Attached is an updated Financial Plan submittal for Entry into Preliminary Engineering for the Honolulu High-Capacity Transit Corridor project. This plan incorporates the revisions to the capital costs estimates recommended by the PMOC as well as revised local tax revenue forecast based on more recent data. In order to help you and Ben Porter go through this plan quickly, we have summarized the major changes from the Financial Plan dated May 1, 2009 below.

Changes in Capital Cost

Per FTA's recommendation, the City has revised the capital cost estimate of the Project to incorporate the PMOC's recommendation in its cost assessment presented in its final spot report ("CLIN 0005: Spot Report"). The change in capital cost also had an impact on finance charges. The Table below summarizes the difference in total capital cost and finance charges. The total impact of the recommended change in project capital cost resulted in an increase of $174 million year of expenditure (YOE) dollars from the May 2009 Financial Plan.

Difference in Capital Cost and Finance Charges between May 2009 and August 2009 Financial Plans

YOE $millions	May 2009 Version	August 2009 Revision	Difference
Capital Cost Excluding Finance Charges, FY2010 - 2019	$4,942	$5,057	$115
Finance Charges, FY2010 - 2019	231	290	59
Total Capital Cost	**$5,173**	**$5,347**	**$174**

The finance charges presented above also include an upward adjustment to the interest rate contingency, from 50 basis points above current interest rates to 100 basis points, thereby reflecting the fact that interest rates are currently at historical lows. The impact on the weighted average interest rate across all maturities is an increase from 3.27 percent to 3.96 percent.

Please note, as was the case for the May 2009 Financial Plan, that the enclosed Financial Plan includes costs that are not part of the New Starts Total Project Cost. Specifically, the Financial Plan includes costs for FY2009, which were prior to Preliminary Engineering and thus will not be part of the cost included in the FFGA. Similarly the Financial Plan includes finance charges from after the completion of the Project. Table 1-1 in the Financial Plan shows the differences between the Project Cost reflected in the Financial Plan and the Expected FFGA Total Project Cost.

Changes in General Excise and Use Tax (GET) Revenues

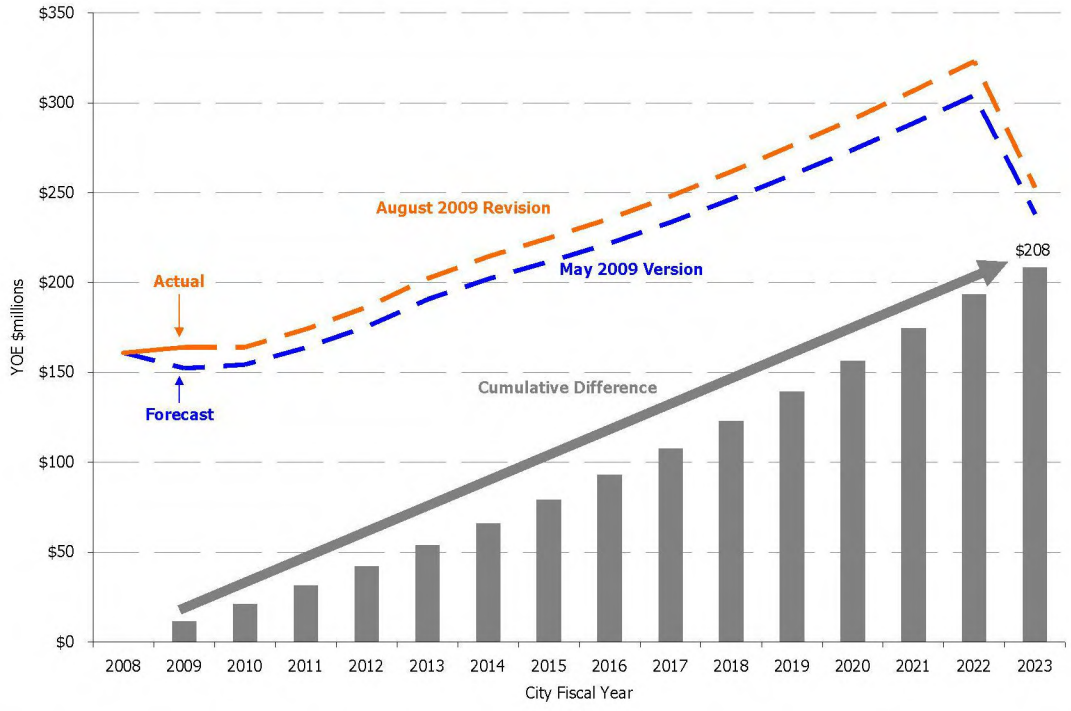
Net GET surcharge revenue projections were revised based on two factors:

a) Actual data for FY2009 receipts: Actual FY2009 receipts totaled $164 million YOE compared to the $152 million estimate forecasted in the May 2009 Financial Plan.

b) More recent Council on Revenues forecast: the FY2010 growth rate was revised downward to 0% from a growth rate of 1.34% in the May 2009 Financial Plan, based on more recent forecast at the State level published by the Council on Revenues in July 2009. Growth rates for all subsequent years remain the same as in the May 2009 Financial Plan.

The impact of these two changes led to an increase in net GET surcharge revenues of $208 million over the period through FY2023. The chart below illustrates the difference in GET forecast between the two versions of the Financial Plan.

Difference in Net Get revenues Between May 2009 and August 2009 Financial Plans



This increase in revenues dedicated to the Project is expected to be sufficient to fund the increase in Project capital cost recommended by FTA and its PMOC. It is important to note that the numbers presented herein are subject to change as the Project advances through the development process and economic conditions evolve. The revised Financial Plan provides more information on underlying assumptions and risks and uncertainties inherent to the capital and operating plan.