

**From:** [Vicki Ama](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony for Monday's Hearing on Funding the Rail  
**Date:** Sunday, August 13, 2017 11:44:37 AM  
**Importance:** High

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Dear Senate and House Committee Members:

I work in the Hospitality Industry and I am writing this letter to strongly oppose the proposed Transient Accommodations Tax (TAT) increase.

We have already booked many guests to stay at our hotels in 2018 and they were quoted the current TAT tax of 9.25%. Many of these guests (at least at our hotel) are long-term return guests who are looking for the lowest possible rate to stay for a longer duration. Adding this extra expense for them may result in them either cutting back on their stay duration or cancelling their reservations to seek alternate tropical destinations. This will not only hurt our industry but in the end this may result in less taxes being collected from our industry if we see a huge drop in tourists. Hawaii is already known to be an expensive destination. Let's not make it worse.

To help fund the rail, I would vote for temporarily increasing the GET from 4.712% to 5% or 6%. Or perhaps, don't increase the tax on food (at grocery stores), but increase the tax on other retail merchandise (such as alcohol, cigarettes, cars, jewelry, electronics, shoes, bags, furniture, toys, etc...),

I would also vote for having a lottery system (similar to California) to help fund the rail and education and other important projects.

Please consider other ways of funding the rail, rather than placing the tax burden on our Tourism industry.

Thank you for your consideration.

Warmest Mahalo,

Vicki Ama  
Front Office & Revenue Manager  
**Waikiki Resort Hotel**  
2460 Koa Avenue  
Honolulu, HI 96815  
Direct: (808) 921-8650  
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**From:** [Mary Arizumi](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony for Rapid Transit Informational Briefing  
**Date:** Sunday, August 13, 2017 10:06:06 AM

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THE CORE CRUX OF THE MATTER/ BOTTOMLINE: 2.5 minutes

We made a mistake. Now, if the Leadership will have the forthrightness to just say so.....that the unexpected 4XS COST INCREASE will wear us all down in the State..... The financial loss is of great concern but the concern for the people and what they want, not the unusable steel, is of greater concern.

Yes, it is a waste but of more concern is pushing the people of Hawaii to such an extreme that will hurt them and their children continually for decades to come. The commitment to truth is always the Biggest Picture and this is the Biggest Picture that the Leadership should focus on and not be distracted by the details, even though they may be horrendous and difficult to forget. Time to move forward by taking the first step toward the truth and what the people don't want.

It takes the maturity of humility. HUMILITY is the real issue.

But if the Leadership will do this, it will be a marvelous thing of GREAT APPRECIATION FROM ALL THE STATE OF HAWAII. When Leadership is clothed with the beauty of HUMILITY, great healing will come to all our hearts and the people will appreciate such courage to do what is right.

To do what is right, no matter the consequences and regret, that is the right thing and the first step forward.

Do this, and the people will be very proud of our Leadership, despite even the mistake made. The mistake will be overshadowed by this GREAT COURAGE AND FORTHRIGHTNESS.

Doing the right thing is God's way, so He promises to greatly bless the Leadership for their humility. But "For those who have Pride, I, God will definitely punish".

In all of history, the most beautiful and beloved Leader is the SERVANT-LEADER. Even though they made mistakes, when they owned up to it, the people wept WITH them.

Thank you very much Leaders of this wonderful State. We're all trustng you to do the right thing,

Mary Arizumi

From: [Larry Bryan](#)  
To: [TRE Testimony](#)  
Subject: Testimony  
Date: Sunday, August 13, 2017 9:45:41 PM

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Aloha,

**I do not support raising Hawaii's excise tax across the board for all islands to fund the HART Project.** Doing so would be like requiring Southern California tax payers to fund San Francisco's rapid transit system (BART). Find some other way to fund the completion of the HART project.

**The Swiss built the Gotthard Base Tunnel, which consists of 94 miles of two track railway tunnels through solid granite rock under the Alps at a cost of \$12 billion or \$127 million per mile.**

**By comparison, the HART project, which consists of 34 miles of elevated railway with a hand full of stations, is projected to cost \$12 billion or \$353 million per mile.**

**Why has the HART project cost more than twice as much per mile as the much more complex Gotthard Base Tunnel project?**

**No one seems to be able to provide a good answer.**

Accordingly, it is recommended that the **Federal Government conduct an expedited forensic audit of HART's books before providing any more funds to the HART project. The State of Hawaii should also refrain from providing funds to the HART project until the results of this audit are available.** Federal Government forensic auditors can do these types of forensic audits in months, not years so put this expertise to work now. If corruption, collusion embezzlement or theft is discovered, those committing these crimes should be prosecuted to the full extent of the law and new players should be brought in to finish the project.

This email has also been sent to Hawaii's US Senators and Representatives through their web portals.

