

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 2:51 AM
To: TRE Testimony
Cc: darakawa@lurf.org
Subject: Submitted testimony for SB1276 on Feb 6, 2017 15:00PM

SB1276

Submitted on: 2/6/2017

Testimony for TRE/PSM on Feb 6, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Land Use Research Foundation of Hawaii	Support	Yes

Comments: The Land Use Research Foundation of Hawaii (LURF) is in STRONG SUPPORT of SB 1176 relating to the extension of the Rail Tax in perpetuity. This measure extends each county's authority to establish and collect a surcharge on state general excise and use taxes; requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis; deletes the repeal date for Act 247, Session Laws of Hawaii 2005, authorizing counties to levy a surcharge to fund public transportation systems. LURF respectfully urges the Senate TRE/PSM Committees to favorably consider SB 1176.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 2:59 AM
To: TRE Testimony
Cc: darakawa@lurf.org
Subject: Submitted testimony for SB1276 on Feb 6, 2017 15:00PM

SB1276

Submitted on: 2/6/2017

Testimony for TRE/PSM on Feb 6, 2017 15:00PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Land Use Research Foundation of Hawaii	Comments Only	Yes

Comments: The Land Use Research Foundation of Hawaii (LURF) appreciates the intent of SB COMMENTS – APPRECIATE INTENT, BUT PREFER EXTENSION OF THE RAIL SURCHARGE TAX IN PERPETUITY - SB 1276 relating to the County Surcharge on State Tax, and respectfully recommends prefers SB 1183 and SB1176, which extend the Rail County Surcharge on State Tax IN PERPETUITY. Instead, SB 1276 repeals the requirement that 10% of revenues from the county surcharge on state tax be withheld to reimburse the State for administrative costs; and sunsets if an ordinance that allows the capital costs of a rapid transportation system to be paid from county funds is not enacted before December 31, 2017. This measure also requires the mayor of the county to submit certain plans with respect to rapid transportation system. LURF respectfully urges the Senate TRE/PSM Committees to amend or hold this bill; and favorably consider SB 1183 and/or SB 1176.

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TO: Members of the Committees on Transportation and Energy & Public Safety, Intergovernmental and Military Affairs

FROM: Natalie Iwasa (10 pages)
Honolulu, HI 96825
808-395-3233

HEARING: 3 p.m. Monday, February 6, 2017

SUBJECT: SB1183, SB1176 and SB1276 – **OPPOSE Surcharge Extension**
Support Repeal of 10% Fee
Support Monthly Payment

Aloha Chairs and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB1183, SB1176 and SB1276, which relate to the county surcharge. Two years ago when the legislature considered the county surcharge extension, I provided examples of errors and inconsistencies in HART's numbers. Here we are two years later, and the problem persists.

In November 2016, HART presented its FY 2018 budget package to the board. The package includes projected cash flows. On December 1, 2016, HART sent the FTA an updated financial plan. That plan also includes projected cash flows, but they are significantly different than those presented to the board.

Attached is a calculation of the differences between the budgeted cash flows and the amounts reported to the FTA. The explanation I was given for the \$43.6 million variance for the beginning of fiscal year 2018 is that there are differing assumptions underlying the two plans. Given that the beginning of fiscal year 2018 (July 1, 2017) was just seven months from the date of the report to the FTA, that explanation didn't make sense.

In addition, if we look at the line items for the inflows and outflows for fiscal year 2018, more questions come to mind. Why are federal and GET funding each almost \$50 million higher in the budget package?

Why is there apparently no debt repayment for fiscal year 2018 in the budget package?

Questions should also be asked about details of the cash projection sent to the FTA. (See attached page 4 of my testimony.) For example, why is there a negative cash flow of \$140 million for total project costs in year 2035, eight years after the last expenditure?

Why is there over \$.5 billion in additional borrowing in year 2025, when projected cash inflows are about \$87 million higher than outflows?

