Talking Points for Call from Matt Welbes to Honolulu Mayor Mufi Hannemann
TPE; March 13, 2009

1. I'm calling about the rail project for which you will soon be submitting a request to enter preliminary engineering.
2. I understand from our staff that the project will significantly improve the quality of transit service on the island and save large amounts of travel time for existing and new transit riders.
3. I also understand that the project will be very costly – more than $5 billion – but that the time savings may be large enough to offset these costs in FTA's cost-effectiveness measure. That is very good news because we have seen lots of costly projects struggle to generate enough time savings to make the benefits seem to be worth the costs.
4. And finally, I understand that you will be funding most of the costs yourselves – perhaps around 70 percent – through the increase in the excise tax that the state and city implemented in 2007. That is also good news, because FTA's New Starts program is hard pressed to fund large shares of costly projects.
5. And that constraint is the main reason that I am calling. As we look towards the future of the New Starts program and the next reauthorization cycle, we worry that FTA will not be able to meet your expectations on funding for your project. Last summer, Administrator Simpson provided to you guidance that $1.2 billion would be the limit on a reasonable expectation for New Starts funding for your project. That amount continues to appear to be a reasonable upper bound.
6. Consequently, I want to be clear that, should your cost estimates increase or local funding capacity decline, it seems unlikely that FTA will be able to find additional New Starts dollars for your project. Even with new funds that will become available with reauthorization, your project at $1.2 billion in New Starts funding would represent one of the larger contributions in the history of the program.
7. In situations like this in the past, FTA has urged project sponsors to find ways to build the project in affordable pieces – we call them operating segments – that are more affordable both locally and for the New Starts program. We have funded initial operating segments in Seattle, Phoenix, New York, and several other locations where the price-tags for full projects made them financially infeasible. So, I am giving you a heads-up that FTA will have to suggest a similar strategy for Honolulu if the funding request for your project rises above $1.2 billion. The significant advantage to you is that we would be able to contribute a larger amount of New Starts funding – perhaps as much as $2 billion – if we can make the contributions over time for two or more operating segments that individually comply with the statutory criteria.
8. I want to assure you that this position results entirely from the funding limits we face – and not on any reservations that the project will compete well in terms of the important benefits that it will bring to Honolulu.
9. FTA wants to work with you to move the project forward. We look forward to seeing your revised financial plan that, we anticipate, will nail down some of the uncertainties on project costs and local tax revenues. I am hoping that we can work together to find away to succeed at that objective.