From: Ben Porter [BPORTER@PORTER-INC.COM]
Sent: Tuesday, August 18, 2009 8:59 PM
To: Toru Hamayasu
Cc: Mark Scheibe; Ryan, James (FTA); Donna McCoy, CPA
Subject: Request for additional information
Dear Mr. Hamayasu:

As you are probably aware, I have been assigned by FTA to perform a financial assessment of the Honolulu High Capacity Transit Corridor Project. I am a subcontractor to Milligan & Company, LLC.

I have completed a review of the August 2009 financial plan to ascertain its conformance with FTA's Guidance for Transit Financial Plans. I noted several omissions, and request that you or your consultant provide the following information:

1) Borrowing and debt levels: The Guidance requires a debt service schedule whenever the capital financing plan includes borrowing. Your submittal indicated the annual amount of principal and interest payments, but did not relate these to individual annual issuances of debt. Please provide a debt service schedule that shows each tranche of debt, along with assumptions on interest rates and debt rating. Also, the Guidance requires that the debt service schedule include a comparison to the most restrictive debt covenant – which in your case would be the City's total amount of general obligation debt, including debt issued for this project, relative to the City's affordability guidelines. In past years, you have provided this information. Please provide a comparison of total general obligation debt and related debt service to the City's affordability guidelines for the entire period for which project-related debt will be outstanding. If you believe the affordability guidelines will not apply, please explain why this is the case, and include an endorsement of this position by the City's chief financial officer.

2) Capital plan: The Guidance requires five years historical data on capital revenues and expenditures. This information was not submitted. Please provide.

3) Operating plan: The Guidance requires five years historical data on operating revenues, expenditures, and service levels. This information was not submitted. Please provide. The Guidelines also require the operating plan to indicate the net operating subsidy requirements of the project. Your submittal identifies the operating cost of the project, but does not isolate passenger or other operating revenues associated with the project, so its net impact on operating subsidy requirements cannot be determined. Please provide an annual estimate of operating revenues attributed to the project.

In addition, I would like to request the following supporting information:

4) Bus and rail fleet management plans that provide backup for the fleet expenditures in the financial plan.

5) Adopted capital improvement program (relevant pages only) that provides backup for the "on-going" (i.e., non-project) capital expenditures in the financial plan.

6) a funds statement substantiating the 2009 fiscal year end cash balance ($257 million).

7) the FY 2008 National Transit Database submittal.

8) New Starts financial template -- please note that the project-related interest cost included on this form (and in the project budget) should only extend through the revenue operations date, or the year of the last Federal New Starts installment, whichever is later. The presentation of the project budget in the financial plan included costs incurred after the revenue operations date.

9) A copy of the most recent City 6-year financial forecast that is presented to the City Council.

10) Quarterly GET Surcharge Revenues received by the City, from inception through FY 2009.

11) A forecast of Highway and General Fund revenues and expenditures so that the reasonability of the assumed growth in transit operating subsidies can be ascertained.

FTA has asked for an expedited turn-around of this financial assessment. I will continue working on the assessment with the materials I have in hand, but I will not be able to complete the assessment until I receive the above information.

Please feel free to call me between 8:30a and 5:30p PDT should you have any questions about this information request.

thank you,
Ben Porter

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