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**From:** Day, Elizabeth (FTA)  
**To:** Webb, Kate (FTA); Rogers, Leslie (FTA); Borinsky, Susan (FTA)  
**CC:** Welbes, Matt (FTA); Carter, Dorval (FTA)  
**Sent:** 1/29/2010 7:46:34 AM  
**Subject:** RE: Honolulu rail questions from Rep. Abercrombie's staff  
**Attachments:** Honolulu final financial assessment for PE approval.doc

Kate – you need to discuss this with Peter. He wants to handle Honolulu matters. He asked TPE to give him info in case he wanted to respond to yesterday's news article. You are right that the approval letter has language about the financial plan. We also provided the grantee with our financial assessment (attached), but I don't think Peter would necessarily want to share that with the Congressman's office.

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**From:** Webb, Kate (FTA)  
**Sent:** Friday, January 29, 2010 12:42 PM  
**To:** Rogers, Leslie (FTA); Borinsky, Susan (FTA); Day, Elizabeth (FTA)  
**Cc:** Welbes, Matt (FTA); Carter, Dorval (FTA)  
**Subject:** Honolulu rail questions from Rep. Abercrombie's staff

Hi all,

Per the e-mail below and a phone call I received, Rep. Abercrombie's staffer has questions regarding FTA's view of the Honolulu's financial situation following the article that appeared in yesterday's paper and recent statements by the Mayor and Gov. I know in general terms that the bar for entry into FD is obviously higher than it was for entry into PE and thus FTA is closely reviewing the projects financial situation before allowing the project into FD.

Are there specific things that I can share w/ the Congressman's office regarding where our concerns are? Things that we have shared with others? I have a copy of the October PE approval letter which I can share....and maybe that covers everything. Thanks all!

Kate

PS They also wanted to know if a meeting is set up w/ DOT officials and the Gov. on the project? I think there is talk of a meeting but nothing set up just yet....correct?

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**From:** Tabilas, Melvin [mailto:Melvin.Tabilas@mail.house.gov]  
**Sent:** Friday, January 29, 2010 12:29 PM  
**To:** Webb, Kate (FTA)  
**Subject:** Honolulu rail

Kate,

Below is an article from today's Star Bulletin. As I mentioned, Governor Lingle and Mayor Hannemann are interpreting FTA's opinion on the plan's financial plan. This is what I'm hoping you can clarify for me. Also, is it possible to have a copy of the FTA letter mentioned in the article?

Mahalo,

Melvin

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Melvin Tabilas  
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U.S. Representative Neil Abercrombie (HI-01)  
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AR00116827

## Star Bulletin- Friday, January 29<sup>th</sup>, 2010

### Governor, mayor at odds over financing for rail

**By Richard Borreca**

**POSTED: 01:30 a.m. HST, Jan 29, 2010**

The city's plans for rail transit are based on financial assumptions that are too shaky to proceed without more study, says Gov. Linda Lingle.

If she had to do it today, Lingle says, she would not sign off on the city's rail transit plan because of those financial worries.

Lingle made her remarks yesterday in an informal meeting with reporters after delivering a pep talk to the 168 delegates to the Republican National Committee meeting in Waikiki.

Both the state and the federal government require environmental impact statements for the city's \$5.3 billion project, and Lingle has to approve the state EIS. About one-third of the project is expected to be paid for by the federal government's Federal Transit Administration.

The city is paying for the rest with an increase in the general excise tax paid on Oahu transactions.

"The federal government is questioning whether the general fund of the city can stand this much debt and what will happen if there is an overrun—where will they get the money?" Lingle said.

"I am convinced more than ever after reading the federal government's most recent letters written to the city that the financial plan is shaky at best," Lingle said. "If I had to sign off now, I couldn't, based on what I know from the federal government about the financial plan."

In response, Mayor Mufi Hannemann called Lingle "confused again about the city's rail project and the process, and appears to be mixing pineapples and macadamia nuts."

Hannemann argues that Lingle should not be worried about Honolulu's ability to pay for the rail system.

"I would question the governor's authority to reject the FEIS based on financial reasons," Hannemann said.

Lingle said she is thinking about having an independent financial audit prepared and made public before she decides on the EIS.

The governor, who said she is a supporter of mass transit, said Hannemann is not telling the truth when he said the federal government would not have approved Honolulu's preliminary engineering statement if it had concerns about financing.

"He (Hannemann) looked into the camera and said the federal government would not have given us approval for preliminary engineering if they had not approved our financial plan, and that is just patently false.

"What the letter says is, we let the city know they may not get the go-ahead to go forward even though we are giving

them this preliminary engineering approval," Lingle said.

At a meeting yesterday held for companies interested in working on the project by Sumitomo Corp. of America, which wants to provide the trains, Gerald Noda, a vice president with Communications Consulting Services Inc., said the conflict sounds "political."

"I hope they get over their political differences and kind of see the benefits of this rail system," said Noda, whose company employs 70 people.

In a letter provided to the Star-Bulletin by Hannemann, the Federal Transit Administration said on Oct. 16 that FTA approval of the preliminary engineering "is not a commitment to approve or fund any final design or construction activities."

The letter from Leslie Rogers, regional FTA administrator, said that "some elements of the current financial plan may not fare well in the stress tests that the FTA will apply to evaluate robustness."

Rogers said the FTA took note of the money the city would be able to collect from the GET, the ongoing needs of the city bus system and "the increasing share of the city's annual budget that is required to fund the transit system."

"Were this plan submitted today in support of a request to advance the project into final design, its weakness would likely cause FTA to deny the request," Rogers said, adding that the city should continue to develop and strengthen its financial plan.

The letter says that the city has to work to get its cost estimating "to a level of confidence necessary for the city to implement the financial plan for the project before entering into final design."

In a FTA financial assessment of the Honolulu project written in September and provided to the Star-Bulletin by Lingle's office, the city plan is based on continuing to get enough money from the GET tax.

"Any shortfall in revenue would have material consequences on the city's ability to finance the local share of the project costs, unless other sources of capital funds are identified."

Star-Bulletin reporter Gary T. Kubota contributed to this report.