--

Larry Bryan  
68-1660 Kilakila Street  
Waikoloa, Hawaii 96738  
(808) 64

**From:** [Pat Buckman](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony for Rapid Transit Informational Briefing  
**Date:** Sunday, August 13, 2017 12:51:10 PM

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aloha,

We cannot just stop this rail! But we can stop at MIDDLE STREET. This rail was forced on us by false advertising, and high-pressure tv ads, and self seeking politicians.

Our streets and roads are full of tourist buses. vans, rental cars, Uber, Lyft, all filled with tourists. Tourists crown our roads!

Our roads are in deplorable condition.

Tourists welcome our police, our firemen, our improvements and the joy and beauty of our island.

They should help pay for all necessary to help us run our island home,

INCREASE THE TOURIST TAX 10-12% + Finish this boondogle at MIDDLE ST.

Fix our roads!!! If added income from increased TAT makes it possible, add to Ala Moana, UH.

But wait wait!!!! MAINTENANCE OF THIS STEEL ON STEEL (RUST, etc. general maintenance have not even been taken into consideration!)

Look at San Francisco, Paris, Sydney, Cambodia, (whopping 20%, no complaints., Thailand. etc.

Instead of all these useless surveys for so much \$\$\$\$. Just check the tourist rate around the world. Hire a comprehensive study of major tourist destinations.

The tourist tax DOES NOT PREVENT PEOPLE FROM COMING!

Actually, its just part of the travel expense, and not a big thing. IT WILL NOT DECREASE OUR TOURIST NUMBERS!.

PEOPLE WILL STILL COME!

PLEASE DO NOT FURTHER TAX THE CITIZENS OF OUR WONDERFUL HOME.

Sincerely,

Patricia W. Buckman

--

Patricia W. Buckman, REALTOR  
CERTIFIED INTERNATIONAL SPECIALIST

Island Properties, Sales, Development Management Corp  
2615 S. King Street, Honolulu, Hawaii, 96826  
O: 808-955-8864 H:808-734-1844 M:808- 386-2781

August 14, 2017

To: State of Hawaii's Senate & Representatives

From: Charles H. Carole

Subject: State Legislature's August 14, 2017 Public Hearing On City & County of Honolulu's Rapid Transit System

Good morning Honorable State Senators and Representatives. I am Charles Carole, a member of the Financial Accountability For Rail Mass Transit Association. I am submitting testimony on operational cost and ridership.

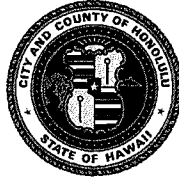
My comments are:

1. The City & County of Honolulu is not accurate and concrete in estimating ridership and rail construction costs. There should be an audit on the city's rail construction costs, ridership projection and potential operating and maintenance costs for steel wheels rail, which HART has indicated will be \$126 million in the first year of full operations.
2. Parson Brinckerhoff forecasts for Honolulu and San Juan, Puerto Rico (which is the only other elevated rail system to be built in recent years) with remarkably similar 116,300 and 114,492 daily riders respectively. Remember Puerto Rico population is 2.8 million. Actual ridership for San Juan turned out to be only 32,800 in 2015, which is 71 percent less than what had been projected.
3. The City's rail construction has doubled since 2012.
4. Therefore, there should be audits of their rail construction costs, ridership projection and potential operating and maintenance expenses for rail operation. These audits should be done by the State Auditor. The audits should be completed before the 2018 Legislative Session is concluded. The present rail construction has additional funding of \$350 million city funds for 2017. Thus, no funding is needed at this time.

Mahalo.

**OFFICE OF THE MAYOR  
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR

ROY K. AMEMIYA, JR.  
MANAGING DIRECTOR

GEORGETTE T. DEEMER  
DEPUTY MANAGING DIRECTOR

August 11, 2017

SENATE COMMITTEE ON TRANSPORTATION AND ENERGY;

SENATE COMMITTEE ON PUBLIC SAFETY,  
INTERGOVERNMENTAL, AND MILITARY AFFAIRS;

SENATE COMMITTEE ON WAYS AND MEANS;

HOUSE COMMITTEE ON TRANSPORTATION;

and

HOUSE COMMITTEE ON FINANCE

Monday, August 14, 2017

10:00 a.m.

State Capitol, Auditorium

Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and Members of the Committees:

Thank you for holding this informational briefing.

- We appreciate the opportunity to testify.
- From the report in media last week, there has been a tremendous amount of hard work put into preparing for this briefing.
- And we are grateful to provide information on the options you are considering.

When it comes to funding the remainder of the rail project, there are three critical considerations we hope will be top of mind throughout this briefing and the upcoming special session.

One and most important, funding must be adequate to fully fund the project all the way to Ala Moana Center.

- The FTA will allow nothing less, and will put our funding plan through stress-testing to ensure it. Projections about how much any funding source will produce must, therefore, be conservative and based on sound economic modeling and historical evidence.

