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## **HART unveils plan to meet budget challenges ahead**

The Honolulu Authority for Rapid Transportation (HART) today announced several steps to reduce costs and explore new revenue sources in an effort to address some financial challenges ahead.

“We want to be transparent and let the public know early on what some of our financial challenges are,” said HART Executive Director and CEO Dan Grabauskas. “For the first time in recent months, several factors have come together to create a new fiscal landscape. Legal and delay costs have had a cumulative effect and pushed us into a more competitive construction market resulting in bids coming in significantly higher. To meet these challenges, we are repackaging and recalibrating our contract solicitations to further reduce scope and costs. We are also looking at additional sources of revenue, including public-private partnerships and other financing options.”

Nearly 60 percent of the project’s contracts were issued in a favorable market, resulting in those contracts coming in under budget. The remaining 40 percent will prove more challenging because of the heated construction market, Grabauskas added.

Federal funding for the project remains strong and HART has received \$806 million of its \$1.55 billion grant, with another \$250 million installment agreed to by Congress earlier this week.

In addition, the project has received \$1.3 billion of its projected General Excise and Use Tax (GET) surcharge revenue. But GET receipts are currently running 3 percent short of projections, or \$41 million behind.

HART is looking at several ways to generate cost savings and yield additional revenue, including:

- Taking advantage of lower interest rates through an improved borrowing plan to save \$60 million-\$75 million
- Leverage transit-oriented development opportunities to generate revenue
- Seek additional public-private partnerships to share costs and leverage resources on key project components, such as parking facilities
- Begin the discussion now of extending the existing half-percent GET surcharge that currently provides about 70 percent of the project’s revenue.

City officials expressed their support for HART's efforts during a news conference held after the HART board meeting, and stressed the importance of the project to Oahu's transportation future.

"Rail is an essential part of our public transportation system and is critical to West Oahu and to the island's overall future," said Honolulu Mayor Kirk Caldwell. "Honolulu is consistently ranked either first or second in terms of having some of the worst traffic congestion in the United States. For the sake of our residents, our visitors and our economic future, it is time to change that. Rail will give residents an option to get out of the crippling traffic, so they can be more productive at work and spend more time with their loved ones."

Honolulu City Council Transportation Committee Chairman Joey Manahan said the rail system is a sound investment in Oahu's future, with the potential to generate billions of dollars in transit-oriented development.

"We need to keep our focus on the larger picture," Manahan said. "With this rail system in place, we will have a more efficient public transportation system, enhanced mobility, and smart development in our urban core that will create livable, walkable and healthier communities."

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