Natalie Iwasa

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Last year HART also had an error in the cash balance that it reported to the board in its monthly report. According to a report given to the Honolulu City Council, which included audited cash balances as of March 31, 2016, cash was \$159,111,026. HART's monthly progress report, however, indicated the cash balance was \$158,655,626 or \$455,400 lower. Prior quarterly reports that I checked were no more than \$1 different. (See attached pages 8 - 10.)

We simply cannot rely on HART's numbers. In addition, now that we are looking at almost \$10 billion (and counting) for the cost of building rail, we have to ask ourselves whether we can even afford to spend that much. Considering that billions of dollars have been mandated for various other costs on Oahu, e.g., the EPA mandate of over \$3 billion and billions in unfunded retirement and employee benefits, I think the answer is "no."

	FTA Update 12/1/2016 \$ millions	HART Financial Audit	Budget Schedule FY 2018	HART Monthly Progress Rpt \$ millions	<i>Approximate Variances \$ millions</i>
Beginning FY 2016 (7/1/15)	192	293,010,823	n/a	293.0 ¹	101.0
Beginning FY 2017 (7/1/16)	95	94,658,680	n/a	94.7 ²	-
Beginning FY 2018 (7/1/17)	25	n/a	68,559,126	n/a	43.6
Beginning FY 2019 (7/1/18)	25	n/a	324,976,125	n/a	300.0

¹ July 2015 report page 17. (Attached page 6.)

² July 2016 report page 19. (Attached page 7.)

CASH FLOW PROJECTIONS VARIANCES

Fiscal Year 2018

	FTA Update 12/1/2016 \$ millions	Budget Schedule	<i>Approximate Variances \$ millions</i>
Beginning cash	\$ 25	\$ 68,559,126	\$ 43.6
Federal grant	246	294,587,133	48.6
GET	212	256,623,959	44.6
Debt proceeds	653	510,000,000	(143.0)
Total inflows	1,111	1,061,211,092	(49.8)
Total project uses	896	804,794,093	91.2
Debt repayment	215	-	215.0
Total outflows	1,111	804,794,093	306.2
Ending cash	\$ 25	\$ 324,976,125	\$ 300.0

FY 2018-2023 SIX-YEAR UPDATED CASH FLOW

Below is six-year cash flow based on assumed revenue sources, estimated financing costs, and forecasts for future years' capital expenditures.