Two, the solution cannot include providing funds for rail with one provision and taking away funds elsewhere used to provide vital core services such as roads, sewer, trash, police, fire, ambulance, and lifeguards.

- The one million residents of Oahu demand and expect these core City services to remain constant, as do our five million annual visitors to Oahu.

Three, the funding amount cannot be inadequate and force in an increase in real property taxes for Oahu homeowners and businesses.

- The price of housing is at an all-time high on Oahu. And, the supply of affordable housing units are at an all-time low. Any increase in real property taxes would place an additional burden to our already strapped homeowners, as well as those who rent.

We appreciate that you're providing financing options that preclude these unacceptable outcomes from becoming reality.

Thank you for your time and for listening.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Caldwell", with a long, sweeping underline.

Kirk Caldwell  
Mayor



DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

650 SOUTH KING STREET, 7<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
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KIRK CALDWELL  
MAYOR



KATHY K. SOKUGAWA  
ACTING DIRECTOR

TIMOTHY F. T. HIU  
DEPUTY DIRECTOR

August 11, 2017

Senate Committee on Transportation and Energy;  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs;  
Senate Committee on Ways and Means;  
House Committee on Transportation; and  
House Committee on Finance

Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and  
Members of the Committees:

Subject: Informational Briefing  
Monday, August 14, 2017, 10:00 a.m.  
State Capitol, Auditorium

**TESTIMONY ON TRANSIT-ORIENTED DEVELOPMENT (TOD)**

The Department of Planning and Permitting has worked with communities, landowners, and State agencies over the last decade to create a strong vision and eight neighborhood TOD plans, along with a draft special district and TOD zoning to implement this community vision. The neighborhoods have been willing to accept additional development and density, as long as it includes more affordable housing, safer and more inviting streetscapes, gathering places, and other community benefits.

TOD will deliver many of these benefits, but only if the rail project is completed. It will also help meet the State's forward-thinking goals for energy use, affordable housing, and sustainability. Projected benefits include improved connectivity and access for residents and businesses, increased rail transit ridership, more affordable housing, lower capital and operating costs for new highways and infrastructure, lower household transportation and building energy costs, less land consumed by development, reduced greenhouse gas emissions, and better human and environmental health. Our extensive research on TOD strategies and benefits has been provided to the Legislative Research Bureau and the Hawaii Interagency Council on TOD.

The Mayor's TOD Subcabinet has developed a comprehensive implementation strategy, and coordinates TOD-related infrastructure, plans and permits, funding, and

projects. TOD around the stations will create value and increased property tax revenue, but much of that growth in revenue will be needed to pay for city services and the infrastructure investments needed to support development and affordable housing. The TOD Subcabinet has identified over \$1.2 billion in infrastructure projects needed to support and catalyze TOD and affordable housing, including prioritized development of State-owned properties. While a large part of this funding is programmed, much of it will be dependent on capturing the value from real property tax growth from the new development.

The City is also working with State agencies and private landowners to develop an infrastructure master plan and finance district to support expected development and affordable housing in the Iwilei-Kapalama area. This project was initiated at the request of the Senate's TOD committee. The project will accelerate the infrastructure needed to expedite affordable and mixed-income housing at Mayor Wright Homes and other State-owned properties, in cooperation with the Hawaii Interagency Council for TOD. These pilot strategies may also be applied to other districts.



An infrastructure master plan and finance district in Iwilei-Kapalama will support development of over 10,000 housing units.

TOD will deliver many critical social, economic, and environmental benefits – but without rail, there is no TOD. The TOD zoning, infrastructure investments, and incentives will help catalyze development that meets the community's vision, addresses State and City goals, and helps solve Oahu's housing crisis. But this will require significant, ongoing funding from the City's real property tax revenues, and assurance for developers that rail will be built and infrastructure improved.

Please pass the extension of the current general excise tax, which is a reliable, predictable, and proven funding source, so that development along the corridor can move forward. Should you have any questions, please contact me at 768-8000.

Very truly yours,

A handwritten signature in blue ink that reads "Kathy K. Sokugawa". The signature is written in a cursive style.

