

May 10, 2010

Councilmember Romy Cachola  
Honolulu City Council  
Honolulu Hale  
530 S. King Street, Room 202  
Honolulu, Hawai'i 96813

Dear Councilmember Cachola:

Below are links to the documents you requested during last Thursday's Transportation Committee hearing:

1. [www.honolulutraffic.com/Total\\_DEIS\\_2008\\_D.pdf](http://www.honolulutraffic.com/Total_DEIS_2008_D.pdf) This is the Draft EIS. You had asked Director Yoshioka about the rationale for ridership projections. He said it was available in the Draft EIS; it is not. Nor is it available in [the Transportation Technical Report](#). Both documents refer the reader to the OMPO Travel Demand Forecasting Model. We have never been able to obtain the complete model components from OMPO to verify them.

In any case, the Draft EIS forecasts an increase from 2007 to 2030 in No-Build ridership of either 24 percent or 35 percent (depending on data used). No plausible reason is given for this sudden turnaround in the face of a near 20-year decline in bus ridership of 10 percent despite increases in bus service and population.

This is highly significant since this forecast is also the basis for the rail forecasting model, which we believe is also significantly overstated.

2. <http://www.honolulutraffic.com/LeslieRogers.pdf> This is the October 16, 2009, letter to the City from FTA granting them permission to enter Preliminary Engineering. It includes the following paragraph:

“Further, the City should be aware that FTA's standards for the financial rating are higher for entry into final design than for entry into PE. The higher standard for final design includes an assessment of the robustness of the financial plan against increases in costs, shortfalls in revenue streams, and competing demands on funding sources. 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.”

3. [www.honolulutraffic.com/FTA\\_FY2011\\_Financial\\_Assessment\\_OCR\\_copy.pdf](http://www.honolulutraffic.com/FTA_FY2011_Financial_Assessment_OCR_copy.pdf) This FTA financial assessment dated September 2, 2009, prepared by the Financial Oversight Management Contractor contains the following language as its conclusions on the last page:
- “The City's intention to obtain a Letter of No Prejudice (LONP) so that Phase 1 construction can commence prior to the FFGA is unusual, and is conspicuous in scope.
  - “The GET surcharge revenue forecast has downside risks that could reasonably result in revenues that are inadequate to support debt service payments for the project. The forecast is higher than a recent forecast prepared by the Council on Revenues, and exceeds the long-term growth rate of the GET tax base in Honolulu County.
  - “The debt financing assumptions for the project maximize the leverage that could be gained from the GET surcharge revenue stream, leaving little if any upside to debt capacity. The Project-related debt will also push the City to its limit of affordability for general obligation debt.
  - “The operating plan has some optimistic features - operating cost estimates are understated relative to near-term trends (for City operations) and peers (for rail operations); the increase in operating subsidies would require a proportionately greater share of funds to be transferred from the City's General Fund and Highway Fund than has been the case.”

“RECOMMENDATIONS FOR IMPROVEMENT OF RATING

- “The City should provide an independent forecast of GET surcharge revenues from a source that is familiar with the Hawaii economy.
  - “The City should substantiate its capacity to: (i) provide back-up funds for the Project should there be a cost increase or funding shortfall; and (ii) transfer a greater degree of revenue to the transit program without impacting other necessary City services. .
  - “The operating cost estimate for the Project should be refined and better substantiated.
  - “The financing of bus and Handi-Van fleet replacements should be less reliant on FTA Section 5309 bus funds.
  - “The operating plan should be amended to reflect higher rates of unit cost growth for all services.”
4. [www.honolulutraffic.com/NSPA\\_2008\\_Final.pdf](http://www.honolulutraffic.com/NSPA_2008_Final.pdf) This is the latest FTA assessment of cost overruns. The Overview is as follows:

“The Federal Transit Administration ... has conducted an analysis of the predicted and actual impacts of 21 recently opened major transit projects that have been constructed using funds under the New Starts program (49 USC 5309 et al). This report builds on a prior study by the Urban Mass Transportation Administration (UMTA – FTA’s previous

name) in 1990 and a more recent effort that FTA completed in 2003 to analyze the projects that have opened for revenue service between 1990 and 2002.”

You will notice on page 10, Table 3, that average cost overruns from PE entry to final cost was 40.2 percent, and from Final Design entry to final cost was 11.8 percent. Despite what Director Yoshioka said during the meeting, most of these cost overruns occurred in the last ten years.

In [a year earlier document](#), the FTA commented as follows:

“FTA has long been concerned about the reliability of the cost and ridership information used in the planning and project development process. The Department of Transportation’s 1990 report on this subject, several studies by Bent Flyvbjerg, and analyses by FTA have documented the fact that the majority of rail transit projects have significantly underestimated their construction costs and overestimated the actual ridership at the time those projects were chosen locally as the preferred alternatives, compared to the actual cost and ridership figures after the projects were constructed.” page 1-2.

“Projects that fall within the  $\pm$  20 percent range were considered reliable.” FTA Comment , page 9 of the Appendix

5. [www.honolulutraffic.com/UPDATED\\_Rail\\_Finance\\_Plan.pdf](http://www.honolulutraffic.com/UPDATED_Rail_Finance_Plan.pdf) The is the May 2009 Financial Plan for Entry Into PE submittal, Upgraded to August 2009.

If you wish to check on what I told you on Thursday, I spoke for seven minutes starting 1:18:00 on the linked ‘Ōlelo video at: [http://olelo.granicus.com/MediaPlayer.php?view\\_id=9&clip\\_id=13308](http://olelo.granicus.com/MediaPlayer.php?view_id=9&clip_id=13308)

If you have need of any further information we are happy to help.

Sincerely,  
HONOLULUTRAFFIC.COM



Cliff Slater  
Chairman

cc: Councilmembers