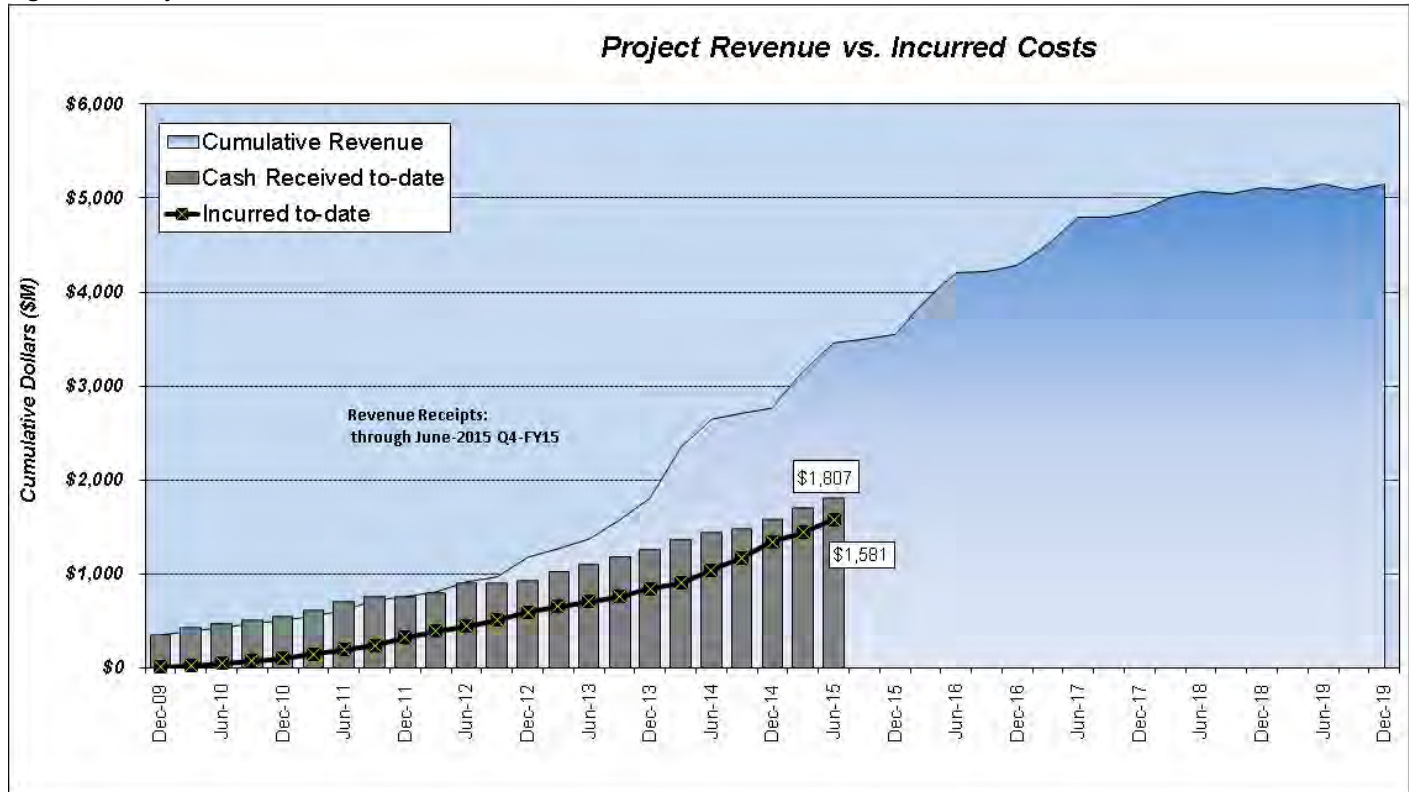
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Six-Year Total
BEGINNING BALANCE	\$ 68,559,126	\$ 324,976,125	\$ 404,658,288	\$ 206,040,573	\$ 308,681,484	\$ 313,070,129	\$ 68,559,126
Revenue & Debt Proceeds							
Revenue							
Federal Grant	294,587,133	229,474,254	213,628,152	2,929,669	-	-	740,619,208
G.E.T.	256,623,959	267,658,790	279,168,119	291,172,347	303,692,758	316,751,546	1,715,067,519
Private/Public	-	-	-	-	-	-	-
Total Revenue	551,211,092	497,133,044	492,796,271	294,102,016	303,692,758	316,751,546	2,455,686,727
Debt Proceeds							
Fixed Rate Bonds	402,302,800	226,602,800	291,862,800	251,702,800	101,102,800	-	1,273,574,000
G.O Bonds:	-	-	-	-	-	-	-
Less Issuance Costs	(2,302,800)	(1,602,800)	(1,862,800)	(1,702,800)	(1,102,800)	-	(8,574,000)
TECP (net) Max \$350 m	110,000,000	63,400,000	(55,800,000)	34,300,000	98,900,000	60,000,000	310,800,000
Variable Bonds	-	-	-	-	-	-	-
Total Debt Proceeds	510,000,000	288,400,000	234,200,000	284,300,000	198,900,000	60,000,000	1,575,800,000
Total Revenue & Debt Proceeds	1,061,211,092	785,533,044	726,996,271	578,402,016	502,592,758	376,751,546	4,031,486,727
Costs							
CIP Type							
Construction	500,759,019	506,074,575	753,111,616	288,844,618	149,774,530	82,345,995	2,280,910,353
Consultants	44,932,240	37,838,212	29,382,733	28,071,532	27,851,817	27,851,817	195,928,351
Contingency	-	-	98	7,955,740	172,127,494	31,600,374	211,683,706
Design	2,609,482	1,059,053	-	-	-	-	3,668,535
Inspection	20,387,315	21,950,961	25,285,309	27,573,371	27,318,236	17,960,329	140,475,521
