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CMSAP00-00197

HONOLULU AUTHORITY for RAPID TRANSPORTATION

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April 30, 2012

The Honorable Ernest Y. Martin, Chair  
and Members  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Martin and Councilmembers:

Thank you this opportunity to submit Honolulu Authority for Rapid Transportation's ("HART") written testimony regarding the proposed Committee Draft 1 ("CD1") amendments to Bill 37.

The Federal Transit Administration ("FTA") transmitted a December 29, 2011 letter, which admitted the transit project to the Final Design phase, itemizing specific requirements that had to be met prior to the project's consideration for a Full Funding Grant Agreement ("FFGA"). In that letter, the FTA specifically requested that "HART should demonstrate the availability of additional revenue sources that could be tapped should unexpected events such as cost increases or funding shortfalls occur." The tapping of the City's commercial paper program as an effective and low cost method of meeting the requirements of the FTA December 29 letter evolved from meetings and phone calls with the FTA in January and early February 2012. The FTA viewed the provisions of Bill 37 as meeting the access to additional capital requirements of its December 29 letter.

There were two essential elements of the commercial paper proposal that were agreed upon with the FTA. First, that the demonstrated access to capital be no less that \$350 million dollars – this amount is in addition to \$100 million of the commercial paper program that the project was and is scheduled to utilize as a part of its financial plan. Second, the FTA wanted there to be *direct* access to this standby capital with no conditions precedent so that the funds could be accessed and utilized very quickly. That said, however, the FTA conceded to the provisions of Bill 37, as introduced, that the Council be able to take further legislative action before allowing HART to actually tap the commercial paper program.

In our review of the CD1, we believe the FTA would have concerns with the provisions of CD1 because it does not meet the access to capital requirements that the FTA has requested the Honolulu project to assure because:

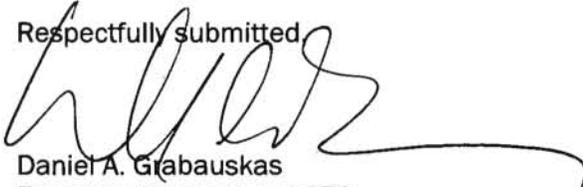
1. The commercial paper available to HART would be limited to \$100 million and that access to additional commercial paper proceeds above \$100 million are limited to situations where either the state of Hawaii and/or the Federal government have declared a "state of emergency or disaster". Thus access to additional commercial paper proceeds would not be available to the project in the event of a short-fall in General Excise Tax ("GET") revenues or a short-fall in Federal grant funds or any other "unexpected event" as described in the December 29 letter; and

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2. The amendment requires that a number of legislatively imposed conditions be met first which could significantly limit the speed with which access to additional capital can be achieved, whereas the original provisions of Bill 37 that was reviewed with the FTA was devoid of legislative conditions, but instead allowed for repayment mechanisms to be described in a Memorandum of Understanding with respect to the issuance of commercial paper for the project.

For these reasons, HART would like to work with the Legislative Matters Committee to address HART's concerns. I hope this information is helpful to you and your colleagues. Please do not hesitate to contact me to provide further information or elaboration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Grabauskas', with a long horizontal flourish extending to the right.

Daniel A. Grabauskas  
Executive Director and CEO

cc: All Councilmembers  
HART Board of Directors