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**From:** Borinsky, Susan <FTA>  
**To:** Ryan, James <FTA>  
**CC:** Day, Elizabeth <FTA>; Riklin, Sherry <FTA>  
**Sent:** 4/13/2009 1:01:42 PM  
**Subject:** FW: Matt needs talking points for Honolulu

Jim, please see suggestions a couple minor edits below.

Your final paragraph indicates that, after reflection, you think that two or more MOSs may not be possible. That's a very different scenario than I had understood to be the case. If the project can't be divided into segments that individually can make it through the pipeline, are we back to a limit of \$1.2 for the whole piece?

My only reluctance in waiting for the financial plan, before indicating FTA's position, is that Honolulu may come in with a plan that is impossible for us to consider and they'll have to revise the plan, thus losing a lot of time. Maybe the talking points should include something saying that we understand that they are preparing a financial plan that may make all this concern moot, but we wanted to give them a heads up. Susan

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**From:** Riklin, Sherry <FTA>  
**Sent:** Monday, April 13, 2009 2:38 PM  
**To:** Borinsky, Susan <FTA>  
**Subject:** FW: Matt needs talking points for Honolulu

Susan

I have not forwarded these to Matt.

Sherry Riklin

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**From:** Ryan, James <FTA>  
**Sent:** Monday, April 13, 2009 12:52 PM  
**To:** Riklin, Sherry <FTA>  
**Subject:** FW: Matt needs talking points for Honolulu

Welcome back. Here are the Honolulu talking points.....

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**From:** Ryan, James <FTA>  
**Sent:** Monday, April 13, 2009 12:48 PM  
**To:** Day, Elizabeth <FTA>  
**Cc:** Borinsky, Susan <FTA>  
**Subject:** RE: Matt needs talking points for Honolulu

I was not able to contact Toru on Friday because Good Friday (like so many days, it seems) is a holiday in Hawaii. And the 6-hour time difference makes it still too early to make contact today. In the meantime, here's a draft of the talking points.

1. I'm calling about the rail project for which, we understand, you will soon be submitting a request to enter preliminary engineering.
2. I understand from our staff that the project will significantly improve the quality of transit service on the island and save large amounts of travel time for existing and new transit riders.
3. I also understand that the project will be very costly – more than \$5 billion – but that the time savings ~~are~~ **may be** large enough to offset these costs in FTA's cost-effectiveness measure. That is very good news because we have seen lots of costly projects struggle to generate enough time savings to make the benefits seem to be worth the costs.
4. And finally, I understand that you will be funding most of the costs yourselves – perhaps around 70 percent – through the increase in the excise tax that the state and city implemented in 2007. That is also good news, because FTA's New

Starts program is hard pressed to fund large shares of costly projects.

5. And that constrain is the main reason that I am calling. As we look towards the future of the New Starts program and the next reauthorization cycle, we worry that FTA will not be able to meet your expectations on funding for your project. Last summer, Administrator Simpson provided to you guidance that \$1.2 billion would be the limit on a reasonable expectation for New Starts funding for your project. That amount continues to appear to be a reasonable upper bound.
6. Consequently, I want to be clear that, should your cost estimates increase or local funding capacity decline, it seems unlikely that FTA will be able to find additional New Starts dollars for your project. Even with new funds that will become available with reauthorization, your project at \$1.2 billion in New Starts funding would represent one of the larger contributions in the history of the program.
7. In situations like this in the past, FTA has urged project sponsors to find ways to build the project in affordable pieces – we call them operating segments – that are more affordable both locally and for the New Starts program. We have funded initial operating segments in Seattle, Phoenix, New York, and several other locations where the price-tags for full projects made them financially infeasible. So, I am giving you a heads-up that FTA will have to suggest a similar strategy for Honolulu if the funding request for your project rises above \$1.2 billion. The significant advantage to you is that we would be able to contribute a larger amount of New Starts funding – perhaps as much as \$2 billion – if we can make the contributions **over time** for two or more operating segments **that individually comply with the statutory criteria**.
8. I want to assure you that this position results entirely from the funding limits we face – and not on our expectations that the project will compete well in terms of the important benefits that it will bring to Honolulu.
9. **FTA wants to work with you to move the project forward and I am hoping that we can work together to find a way to succeed at that objective.**