Operating	12,092,289	11,772,592	11,133,198	11,133,198	11,133,198	11,133,198	68,397,674
Programmatic Agreements	733,874	453,042	-	-	-	-	1,186,916
Project-wide Art	622,830	794,280	794,280	794,280	794,280	794,280	4,594,230
Quality Audits	4,927,451	4,927,451	4,927,451	4,927,451	4,927,451	4,927,451	29,564,707
Recertifications	-	-	-	-	-	-	-
Right of Way	96,993,225	14,516,210	-	-	-	-	111,509,435
Utility Work by Private Utility Owners	84,642,024	68,165,443	60,415,284	63,568,698	58,990,280	27,914,937	363,696,665
Total CIP Costs	768,699,748	667,551,819	885,049,970	432,868,888	452,917,286	204,528,381	3,411,616,093
Operating (less Interest Expense)	24,094,345	25,299,062	26,564,015	27,892,216	29,286,827	30,751,168	163,887,634
Interest Expense	12,000,000	13,000,000	14,000,000	15,000,000	16,000,000	17,000,000	87,000,000
Total Operating Costs	36,094,345	38,299,062	40,564,015	42,892,216	45,286,827	47,751,168	250,887,634
Total CIP & Operating Costs	804,794,093	705,850,881	925,613,986	475,761,104	498,204,113	252,279,549	3,662,503,727
Net Change	256,416,999	79,682,163	(198,617,715)	102,640,911	4,388,645	124,471,997	368,982,999
ENDING BALANCE	\$ 324,976,125	\$ 404,658,288	\$ 206,040,573	\$ 308,681,484	\$ 313,070,129	\$ 437,542,125	\$ 437,542,125
Assumptions:							
1) Revenue & Debt Proceeds from current Cash Flow Annualized PMOC FY 2017							
2) \$6.8B CIP cost flow from Project Controls, Nov 2016							
3) Operating costs assumes 5% annual increase							
4) Interest expense assumes \$1M annual increase							