Kathy K. Sokugawa  
Acting Director

DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR



KATHY K. SOKUGAWA  
ACTING DIRECTOR

TIMOTHY F. T. HIU  
DEPUTY DIRECTOR

August 11, 2017

Senate Committee on Transportation and Energy;  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs;  
Senate Committee on Ways and Means;  
House Committee on Transportation; and  
House Committee on Finance

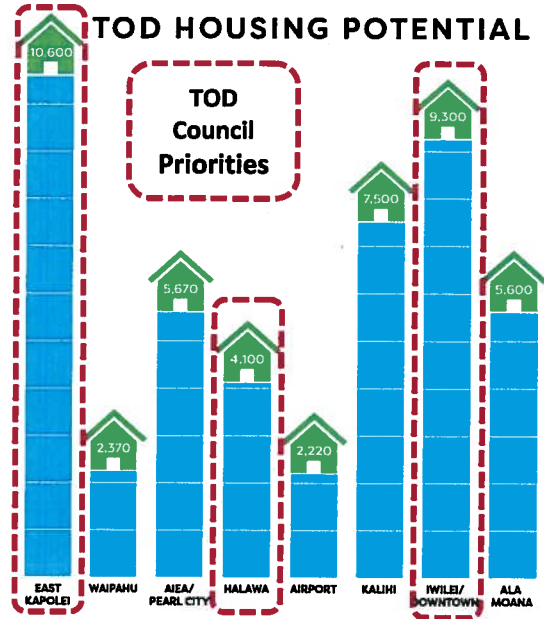
Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and  
Members of the Committees:

Subject: Informational Briefing  
Monday, August 14, 2017, 10:00 a.m.  
State Capitol, Auditorium  
**TESTIMONY ON AFFORDABLE HOUSING**

The City has worked with developers, housing advocates, community groups, and State agencies to craft and implement an action-oriented affordable housing strategy. The strategy addresses Oahu's housing crisis with new and revised policies, incentives, regulations, and investments, and through working with developers, State agencies, and other stakeholders. In addition to ongoing partnerships with the State and nonprofits to address homelessness, a more sustained focus on projects, partnerships, funding, and use of public lands will help to accelerate affordable housing production, especially in the rail corridor.

Building affordable and workforce housing close to rail stations will reduce combined housing and transportation costs – the two biggest parts of family budgets. By reducing the need for car ownership, families can dedicate a higher percentage of their income to housing. The City's proposed affordable housing requirement (Bill 58-2017) will require most residential development to include affordable housing, with around twice as much required in the transit-oriented development (TOD) areas in return for added density and height. The proposed affordable housing incentives (Bill 59-2017) will eliminate wastewater facility fees, park dedication fees, and building permit and plan review fees for affordable units, and waive real property taxes for affordable rental projects. Similar fee waivers for accessory dwelling units (ADU) have started to accelerate ADU permitting and production to help address the rental housing shortage.

Significant infrastructure investment in TOD areas is critical to get more affordable housing built on city and State lands, and to support housing production by private developers. The neighborhood TOD plans identified the potential for over 50,000 units of housing in just the “easier-to-develop” properties near rail stations. The TOD zoning on many of those properties will allow for additional height and density, in return for community benefits like affordable housing. We have been working with State agencies and the Interagency Council on TOD on planning, zoning, and infrastructure improvements for affordable and mixed-income housing projects on State lands. Near-term priority areas like Iwilei, Halawa (Aloha Stadium), and East Kapolei have room for thousands of housing units.



At the request of the Senate's TOD working group in 2015, we initiated an infrastructure master plan and finance district in the Iwilei-Kapalama area, which has several large properties owned by different State agencies. The project will accelerate the infrastructure needed to expedite affordable and mixed-income housing at Mayor Wright Homes and other State-owned and private properties. The State's Rental Housing Task Force and the Interagency Council on TOD have identified TOD's potential to help solve our housing crisis. The combination of rail access, infrastructure investments, financial incentives, TOD zoning, and leveraging public lands have been proven to catalyze development and affordable housing production in other rail corridors.

Please pass the extension of the current general excise tax so that development along the corridor can move forward. Should you have any questions, please contact me at 768-8294.

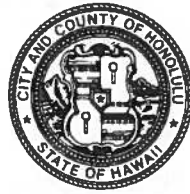
Very truly yours,

Harrison Rue  
Community Building and TOD Administrator

DEPARTMENT OF ENVIRONMENTAL SERVICES  
**CITY AND COUNTY OF HONOLULU**

1000 ULUOHIA STREET, SUITE 308, KAPOLEI, HAWAII 96707  
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MAYOR



LORI M.K. KAHIKINA, P.E.  
DIRECTOR

TIMOTHY A. HOUGHTON  
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.  
DEPUTY DIRECTOR

IN REPLY REFER TO:  
DIR 17-34

August 11, 2017

Senate Committee on Transportation and Energy;  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs;  
Senate Committee on Ways and Means;  
House Committee on Transportation; and  
House Committee on Finance

Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and  
Members of the Committees:

Subject: Informational Briefing  
Monday, August 14, 2017 10:00 a.m.  
State Capitol, Auditorium

The Department of Environmental Services (ENV), City and County of Honolulu, through its wastewater program is making, has made, and is planning substantial investments in the wastewater system to provide system capacity for the development likely to occur in relation to the rail system.