As I think through the situation, I'm having lots of second thoughts about this pre-emptive call from Matt to the mayor. First, if Toru is correct that they have found cost reductions and additional funding sufficient to make a request for more New Starts funding unlikely, then all of this is beside the point. We might just want to wait and see what their new financial plan says (in a few weeks, supposedly). Second, it's not clear to me that there are easy ways to segment the project beyond the segments they have already identified. The 20-mile project results from truncation on both ends (lopping off separate extensions to Waikiki and the university on the east and nearly to the western shore on the west). Their initial 100-percent locally funded segment is roughly 6 miles from the (shorter) western terminus to their yard site. So, the project that we would support is from the yard site through downtown to Ala Moana Center (a couple of miles east of downtown). It's not at all clear how to piece that 14-mile segment into shorter bites. An interim terminus in downtown has obviously large adverse consequences for the bus access needed to carry the many riders who will want to continue eastward to Waikiki and the university. An even shorter interim terminus west of downtown simply adds even more riders who will want to transfer to buses to continue their eastward journey. I suppose they might find an alternative (more easterly) site for the storage/maintenance yard, but that will not be easy. So, the yard site and downtown are two very heavy anchors that make finding shorter operating segments a difficult task indeed.

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**From:** Day, Elizabeth <FTA>  
**Sent:** Thursday, April 09, 2009 12:06 PM  
**To:** Ryan, James <FTA>  
**Cc:** Borinsky, Susan <FTA>  
**Subject:** RE: Matt needs talking points for Honolulu

I think the commitment authority argument is a real restraint. The Honolulu project, if requesting \$2 billion, would be seeking approx 1/6 of our total commitment authority in the next authorization (assuming it is similar to the level provided in the last authorization.) In years past when FTA has been presented with similar proposals, we have required grantees to move to operating segments.

Also, I'm not sure I understand what Toro told you. Did he say they would not be seeking more than \$1.2 billion in NS and even with the cost increases they think they have a satisfactory financial plan?

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**From:** Ryan, James <FTA>  
**Sent:** Thursday, April 09, 2009 11:37 AM  
**To:** Day, Elizabeth <FTA>  
**Cc:** Borinsky, Susan <FTA>  
**Subject:** RE: Matt needs talking points for Honolulu

On Monday, I got a call from the City's project manager (Toru Hamayasu) about various things – one of which was the updated

financial plan (that they are still working on but can now see its outlines). His version of the situation is entirely different from the region's view. He maintains that they are within \$100 million of having a feasible plan (in contrast to the region's conviction that they are a \$billion short) with various cost savings and the use of a big chunk of 5307 funds. In our front-office discussion last week, we got into the idea of a call from Matt based on that conviction (which I came to share and think that others did as well) and I had (and have) the sense that the commitment-authority problem was – at least initially – an idea dreamed up as a rationale for suggesting operable segments rather than the whole project. But if the mayor now thinks that they still have a feasible financial plan, then he won't be looking for FTA to ride to the rescue (and the staff aren't looking for FTA to deliver bad news that they are afraid to tell him as is the region's hypothesis).

So, a call from Matt to the mayor right now will have to be based entirely on the FTA problem with commitment authority. I was convinced that we have a real constraint there, but feel the need to ask: can Matt say that FTA has a problem and that's the entire reason that he's calling?

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**From:** Day, Elizabeth <FTA>  
**Sent:** Thursday, April 09, 2009 11:15 AM  
**To:** Ryan, James <FTA>  
**Cc:** Borinsky, Susan <FTA>  
**Subject:** Matt needs talking points for Honolulu

At yesterday's bi-weekly New Starts mtg Matt requested talking points that he could use when he calls the Mayor sometime next week. He would like the talking points by Monday. He wants them short and sweet.

We understand the significance of the project to the local community  
Believe it to be a project that will provide significant travel time improvements  
Want to work with them to move the project forward  
We believe the best way to do this would be to consider operating segments  
This is consistent with FTA's past practice on such large scale projects  
FTA would agree to provide more NS funding in total  
etc

Thanks,  
Beth