2.5 Project Revenue and Costs

(data as of June 26, 2015)

Ending Cash Balance 6/30/15 = \$293.0M
(previous report = \$327.3M)

Figure 10. Project Revenue versus Incurred Costs



Planned Funding levels as per the June 2012 FFGA Finance Plan
Data date for Revenue & Incurred Cost = June 26, 2015

Figure 11. Cash Balance Summary

JUNE 30, 2015 CASH BALANCE SUMMARY		
	JUNE	YTD Cumulative
Beginning Cash Balance	327,344,756	441,011,319
Expenditures:		
Operating Expenditures	(1,909,194)	(16,147,106)
Capital Expenditures	(42,790,284)	(508,808,372)
Expenditures Total:	(44,699,478)	(524,955,478)
Receipts:		
GET Surcharge	0	220,793,293
FTA Drawdown	10,276,116	155,546,605
Interest	27,319	239,997
Other (rental, refunds, copy fees, etc.)	62,109	375,088
Receipts Total:	10,365,544	376,954,982
Ending Cash Balance 06/30/15	293,010,823	293,010,823

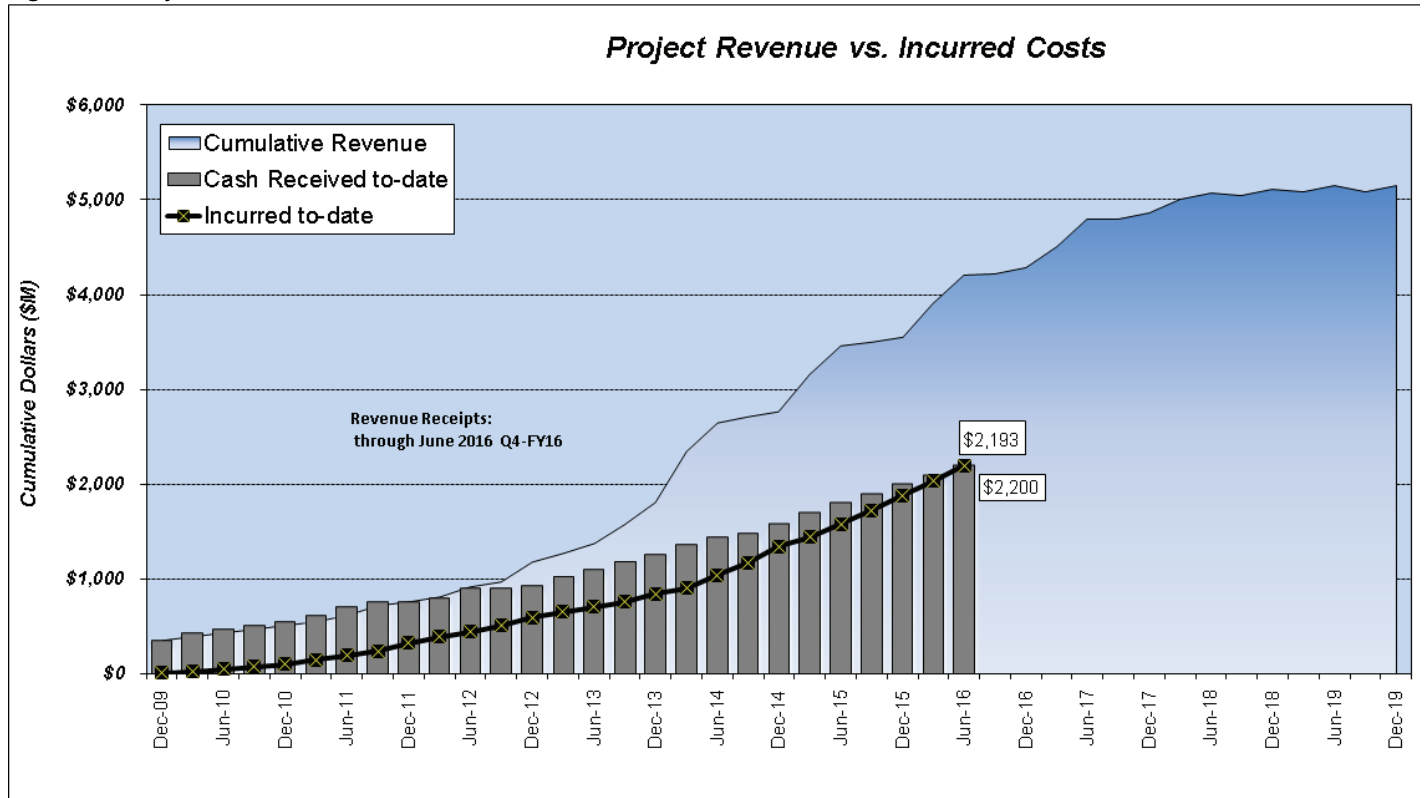
Note: Project Cost Reports can be found in Appendix C.

