From: Ben Porter
To: Toru Hamayasu
CC: Scheibe, Mark; Jim Ryan; Donna McCoy, CPA
Sent: 8/26/2009 10:15:15 AM
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.

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?

	HCT GET surcharge (8/09)		COR State GET (8/09)		HCT +/- COR
FY	Rev. ($mil)	%chg	Rev. ($mil)	%chg	at 8/09
2009	164.0		2,420.3		
2010	163.9	-0.0%	2,411.3	-0.4%	0.4%
2011	174.0	6.1%	2,509.4	4.1%	2.0%
2012	186.2	7.0%	2,577.3	2.7%	4.3%
2013	202.1	8.6%	2,714.8	5.3%	3.2%
2014	214.3	6.0%	2,861.1	5.4%	0.6%
2015	224.7	4.9%	2,951.7	3.2%	1.7%
CAGR, '09-'15	5.4%		3.4%		2.0%

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.

Thank you for your consideration. Please feel free to call me if you have any questions.

best regards,
Ben Porter

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