For example, the following projects provide additional capacity to support such development, including projects like upgrading and increasing the number of units at Mayor Wright housing:

Metro Honolulu area

Ala Moana WWPS Force Mains 3 and 4	\$186M
Ala Moana WWPS Upgrade	\$ 23M
Awa St. WWPS, Force Main (phases 1 and 2)	\$237M
Sand Island WWTP Primary Expansion	\$219M
Sand Island WWTP Solids	\$ 23M
Ala Moana/Kaka'ako Sewer Tunnel	\$177M
Ala Moana WWPS #3	\$150M

Aiea/Pearl City area

Pearl City WWPS Force Main & Sewer System Improvements	\$ 19M
Waipahu WWPS Force Main (New)	\$ 72M

Just these infrastructure investments total approximately \$1.1B.


Senate Committee on Transportation and Energy;  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs;  
Senate Committee on Ways and Means;  
House Committee on Transportation; and  
House Committee on Finance  
August 11, 2017  
Page 2

There will be additional future investments in the wastewater infrastructure providing capacity for development and associated affordable housing that comes with the rail system and transit oriented development and as more detailed information becomes available on development specifics and timing.

It is important to understand that the full amount of these project costs, including borrowing costs on wastewater revenue bonds, is born by the wastewater rate payer of the City and County of Honolulu augmented by wastewater system facility charges associated with new development.

ENV is moving forward with its Consent Decree requirements, including additional capacity where required, and addressing future capacity needs related to infill development that comes with the rail system. This is a long term and continuing investment in our community.

Sincerely,



Lori M.K. Kahikina, P.E.  
Director



# BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU  
630 SOUTH BERETANIA STREET  
HONOLULU, HI 96843  
www.boardofwatersupply.com



KIRK CALDWELL, MAYOR

BRYAN P. ANDAYA, Chair  
DAVID C. HULIHEE  
KAPUA SPROAT  
KAY C. MATSUI

ROSS S. SASAMURA, Ex-Officio  
FORD N. FUCHIGAMI, Ex-Officio

ERNEST Y. W. LAU, P.E.  
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.  
Deputy Manager and Chief Engineer

SENATE COMMITTEE ON TRANSPORTATION AND ENERGY;

SENATE COMMITTEE ON PUBLIC SAFETY,  
INTERGOVERNMENTAL, AND MILITARY AFFAIRS;

SENATE COMMITTEE ON WAYS AND MEANS;

HOUSE COMMITTEE ON TRANSPORTATION;

and

HOUSE COMMITTEE ON FINANCE

Monday, August 14, 2017

10:00 a.m.

State Capitol, Auditorium

Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and Members of the Committees:

The Board of Water Supply (BWS) Board of Directors adopted the BWS 30-Year Water Master Plan (WMP) on October 24, 2016. The WMP is a comprehensive, broad-based technical plan that determines the necessary water system improvements to support projected growth and provide safe, dependable, and affordable water service to our customers now and into the future.

An important component of the WMP included the impact of population growth and new developments to the water infrastructure, including the additional water demands to support Transit-Oriented Development (TOD). BWS worked closely with the Department of Planning and Permitting TOD Division to determine these additional water demands. New developments planned in the Ewa and Honolulu regions, especially within the TOD areas, will account for about 75 percent of Oahu's anticipated population increase from 2010 census to 2040 and was estimated to be an additional 10.94 million gallons per day.

Using advanced computer hydraulic modeling and data from the BWS Geographic Information System (GIS), the existing water distribution system was evaluated for risk (i.e. the likelihood and consequence of failure), water system capacity and fire flow

adequacy. TOD development was considered in prioritization of investments into renewal and replacement projects, as well as capacity expansion projects. It is estimated that approximately \$210 million dollars will be invested in water infrastructure improvements within the TOD areas by the year 2040.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ernest Y.W. Lau', with a long horizontal flourish extending to the left.

ERNEST Y.W. LAU, P.E.  
Manager and Chief Engineer





## Oahu Transit Services, Inc.

811 Middle St. Honolulu, HI 96819-2343  
telephone (808) 848-4400 facsimile (808) 848-4419

[www.thebus.org](http://www.thebus.org)

**TheBus**  
TheHandi-Van

August 11, 2017

Senate Committee on Transportation and Energy;  
Senate Committee on Public Safety, Intergovernmental, and Military Affairs;  
Senate Committee on Ways and Means;  
House Committee on Transportation; and  
House Committee on Finance

Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and Members of the Committees:

Subject: Informational Briefing  
Monday, August 14, 2017 10:00 a.m.  
State Capitol, Auditorium

Aloha. My name is Roger Morton, and I am President and General Manager of Oahu Transit Services, which operates TheBus and TheHandi-Van for the City and County of Honolulu.

TheBus has been a success story for the City since its inception almost fifty years ago and even before. Every day more than 200,000 customers board city buses on Oahu. Today, the award-winning bus system has the fifth highest per-capita ridership in the country exceeded only by our nation's largest cities with legacy rail systems. TheBus is, by far, the most intensively used all-bus transit system in the country.

