From: Ryan, James (FTA)
Sent: Tuesday, August 25, 2009 7:17 AM
To: 'Ben Porter'
Subject: FW: Email to Tahir Nadeem of 7/15/2009

Expires: Sunday, August 23, 2009 6:00 AM

Attachments: NadeemEmail.pdf

Ben:
We got the e-mail below from the leading rail opponent in Honolulu. You are no doubt looking at the same numbers but I'm passing this along to ensure that we're prepared to answer all arguments when we are done with the assessments we need to decide on Honolulu's PE-request.
Thanks.
Jim

From: Cliff Slater [mailto:cliffslater@hawaii.rr.com]
Sent: Thursday, August 20, 2009 12:19 PM
To: Ryan, James (FTA); Day, Elizabeth (FTA); Rogers, Leslie (FTA); Nguyen, Kim (FTA); Luu, Catherine (FTA); Carranza, Edward (FTA); Welbes, Matt (FTA); tahir.nadeem@fta.dot.gov
Subject: Email to Tahir Nadeem of 7/15/2009

HonTrafLtrHd.jpg

All of you were copied on an email dated 7/16/09 that we obtained from FTA through a FOIA request. The email is from a redacted source (assumedly at DTS Honolulu) regarding GET Revenue Forecasts. A copy of the email is attached.

We believe this email to be misleading since although it was written on 7/15/09 it omits any mention of the Council on Revenues forecast update of 5/29/09, which significantly reduced COR's earlier March 2009 forecast for GE Tax collections.

While the City says that the "GET – Scenario based on Council on Revenues Growth Rates" (p. 5-2) the fact is that only for the years FY2009/10 did the City follow the March 2009 COR projection. The differences between the City percentages used in the May 1, 2009 Financial Plan for 2011 through 2015 and those forecast by the Council on Revenues in March are markedly different as may be seen from the table below.

The following table compares the COR forecast for March 2009 and May 2009 (available at http://www6.hawaii.gov/tax/a9_1cor.htm) with that of the City's 5/1/09 Financial Plan.

Fiscal Year	COR 3/13/09	COR 5/29/09	City's 5/1 Plan
2009	-5.5%	-10.4%	-5.6%*
2010	1.0%	-2.9%	1.3%
2011	4.6%	3.1%	6.5%
2012	3.2%	1.9%	6.7%
2013	6.0%	5.0%	9.1%
2014	6.2%	5.3%	5.8%
2015	4.0%	3.0%	5.0%

* The -5.6% results from using $161 million for 2008 collections (p. 2-6) rather than the true figure of $169 million. Using $169 million results in -10.1% and is close to the 5/29 COR forecast. For details see the notes to the table below.

While the 7/15 email, and Appendix E of the Financial Plan if refers to, goes into enormous detail, replete with regression analyses, to justify a supposed swift economic revitalization of Hawaii, that is not what the Hawaii State Council on Revenues forecasts. The COR consists of the State's leading private and public economists and its forecasts are relied upon by the Governor and the Legislature in fiscal decisions and in planning our economic future.

The prudent forecaster would use the COR revenue forecast for 2010-2015 and then the use the City's own 5/1/2009 Financial Plan forecast for percentage growth for 2016-2023 as shown in the table below. It results in a further $477 million shortfall in addition to the $554 million that the City admits to in the May 1, Financial Plan.

Calculations of City collections of the ½ percent General Excise tax increase				
	City 5/1/2009 Financial Plan as submitted		City 5/1/2009 Financial Plan Revised using 5/29 COR Forecast	
Fiscal Year	Annual GET Revenues	Annual percent change	Annual percent change	Annual GET revenues
2007	**$13			***$48
2008	**$161			***$169
2009	$152	-10.1%	-10.4%	$152
2010	$154	1.3%	-2.9%	$148
2011	$164	6.5%	3.1%	$152
2012	$175	6.7%	1.9%	$155
2013	$191	9.1%	5.0%	$163
2014	$202	5.8%	5.3%	$171
2015	$212	5.0%	3.0%	$177
2016	$222	4.7%	4.7%	$185
2017	$233	5.0%	5.0%	$194
2018	$246	5.6%	5.6%	$205
2019	$260	5.7%	5.7%	$217
2020	$274	5.4%	5.4%	$228
2021	$289	5.5%	5.5%	$241
2022	$304	5.2%	5.2%	$253
2023	$238	N/A	5.0%	$199
Total	$3,490			$3,057

*Note: Percent changes in Excise tax collection for 2010-15 according to the Council On Revenues forecast. Percent changes for 2016-2022 are the same as those used in the City 5/1/2009 Financial Plan. For FY2023 we allowed a 5 percent increase and then used 75 percent of annual forecast for the half fiscal year per the City's methodology.
**Note: GET surcharge revenues of $13 million was reported for FY 2007 in the Draft EIS; $161 million was reported for FY 2008 in the DEIS and 5/1/2009 Financial Plan.
***Also note that the correct FY2007 and 2008 collections are $48 and 169 million per the City's financial statements at: http://www.co.honolulu.hi.us/budget/cafrhnl2008.pdf

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