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A COMMUNITY WIDE EFFORT TO KEEP ELEVATED RAIL OUT OF OUR CITY

December 5, 2011.

Mr. Leslie Rogers
Administrator, FTA Region IX
201 Mission Street, Suite 1650
San Francisco, CA 94105
Email: Leslie.Rogers@fta.dot.gov

Dear Mr. Rogers:

Re: Improper use of 5307 funds used for rail construction

As you know, the City Administration of Honolulu presently contemplates using \$244 million in 5307 federal funds for construction of the rail project.ⁱ These funds are normally used to assist in the purchase of buses. If FTA allows this to happen the City will instead need to use the City General Fund for bus purchases.

This is a subterfuge that is likely in violation of City Council Bill 79 that limits construction spending on the rail project to funds generated from the ½ percent increase in the GE Tax, federal funds, and any private contributions.ⁱⁱ

You may remember that you wrote to Mayor Hannemann in October 2009 as follows:

“Some elements of the current financial plan may not fare well in the stress tests that FTA will apply to evaluate robustness. These elements include ... the diversion of FTA Section 5307 funds from ongoing capital needs of the 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 weaknesses would likely cause FTA to deny the request.”ⁱⁱⁱ (emphasis added)

That letter was bolstered by a subsequent letter to Mayor Hannemann the following December from FTA Administrator Rogoff.^{iv}

Subsequently, two City draft financial plans have been sent to FTA seeking entry into Final Design and both contemplate using \$244 million in 5307 funds for rail construction.

Why is FTA allowing this impact on our City's General Fund in violation of Council Bill 79? We would appreciate an early response.

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Cliff Slater, Chair

Endnotes:

ⁱ Approximately \$244 million in FTA Section 5307 revenues would be used for Project capital costs between FY2013 and FY2019. This amount will be substantially offset by additional FTA formula funds that will be apportioned to Honolulu as a result of the implementation of the Project. The City is expected to receive

approximately \$149 million in additional Section 5307 funds and \$88 million in additional Section 5309 Fixed Guideway Modernization funds between FY20 18 and FY2030, for a total of \$237 million in additional funds that can be used to support system-wide needs. (See September 2011 draft financial plan, page I.)

ii ...capital cost and any interest to finance that capital cost shall be paid entirely from general excise and use tax surcharge revenues, interest earned on the revenues, and any federal, state, or private revenues.
(<http://www.honolulutraffic.com/Bill79Final.pdf>)

iii <http://www.honolulutraffic.com/LeslieRogers.pdf>

iv http://www.honolulutraffic.com/Rogoff_to_Mufi_Dec09.pdf