But we need a high capacity transit link in our most congested Island corridor. Since 1979 when I joined TheBus, our average speed for our service has declined about 25 percent. It used to take 2 hours for our Route 40 to get from Makaha to town. Now, at peak times, it can take up to 2 hours 36 minutes and on many days buses run even later. And it's not going to get any better as new homes and a growing population add more demand for urban travel.

That's why rail will help us transform a good bus system into a world-class transit system. We are planning to make our combined bus/rail system as seamless as possible to our customers. With bus routes planned to complement and coordinate with rail, we can get people to work, school, or social activities faster than either bus or rail by itself. A faster trip will attract even more customers to our future transit system. And a combined bus/rail system will help us link many important State and City facilities including the Stadium, Airport, UH education campuses, and State and City offices. Next year, we will introduce a smart card fare system that will help people move from bus to rail or vice versa with a single integrated fare. The system is being designed and financed by both the City and HART. And it could be used for Biki Bike Share, private bus systems, or even neighbor Island transit systems.

August 11, 2017

Page 2

The City is also making a commitment toward an environmentally sustainable transit system. Recently, the Council adopted a policy to purchase zero-emission buses and to begin the process of electrification of our public bus system. The Mayor has asked us to work with the Department of Transportation Services to develop a plan to end using diesel buses by 2040. We're collaborating with the Hawaiian Electric Company and State and Federal agencies to map out a strategy that will allow us to use renewable electric energy to power our bus fleet. And later this year, we hope to order our first battery-electric buses. From 2020 on, we expected to purchase only zero-emission buses. Electrically-powered rail and electrified buses will help us meet State goals for a 100 percent renewable energy economy. Next year's budget includes \$10 million to begin the process.

We are also planning a new high-capacity bus service to connect the Ala Moana rail station to our large transit market in Waikiki. The new service will be operated by quiet, clean, battery-electric vehicles and will feature enhanced bus stations extending the sail theme of rail systems into Waikiki. We are also planning frequent and fast service linking rail with UH.

And it's not just bus improvements in conjunction with rail. The City plans to improve bus service in areas not served by rail as well. City planners have begun a process to plan improved transit service including a new transit center in Windward Oahu that will provide more coordinated transit. City planners will soon begin a public consultation with Windward residents, neighborhood boards, and area elected officials.

With a workforce of close to 2,000 transit employees, our City transit system has an annual budget of about \$250 million. Riders pay about \$55 million and the Federal government contributes about \$20 million per year, but this year, City taxpayers will pay almost \$175 million for the service – mostly from property and transportation user fees. Over the next decade, between 2019 and 2028, the City projects spending more than \$3.5 billion for TheBus and Handi-Van O&M costs and an additional \$400 million in CIP projects keep bus and facilities in a state of good repair and to invest in the transition to a sustainable bus fleet powered by renewable energy. Next year, we are asking our riders to pay a little more in fares. As you can see, the City is already committed to making substantial investments in a total transit system.

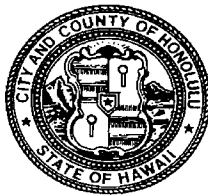
Mahalo for the opportunity to testify on this important issue.



J. ROGER MORTON  
President & General Manager

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
DIVISION OF TREASURY  
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KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
DIRECTOR

PETER M. BIGGS  
DEPUTY DIRECTOR

WAYNE Y. FUJITA  
CHIEF OF TREASURY

August 11, 2017

SENATE COMMITTEE ON TRANSPORTATION AND ENERGY;

SENATE COMMITTEE ON PUBLIC SAFETY,  
INTERGOVERNMENTAL, AND MILITARY AFFAIRS;

SENATE COMMITTEE ON WAYS AND MEANS;

HOUSE COMMITTEE ON TRANSPORTATION;

and

HOUSE COMMITTEE ON FINANCE

Monday, August 14, 2017  
10:00 a.m.  
State Capitol, Auditorium

Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and Members of the Committees:

The City would like to ensure that the funding proposal for rail passed by the Legislature does not significantly impact the City's operating costs, and more importantly the City G.O. bond credit rating. If the General Excise Tax (GET) surcharge is not extended, the City is left with absorbing some or all of the unfunded costs. The increased City debt for rail creates pressure on the city's bond credit rating. **If the GET surcharge is not extended, the City's credit will destabilize after a decade of fiscal conservatism.**

The City took a decade to slowly improve its bond credit rating from AA- to AA+. Real property tax capacity and balances were optimized and saved to add to the City's rainy day funds. Spending City-wide was analyzed and carefully allocated to improve our bond credit rating. The City Administration thanks the City Council for their support of the City's Rainy Day Funds.