2.5 Project Revenue and Costs

(data as of June 24, 2016)

Ending Cash Balance 6/30/16 = \$94.7M
(previous report = \$123.0M)

Figure 10. Project Revenue versus Incurred Costs



Planned Funding levels as per the June 2012 FFGA Finance Plan
Data date for Revenue & Incurred Cost = June 24, 2016

Figure 11. Cash Balance Summary

JUNE 2016 CASH BALANCE SUMMARY		
	JUNE	FY16 YTD Cumulative
Beginning Cash Balance 06/01/16	123,016,451	293,010,823
Expenditures:		
Operating Expenditures	(2,587,741)	(17,995,780)
Capital Expenditures	(44,135,061)	(568,037,722)
Expenditures Total:	(46,722,801)	(586,033,502)
Receipts:		
GET Surcharge	0	229,344,241
FTA Drawdown	18,240,510	157,579,174
Interest	115,032	376,077
Other (rental, refunds, copy fees, etc.)	9,489	381,867
Receipts Total:	18,365,031	387,681,360
Ending Cash Balance 06/30/16	94,658,681	94,658,681

Note: Project Cost Reports can be found in Appendix C.

Natalie Iwasa Testimony
Senate Committees Monday, February 6, 2017
HART CASH BALANCE DISCREPANCY

	<u>March 31, 2016</u>
Cash & cash equivalents per report to council	\$ 159,111,026
Cash & cash equivalents per monthly progress report to HART board	158,655,626
Variance	<u>\$ 455,400</u>

NOTE: Amounts reported for 12/31/15 and other quarters agreed or were only \$1 off.

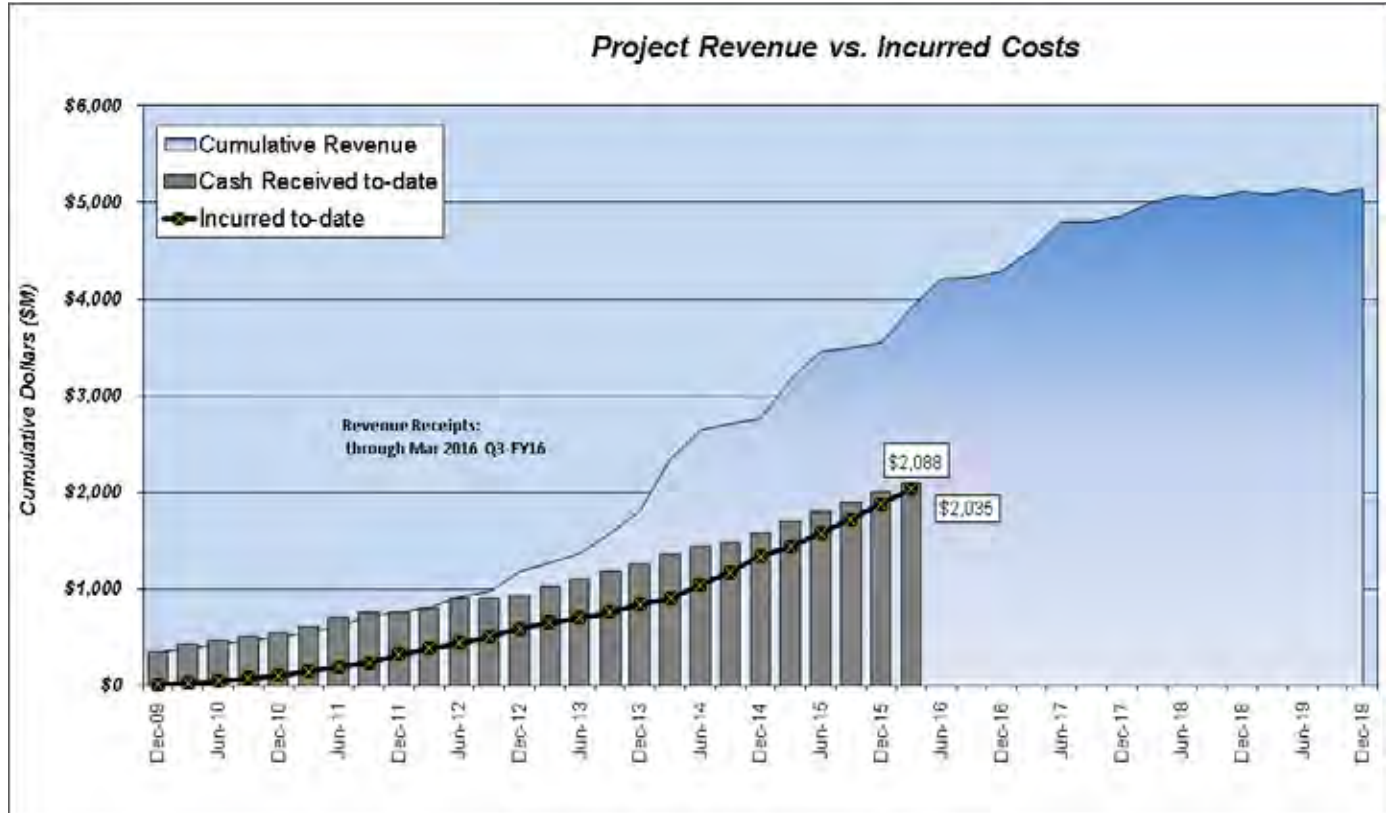
HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
QUARTERLY CASH AND COUNTY SURCHARGE REVENUE REPORT
AS OF March 31, 2016
(Made Pursuant to City Council Resolution 12-188, CD1)

