From: Ben Porter [bporter@porter-inc.com]
Sent: Friday, August 28, 2009 3:22 PM
To: Ryan, James (FTA)
Subject: Re: additional questions regarding Honolulu HCT financial plan

Yes, that is my guess, but there is one potential sticking point. I think the main point of interpretation will be whether to assign a Medium-Low or Low rating to the capital financial capacity/planning assumptions subfactor. To get a Medium-Low rating, they would need to access another $535 million (10% of Project costs). I am assessing this risk but haven't come to a conclusion. It is a potential problem. Let me know if you need more information at this point and I will tell you what I am considering.

Ben

On Aug 28, 2009, at 11:54 AM, <James.Ryan@dot.gov> <James.Ryan@dot.gov> wrote:

> Thanks, Ben. Are you still guessing that "medium, with concerns" is
> the likely rating outcome?
>
> _____
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> From: Ben Porter [mailto:bporter@porter-inc.com]
> Sent: Fri 8/28/2009 2:46 PM
> To: Ryan, James (FTA)
> Subject: Re: additional questions regarding Honolulu HCT financial
> plan
>
>
> I think you've characterized it correctly, except that I still plan
> to submit a draft assessment on 9/1 (Tues.). If I get their
> responses by then, I'll incorporate them. If they come later, I'll
> modify the draft. Most probably, their responses will affect some of
> the details presented in the assessment, but are not likely to affect
> the rating.
>
> best regards,
> Ben
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> On Aug 28, 2009, at 11:37 AM, <James.Ryan@dot.gov> wrote:
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> Ben:
>
> We have another status update this afternoon and I'm sure I'll be
> asked about progress and completion of the financial review. I
> haven't seen a reply to the questions you posed to Toru; so you
> probably haven't either. I'm planning to say that the ball is in the
> City's court and that your completion of the review depends on when
> they get back to you and what they have to say. Do you have any
> revisions to that characterization?
>
> Thanks.
> Jim
>
> _____
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> From: Ben Porter [mailto:bporter@porter-inc.com]
> Sent: Wed 8/26/2009 4:15 PM
> To: Toru Hamayasu
> Cc: Mark Scheibe; Ryan, James (FTA); Donna McCoy, CPA
> Subject: additional questions regarding Honolulu HCT financial plan
>
>
> Dear Mr. Hamayasu:
>

> I appreciate the County's quick response to my questions that were
> e-mailed on 8/18.
>
> I have a few additional questions, listed below, to which I would
> appreciate your prompt attention.
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>
> 1. Regarding the HCT GET surcharge revenue forecast, the financial
> plan text states that the current forecast is consistent with that of
> the Council on Revenues (COR). However, when I reviewed both the
> March forecast and August forecast of the COR, their year-to-year
> growth rates in state-level GET revenues are consistently lower than I
> calculate from the HCT GET surcharge forecast included in your August
> 2009 financial plan submittal. The table below shows a comparison of
> the most recent HCT and COR forecasts for fiscal years 2010-2015.
> From an examination of State and Honolulu County historical revenues,
> I find that the State and Honolulu GET revenues are highly correlated,
> so I would expect that the HCT GET revenue forecast would more closely
> match the COR forecast, if in fact they are consistent. Would you
> please explain how the HCT GET surcharge forecast is "consistent" with
> the COR forecast, and also why the annual growth rates are different?
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> 2. The plan states that Phase 1 of the Project will be 100% locally
> funded. Please provide annual capital costs, net of financing, for
> Phase 1. Do you intend that Phase 1 not be part of the FFGA? If
> Phase 1 is part of the FFGA, then on what basis would Section 5309 New
> Starts funds be applied to it?
>
> 3. Are the bonds to be issued for the Project general obligation
> bonds or "self-supporting" bonds? If the latter, can you provide an
> example of similar bonds issued by Honolulu that did not require a
> debt service reserve or a minimum debt service coverage ratio for the
> issuance of additional bonds? Do you anticipate the HCT GET surcharge
> revenues to be pledged as a credit for the bonds?
>
> 4. The plan assumes $500 million in short-term financing. What kind
> of approval is required? How is this debt to be secured? If it is to
> be secured by the HCT GET surcharge, is it to be subordinate to the
> other debt to be issued for the Project?
>
> 5. The plan assumes that 33% of bus and HandiVan capital costs will
> be funded from Section 5309 Bus grants. What is the basis for this
> assumption?
>
> 6. Please provide the annual revenue vehicle hours to be operated on
> the fixed guideway system.
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> Thank you for your consideration. Please feel free to call me if you
> have any questions.
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>
> best regards,
> Ben Porter
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>
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