Senate and House Committees  
August 11, 2017  
Page 2

A recent rating agency report stated that the rating sensitivity could be “pressured by sustained reductions in reserves or uncontrolled expenditure growth.” The City believes this could mean a one or two step credit rating decrease.

The resulting rating decline would mean higher interest rates for City borrowings (for example a new \$2 billion debt could face \$150 million more interest over a 25 year bond life, just because of the bond rating change). The rating decline would result in not only taxpayers having to pay for higher interest rates, but federal granting agencies and vendor relations may treat the City with less favor.

If adequate rail funding is not obtained, the City will be burdened with additional interest charges that will be difficult to fulfil. The City has the same challenges as the State in areas such as employee retirement benefits, and pressures to build and maintain infrastructure. But when comparing debt **flexibility** between the City and State, it is the City that may be at risk for significant credit concerns.

Due to rail borrowing needs, the City’s current General Obligation (G.O.) Bond debt may double or triple. City credit capacity would be lost and the rail based additional debt may cost more than \$1 billion in additional interest expense. This would impact the City’s ability to deliver basic services.

The City has worked hard over the last ten years to improve the bond rating.

I urge you to approve the GET surcharge extension. The State’s tax collection is already in place and the State has maintained its AA+ rating. The City’s credit rating is at risk.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Y. Fujita', with a long, sweeping horizontal line extending to the right.

Wayne Y. Fujita  
Chief of Treasury



IN REPLY REFER TO:  
CMS-AP00-02224

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Krishniah N. Murthy  
INTERIM EXECUTIVE DIRECTOR AND CEO

BOARD OF DIRECTORS

**SENATE COMMITTEE ON TRANSPORTATION AND ENERGY;**

Damien T.K. Kim  
CHAIR

**SENATE COMMITTEE ON PUBLIC SAFETY,  
INTERGOVERNMENTAL, AND MILITARY AFFAIRS;**

Terrence M. Lee  
VICE CHAIR

**SENATE COMMITTEE ON WAYS AND MEANS;**

John Henry Felix  
Wes Frysztacki  
Ford N. Fuchigami  
Terri Fujii

**HOUSE COMMITTEE ON TRANSPORTATION;**

Glenn M. Nohara  
Ember Shinn  
Kathy Sokugawa  
Hoyt H. Zia

and

**HOUSE COMMITTEE ON FINANCE**

Monday, August 14, 2017  
10:00 a.m.  
State Capitol, Auditorium

Dear Chair Inouye, Chair Nishihara, Chair Dela Cruz, Chair Aquino, Chair Luke, and Members of the Committees:

The Honolulu Authority for Rapid Transportation (HART) appreciates the effort that went into the preparation of your Committees' PowerPoint presentation that will be discussed shortly. The presentation summarizes the history of the Honolulu Rail Transit Project and the challenges of the Honolulu Authority for Rapid Transportation (HART). These challenges have led members of this Legislature to question the validity of HART's financial numbers and the credibility of HART's ability to manage this Project.

While HART remains committed to constructing 20 miles with 21 stations as mandated in the June 2012 Full Funding Grant Agreement (FFGA) signed by the City, we are equally committed to addressing our ongoing challenges by reinforcing cost controls and containment systems, streamlining contract change procedures and taking immediate steps to deliver this Project with key personnel who have the management and technical capabilities to successfully get the job done.

Rail Transit System Update: As of June 2017, major contracts that have been awarded and their percentage of completion are as follows: West Oahu/Farrington Highway Guideway (99.3%); Kamehameha Highway Guideway (96.3%); Maintenance and Storage Facility (100%); Core Systems (42.4%); and Airport Section Guideway and Stations Group (AGS) (7.2%). More specifically, the Core Systems contractor has completed the base design development and is well into manufacturing and testing of all other subsystems. Train #1 (four-car consist) was delivered in March 2016 and Train #2 was delivered in May 2017. Finally, with the recent

award of the AGS Design Build contract, HART currently has over \$4.41 billion either completed or under contract as of the end of Fiscal Year (June 30, 2017), which includes 15.9 of the 20.1 miles of guideway and 13 of the 21 stations.

Value Engineering and Lessons Learned: HART has consistently sought to apply lessons learned and the principles of value engineering to design and construction contracts to improve overall project costs and schedule as further described in HART's April 28, 2017 Recovery Plan (see *Attachment 1 entitled Value Engineering and Lessons Learned*). Additionally, HART is taking steps to evaluate all consultant scopes, performances, qualifications, and technical competencies, as well as systematically evaluate soft costs in all program areas.

Additionally, HART has implemented a Contract Change Committee for all contract changes over \$500,000. This provides an opportunity for management to review the changes from a programmatic perspective. All change orders greater than \$1,000,000 continue to be subject to review by the HART Board's Finance Committee and approval of the HART Board of Directors. The implementation of the Contract Change Committee was made to institutionalize checks and balances for change orders by having reviews conducted by an entity independent from the project management team.