Interest Revenue			
	FY2007	\$	18,000
	FY2008		3,724,229
	FY2009		3,595,915
	FY2010		246,603
	FY2011		329,693
	FY2012		240,270
	FY2013		310,594
	FY2014		325,874
	FY2015		239,997
	FY2016, Q3		184,036
		\$	<u><u>9,215,210</u></u>
GET Surcharge Revenue			
	FY2007	\$	48,424,383
	FY2008		169,113,552
	FY2009		160,855,727
	FY2010		157,555,320
	FY2011		179,108,573
	FY2012		190,664,994
	FY2013		173,822,505
	FY2014		218,390,853
	FY2015		223,666,342
	FY2016, Q3		177,013,858
		\$	<u><u>1,698,616,107</u></u>
Expenditures to date			
	FY2007	\$	310,285
	FY2008		25,962,676
	FY2009		54,205,206
	FY2010		99,126,584
	FY2011		109,063,791
	FY2012		254,142,462
	FY2013		294,380,188
	FY2014		343,180,946
	FY2015		456,652,423
	FY2016, Q3		347,174,209
		\$	<u><u>1,984,198,770</u></u>
Cash & cash equivalents on hand at March 31, 2016		\$	<u><u>159,111,026</u></u>

2.5 Project Revenue and Costs
(data as of March 25, 2016)

Ending Cash Balance 3/31/16 = \$158.7M
(previous report = \$192.3M)

Figure 10. Project Revenue versus Incurred Costs



Planned Funding levels as per the June 2012 FFGA Finance Plan
Data date for Revenue & Incurred Cost = March 25, 2016

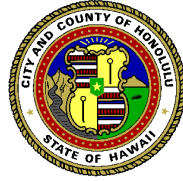
Figure 11. Cash Balance Summary

MARCH 2016 CASH BALANCE SUMMARY		
	MARCH	FY16 YTD Cumulative
Beginning Cash Balance 03/01/16	192,335,290	293,010,823
Expenditures:		
Operating Expenditures	(1,872,167)	(12,132,625)
Capital Expenditures	(41,840,257)	(404,598,819)
Expenditures Total:	(43,712,424)	(416,731,444)
Receipts:		
GET Surcharge	0	168,374,947
FTA Drawdown	9,976,903	113,484,563
Interest	33,400	184,036
Other (rental, refunds, copy fees, etc.)	22,456	332,701
Receipts Total:	10,032,759	282,376,247
Ending Cash Balance 03/31/16	158,655,626	158,655,626

Note: Project Cost Reports can be found in Appendix C.

