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**From:** Cliff Slater  
**To:** Ryan, James (FTA)  
**Sent:** 6/7/2009 4:47:26 PM  
**Subject:** I thought this PR release might be of interest/ Rail transit finance plan no longer viable

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The following story, while complex, points directly to a major financial problem within City Hall regarding rail transit, which may be revealed at this Wednesday's City Council meeting.

The rail transit program is presently going in a direction that was not anticipated by the voters last November. They believed the City had a viable financial plan and that federal funding was assured. However, the dramatic downturn in the economy has reduced GE tax collections such that the plan is now well over \$1 billion short and maybe forcing the Mayor down a different path.

Transportation Director Yoshioka retorts that while GE Tax collections will be short for a few years, we will make it up in the out years. However, the math does not work out that way as may be seen from the tables below. They show that using reasonable assumptions the City will experience a \$1.15 billion shortfall. [\[i\]](#) The tables also show that Director Yoshioka's idea of catching up in the out years is completely implausible.

Yet the Mayor is making no attempt to increase the taxes necessary to make his rail transit financial plan work. And without a viable financial plan he cannot possibly get a federal "Record of Decision" showing completion of the federal EIS process. Why is he not taking action? This is the first question that begs an answer.

The second, and related, question is why the Mayor and the pro-rail Councilmembers are so adamantly opposed to the budget proviso that is being proposed for this Wednesday's Council meeting?

The proviso is simple enough. It would require the Mayor to have a federal "Record of Decision" before he can commit funds to build the six-mile rail line from Kapolei to Waipahu.

After all, the Mayor has repeatedly said that he would not begin construction without a federal "Record of Decision", [\[ii\]](#) yet now he is fighting the proviso tooth and nail. [\[iii\]](#)

We told Council Budget Committee members on May 18 that the only reason we could think of for voting down the proviso was to give the Mayor a free hand. That if he did not get a "Record of Decision," the lack of proviso would enable him to bypass the federal environmental process and allow him to build the Kapolei to Waipahu line solely with City taxpayer funds.

Then we asked them, "Now, if this isn't the case, why don't you just tell us taxpayers the reason for it?" There was no response to our question.

There are grave dangers in the premature construction of the first six-mile segment.

First, the spending of local funds before the Federal government has given its approval jeopardizes getting any federal funds.

Second, the technology used in the first segment dictates what has to be used for the entire line. Bear in mind that ALL of Oahu's environmental organizations and the American Institute of

Architects, Kamehameha Schools and the EPA all believe that the City has not adequately studied the alternatives, in particular at-grade light rail. Once the first segment is built it precludes any chance of real light rail.

We believe that the Mayor is going to take a huge political risk and build the first six miles while gambling that he can still get federal funding and a local tax increase after the 2010 elections.

You may not believe that he would take such a Fasi-like political gamble, but if you do not, then you have to answer the two questions. Why block the "Record of Decision" proviso? And why is Hannemann doing nothing to shore up his financial plan?

This kind of financial chaos is not what the voters had in mind last November.



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**Endnotes:**

[i] If we allow that GE tax collections will follow the Council on Revenues forecasts through 2015, then from 2016-2023 the City would need a 16.5 percent annual compounded increase in tax collections (see Table 1 below) and, of course, that would be implausible. The more plausible forecast is to use the COR forecast through 2015 and then from 2016-2023 use the City's original annual percentage increases. This results in a \$1.15 billion shortfall (see Table 2)

[ii] On November 5, 2008 Mayor Hannemann said, "I have always said that we won't begin construction without a Record of Decision."  
<http://www.honolulu.gov/refs/csd/publiccom/honnews08/railprojectmilestone.htm>

[iii] [Six-minute video](#) of Councilmember Djou and Director Yoshioka scrapping over this issue.

Table 1.

Calculations of City collections of the ½% GE tax increase					
Fiscal year	Our calculation		City forecast		\$ diff.
	Mills. \$'s	% change	Mills. \$'s	% change	Mills. \$'s
2007	\$48	Actual	\$13	N/A	\$35
2008	\$169	Actual	\$161	N/A	\$8
2009	\$152	-10.4%	\$188	16.8%	-\$36
2010	\$147	-2.9%	\$198	5.3%	-\$51
2011	\$152	3.1%	\$207	4.5%	-\$55
2012	\$155	1.9%	\$214	3.4%	-\$59
2013	\$162	5.0%	\$228	6.5%	-\$66
2014	\$171	5.3%	\$242	6.1%	-\$71
2015	\$176	3.0%	\$253	4.5%	-\$77
2016	\$205	16.5%	\$265	4.7%	-\$60
2017	\$239	16.5%	\$274	3.4%	-\$35
2018	\$278	16.5%	\$285	4.0%	-\$7
2019	\$324	16.5%	\$300	5.3%	\$24

2020	\$378	16.5%	\$309	3.0%	\$69
2021	\$440	16.5%	\$321	3.9%	\$119
2022	\$513	16.5%	\$337	5.0%	\$176
2023	\$341	16.5%	\$261	N/A	\$80
Total	\$4,050		\$4,056		-\$6

Council on Revenues forecast made 5/29/09 for 2009-2015 and for 2016-2023 the percentage necessary "to catch up."  
See <http://www.state.hi.us/tax/cor/2009gf05-28-with0601-Rpt2Gov.pdf>

Table 2.

Calculations of City collections of the ½% GE tax increase					
Fiscal year	Our calculation		City forecast		\$ diff.
	Mills. \$'s	% change	Mills. \$'s	% change	Mills. \$'s
2007	\$48	Actual	\$13	N/A	\$35
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2013	\$162	5.0%	\$228	6.5%	-\$66
2014	\$171	5.3%	\$242	6.1%	-\$71
2015	\$176	3.0%	\$253	4.5%	-\$77
2016	\$184	4.7%	\$265	4.7%	-\$81
2017	\$191	3.4%	\$274	3.4%	-\$83
2018	\$198	4.0%	\$285	4.0%	-\$87
2019	\$209	5.3%	\$300	5.3%	-\$91
2020	\$215	3.0%	\$309	3.0%	-\$94
2021	\$223	3.9%	\$321	3.9%	-\$98
2022	\$234	5.0%	\$337	5.0%	-\$103
2023	\$123	5.0%	\$261	N/A	-\$138
Total	\$2,910		\$4,056		-\$1,146

Council on Revenues forecast made 5/29/09 for 2009-2015 and City Draft EIS forecast percentage increases 2016-2023. Note that the COR forecast is statewide and is only an approximation of City tax collections.

See <http://www.state.hi.us/tax/cor/2009gf05-28-with0601-Rpt2Gov.pdf>