 7.4 percent.<sup>ii</sup> This might not sound like much to normal human beings but to rail proponents it is quite exciting.

The only problem is that such an increase is unprecedented. Only one metro area with rail has ever achieved any increase in any 20 year period and that was San Diego whose percentage increased from

3.3 percent to 3.4 percent; most other experienced significant decreases. And this was at a time when many rail lines were built. The comparable data the U.S. DOT uses to compare the performance of metro areas are the 1960 to 2000 U.S. Census journey-to-work reports.<sup>iii</sup> See the footnote for the federal document and the table below which we have embellished with dates.

Exhibit 4.13 Transit Commutes: 1980-2000							
As of	1980 (Percent of	2000 (Percent of	Percent	Date			
Heavy	Total	Total	change	of first			
rail	Workers	Workers		servic			
Rail	Transit	Transit		e			
MSA	%	%		e			
	Las Vegas	251,501	2.0	702,535	4.1	105.0	2004
	Houston	1,512,080	2.9	2,081,607	3.3	13.8	2003
	Orlando	360,312	1.6	786,243	1.7	6.3	
	Phoenix	688,912	1.9	1,466,434	2.0	5.3	
YES	San Diego	854,600	3.3	1,299,503	3.4	3.0	1981
YES	Boston	2,471,832	9.4	2,898,680	9.0	(4.3)	1889
YES	New York	8,133,936	26.2	9,319,218	24.9	(5.0)	1890
YES	Los Angeles	5,184,393	5.1	6,767,619	4.7	(7.8)	1990
YES	Seattle	1,113,261	7.5	1,776,224	6.8	(9.3)	1982
	Austin	278,251	2.9	649,645	2.6	(10.3)	
YES	San Francisco	2,563,329	11.2	3,432,157	9.5	(15.2)	1974
	Tampa	619,119	1.7	1,063,957	1.4	(17.6)	
YES	Miami	1,150,471	4.9	1,642,866	3.9	(20.4)	1984
	Sacramento	472,640	3.4	799,989	2.7	(20.6)	1987
	Portland	704,392	7.2	1,105,133	5.7	(20.8)	1986
YES	Washington, DC	2,760,794	12.5	3,839,052	9.4	(24.8)	1976
YES	Denver	859,989	5.8	1,346,025	4.3	(25.9)	1994
	West Palm Beach	233,303	1.9	475,572	1.4	(26.3)	
YES	Chicago	3,575,803	16.2	4,218,108	11.5	(29.0)	1890
YES	Philadelphia	2,347,072	12.4	2,815,405	8.7	(29.8)	1905
	San Antonio	456,656	4.5	698,685	2.9	(35.6)	
	Raleigh	323,005	2.7	617,475	1.7	(37.0)	
YES	Salt Lake City	383,938	4.9	642,688	3.0	(38.8)	1999
YES	Pittsburgh	1,021,047	10.4	1,057,354	6.2	(40.4)	1985
	Milwaukee	719,555	7.1	816,880	4.0	(43.7)	
	Greensboro	455,515	1.6	618,921	0.9	(43.8)	
	Providence	381,643	4.5	555,540	2.5	(44.4)	
	New Orleans	528,868	10.1	570,423	5.6	(44.6)	
	Columbus	537,727	4.2	777,922	2.3	(45.2)	
	Oklahoma City	397,394	1.1	509,262	0.6	(45.5)	
	Charlotte	470,708	2.6	751,629	1.4	(46.2)	
	Minneapolis	1,081,772	8.4	1,595,550	4.5	(46.4)	2004
	Grand Rapids	357,673	1.5	531,924	0.8	(46.7)	
YES	Buffalo	500,364	6.6	520,350	3.5	(47.0)	1985
YES	Dallas	1,494,568	3.4	2,527,648	1.8	(47.1)	1996
	Detroit	2,085,116	3.4	2,482,457	1.8	(47.1)	
YES	Atlanta	1,033,088	7.0	2,060,632	3.7	(47.1)	1979
	Hartford	510,174	5.3	573,114	2.8	(47.2)	
	Cincinnati	716,583	5.6	951,709	2.9	(48.2)	
	Louisville	398,355	4.5	492,821	2.2	(51.1)	
YES	Cleveland	1,242,438	7.6	1,375,774	3.4	(55.3)	1920
	Indianapolis	575,905	3.0	795,755	1.3	(56.7)	
YES	St. Louis	1,026,288	5.6	1,238,964	2.4	(57.1)	1993
	Norfolk	547,803	4.5	760,401	1.9	(57.8)	
	Rochester	453,387	4.9	516,814	2.0	(59.2)	
	Memphis	384,793	4.6	511,111	1.7	(63.0)	
	Kansas City	666,940	3.8	881,258	1.3	(65.8)	
	Jacksonville	311,207	4.5	527,718	1.5	(66.7)	
	Nashville	387,660	3.5	621,221	1.0	(71.4)	

Note: Honolulu is too small to make this list of the largest 50 metro areas.  
Source: <http://www.fhwa.dot.gov/ctpp/tw/contents.htm> Chapter 4, page 4-9  
[http://www.apta.com/links/transit\\_by\\_mode/heavyrail.cfm](http://www.apta.com/links/transit_by_mode/heavyrail.cfm)  
[http://www.apta.com/links/transit\\_by\\_mode/lightrail.cfm](http://www.apta.com/links/transit_by_mode/lightrail.cfm)

Our closing comment to the Mayor: “You want the truth? You can’t handle the truth!” *Courtesy of Jack Nicholson in A Few Good Men.*

i <http://www.honolulutraffic.com/LeslieRogers.pdf> 10/12/09  
ii [http://www.honolulutraffic.com/FinalEIS/Chapter\\_3.pdf](http://www.honolulutraffic.com/FinalEIS/Chapter_3.pdf) Table 3-12.  
iii <http://www.honolulutraffic.com/FullReport.pdf> Exhibit 4.13.