**HONOLULU CITY COUNCIL
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 202 • HONOLULU, HAWAII 96813
PHONE: (808) 768-5009 • FAX: (808) 768-5011 • INTERNET: www.honolulu.gov/council



Ron Menor
CHAIR & PRESIDING
OFFICER

IKAIKA ANDERSON
VICE CHAIR

Kymerly Marcos Pine
FLOOR LEADER

CITY AND COUNTY OF HONOLULU
BEFORE THE SENATE COMMITTEE ON TRANSPORTATION & ENERGY AND PUBLIC
SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS

MONDAY, FEBRUARY 6, 2017, 3:00 PM

TO: THE HONORABLE LORRAINE R. INOUE, CHAIR
THE HONORABLE DONOVAN M. DELA CRUZ, VICE CHAIR
AND MEMBERS OF THE SENATE COMMITTEE ON TRANSPORTATION
AND ENERGY

THE HONORABLE CLARENCE K. NISHIHARA, CHAIR
THE HONORABLE GLENN WAKAI, VICE CHAIR
AND MEMBERS OF THE SENATE COMMITTEE ON PUBLIC SAFETY,
INTERGOVERNMENTAL AFFAIRS AND MILITARY AFFAIRS

FROM: COUNCIL CHAIR RON MENOR
COUNCILMEMBER JOEY MANAHAN, CHAIR OF COMMITTEE ON
BUDGET
COUNCILMEMBER IKAIKA ANDERSON, CHAIR OF COMMITTEE ON
TRANSPORTATION AND PLANNING
COUNCILMEMBER KYMBERLY MARCOS PINE, CHAIR OF COMMITTEE
ON ZONING AND HOUSING

SUBJECT: COMMENTS ON SB1276 RELATING TO THE COUNTY SURCHARGE ON
STATE TAX

My name is Ron Menor and I am here to testify as the Chair of the Honolulu City Council. Along with Councilmembers Joey Manahan, Ikaika Anderson, and Kymerly Marcos Pine, we are members of a Permitted Interaction Group (P.I.G.) which was established by the Council to address the rail issue.

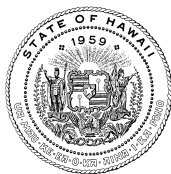
We have several strong concerns about this bill. While the Council appreciates the intent of this bill to return the State's share of the County's GET surcharge, the passage of this measure would not generate enough revenue to fully fund the construction and financing costs to complete rail according to the original alignment and design under the Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA).

Moreover, we respectfully disagree with the requirement that the City pass an ordinance that allows the use of City revenue to cover construction costs. We believe the most efficient way to pay for the completion of the rail project is with the GET surcharge. It is a funding mechanism that is already in place and almost 30 percent of the revenue comes from visitors and non-residents. Since they will use and enjoy the benefits of rail, visitors and non-residents should share in the costs.

Finally, the Council maintains our strong support for an extension of the GET tax in perpetuity. Therefore, we respectfully request that you amend SB1276 accordingly.

Thank you for the opportunity to offer testimony on this important measure.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON TRANSPORTATION AND ENERGY
AND PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS
ON
SENATE BILL NO. 1276

February 6, 2017
3:00 p.m.
Room 225

RELATING TO THE COUNTY SURCHARGE ON STATE TAX

Senate Bill No. 1276 repeals the requirement that the Director of Finance deduct 10% of the gross proceeds of a respective county's surcharge on State tax to reimburse the State for the cost of assessment, collection, and disposition of the county surcharge on State tax incurred by the State. The repeal is subject to the City and County of Honolulu passing an ordinance before December 31, 2017 that allows the rail project's capital costs to be paid from county funds. The bill also requires the Mayor to submit certain plans on the rail project by specified dates.

The Department of Budget and Finance supports the general intent of the bill to address the rail project's funding needs. The Administration has proposed a similar repeal in Senate Bill No. 938.

Thank you for your consideration of our comments.