From: Day, Elizabeth (FTA)
To: Ryan, James (FTA)
CC: Borinsky, Susan (FTA)
Sent: 8/6/2009 7:19:07 AM
Subject: RE: Revisions to the financial plan for Honolulu

We did not explicitly say at the meeting with the Honolulu folks that we would share in the cost increase, so we should not be giving them guidance to that effect. Let's see what they come to us with in this revised financial plan.

You might want to inform them that simply increasing the 5307 funds may cause problems with their financial rating. Peter was very clear in telling them that FTA already has concerns about the growth in 5307 funds they are assuming, so bumping that up even more will not help them.

As for updating the tax revenue collection information, you might suggest to them that if it helps better inform the reasonableness of their assumptions going forward, they may want to undertake the effort to include it now. If their future projections on tax revenues is that they are growing significantly, yet recent history has shown significant declines, the reasonableness of the assumptions may be called into question. Anything showing growth in collections would help.

There is no guarantee the financial plan will rate well enough to get into PE, so they should use whatever they can to help.

We need new templates and SCCs from them reflecting the increased cost.

From: Ryan, James (FTA)
Sent: Thursday, August 06, 2009 9:47 AM
To: Day, Elizabeth (FTA)
Cc: Borinsky, Susan (FTA)
Subject: Revisions to the financial plan for Honolulu

Yesterday I talked to the two PB guys who will be revising the financial plan.

The principal conclusion is that they will update the plan using the same timeframe (May 2009), rather than moving to August 2009. The revised plan will show capital costs that are $116 million higher and funding that is higher by that same amount (probably three more years of 5307 diversions). But the plan will not update other things that have changed (very marginally) since May. Examples are (1) the project's higher cash balance resulting from three additional months of tax revenues and (2) the higher pace of tax revenue collections over those three months compared to the projections in the May 2009 plan. Assuming that there's no need to make very minor changes to many table and text items, they will get us the revised plan early next week.

During the call, I remembered discussion of FTA's willingness to share in the $116M increase -- proportionately, using the same New Starts share implied by the $1.55B. I'm sure that Matt said that during the pre-meeting and don't recall any disagreement from the administrator or anyone else. I cannot recall a similar discussion during the meeting with the Honolulu folks. I have copious notes from both meetings, but I don't have anything on this topic from either meeting. So, the question for the revised financial plan is: What's the New Starts amount -- $1.55B or $1.55B + ~30% of $116M = $1.585B?

Also, I'm assuming that we're taking the position that the total capital cost of the project has increased by $116M for all purposes -- including the calculation of the cost-effectiveness measure. It doesn't make any CE-rating difference for the Honolulu project either way, and Chris Nutakor has said (though not written) that TPM endorses the higher cost estimate for New Starts evaluation purposes. So, we're proceeding on that assumption unless we hear otherwise.