From: Hamayasu, Toru
To: 'Pam Funai'
Sent: 3/14/2005 6:07:00 PM
Subject: RE: Transit plan

Pam,

It was good to see you too.

I appreciate the very positive outlook for the funding issue by the House and Senate. It might appear strange at first to try to generate the money prior to deciding what to buy, but that's becoming the norm in demonstrating to the feds the local government is committed to the project as a prerequisite to requesting the federal funds.

I don't have very much detail information on the bonding but, in 1992, it was assumed the Excise Tax Surcharge can be used to issue the revenue bonds to front end the funds. This was needed because the construction and start up cost was greater than the tax revenue flow for the first few years. See TABLE 6.4 in the Honolulu Rapid Transit FEIS. The bond proceeds generated $697.10 million in 10 years but it cost $990.92 million in Debt Service.

Off hand, I don't think the similar situation would occur if the GET increase started in the near future and accumulated substantially in advance of construction activities. We should have adequate funds built up to meet the cost outlay.

Because I was talking about the "revenue bonding" where the debt service is paid back with the project funding, there would be no reduction in the amount of GET surcharge needed for the project. In fact, the debt service would add more to the cost.

The City can issue "General Obligation Bond" separate from the project revenue bond as an addition to the GET and federal grants as the funding sources. But I don't know if the City still has the resource to issue the GO Bond for a rail until we are underway with the Alternatives Analysis/Draft EIS.

Toru

-----Original Message-----
From: Pam Funai [mailto:pam@pkicks.com]
Sent: Monday, March 14, 2005 3:15 PM
To: Hamayasu, Toru
Subject: Transit plan

Toru,

It was great to meet you today at the meeting in President Bunda's office. You and Mr. Hirata helped to paint a clear picture of what it will take to get a light rail system up and running. Senator Taniguchi found it especially helpful in that he's been grappaling with the issue of financing from the outset.

Senator Taniguchi, Rod Tanonaka and I would like to ask if you would tell us a little about how you envisioned the bond floating to work. What the Senator, in particular, would like to know is if the bonds free up some of the tax revenue that is generated by the GET surcharge, what will that money be used for? If the City floats a bond, will that money be used in addition to the revenue generated by the GET? We weren't clear on this issue at the meeting and want to be sure we're on the same page.

Thank you for your help.

Aloha,

Pam Funai