Audits and Peer Reviews: HART has been audited and has conducted peer reviews to strengthen the organization by receiving constructive and unbiased feedback from financial professionals and industry leaders. HART has either implemented or is in the process of implementing the recommendations and responses of the April 2016 Office of the City Auditor Audit (see *Attachment 2*), June 2016 Federal Transit Administration (FTA) Project Management Oversight Contractor Risk Refresh (see *Attachment 3*), and the January 2017 American Public Transportation Association Peer Review (see *Attachment 4*), with a focus on management and technical competency of the organization.

Additionally, annual performance audits of HART are a regular occurrence and are conducted for different purposes. HART is currently undergoing a Procurement Systems Review by the FTA that includes a review of the last two years of contracts, HART's Fiscal Year (FY) 2017 Budgets, FY2016 revenues and expenses and all procurement policies and procedures. In the Spring of 2018, FTA will conduct a Triennial Review focusing on seventeen (17) areas including financial management and capacity, technical capacity, procurement, legal, planning/program of projects and security. A yearly financial audit by an independent financial firm and yearly FTA review under the Improper Payments Elimination and Recovery Act of 2010 will also take place.

Debt Financing Required: The attached pages from the June 2012 Final Financial Plan for FFGA details the need to use debt instruments such as tax-exempt commercial paper (TECP) and general obligation (GO) bonds to finance the rail project, which was always and continues to be an integral part our financial plan(see *Attachment 5*). This section of the June 2012 Final Financial Plan for FFGA provides an explanation of how the project will be financed and the amounts required in the years when expenditures exceed revenues.

As you know, the project costs have increased substantially from the \$4.949 billion (excluding financing charges) reported in the FFGA to the current value of \$8.165 billion (excluding financing charges). See Attachment 6. Consequently, the amount required to fund and finance the project has also increased. Under a number of financing models requested and submitted to elected officials, the finance charges indicate a range from \$700 million to \$2 billion depending on the project funding plan. We will have a better estimate when a funding plan is finalized. *Attachment 7* illustrates the years when expenditures exceed revenues under the current \$8.165 billion value and *Attachment 8* compares actual general excise tax surcharge collection to forecast.

City Center Guideway and Station/Pearl Highlands Garage, Transit Center and Ramp Contracts: The City Center Guideway and Stations (CCGS), as well as the Pearl Highlands Garage, Transit Center and Ramp (PHGT) contract procurements are the last major contracts yet to be awarded. The current schedule for the CCGS is estimated to be 65 months long which is indicative of the complexity of the final 4.16-mile segment of the Project. Any delays in the procurement of the CCGS and PHGT contract procurement will impact the overall costs and schedule completion of the Project.

Conclusion: HART is committed to complete this Project to the forecasted budget and schedule but HART's ability to complete the Project depends on having access to sufficient funds to cover the gap between the revised estimated cost to complete the Project and the available funds. The FTA has directed HART to submit an updated financial plan by September 15, 2017, which is dependent on the State Legislature's decision regarding funding for the Project. HART supports the intent of funding action considered by the Legislature that would provide sufficient funding to deliver the total Project, as well as provide our Federal partners the confidence in Honolulu's ability and financial commitment to complete the Project as described in the Full Funding Grant Agreement.

We thank you for this opportunity to submit written testimony.

Enclosures

# VALUE ENGINEERING AND LESSONS LEARNED

- Developing a contract packaging strategy to lower costs by increasing competition.
- Moving towards Design-Build procurement and re-packaging where appropriate to lower costs.
- Revising contract language, in collaboration with various construction and procurement stakeholders, to provide clear direction and minimize disputes.
- Removing non-essential design and construction elements to reduce cost.
- Performing pre-construction Subsurface Utility Engineering (SUE) and geotechnical investigations.
- Reviewing various Project financing options.
- Allowing contractors more control over Maintenance of Traffic.
- Utilizing precast and offsite fabrication to reduce cost and schedule.
- Utilizing partnering to resolve construction issues in the field.
- Utilizing a Dispute Review Board to minimize or avoid potential impacts and prolonged litigation.



## **Update on City Auditor Comments and recommendations**

Many recommendations are tied in to how we project and update project expenditures. By completing the process below, we are confident the Auditor's concerns are addressed.

### **1. Improve Financial Management and Planning**

#### **Currently working on:**

- a. The Finance and Project Controls staffs are updating cost projections by contract. Additionally, they are working with the Right-of-Way group to estimate timing of real estate acquisitions. Expenditures will be projected by month and year. This will be an on-going process.

Monthly revenue and expenditure updates will be submitted to the Board.

- b. Finalize General Excise Tax (GET) forecast to be consistent with Council on Revenue projections. An updated financial plan, including estimated annual GET revenue, will be completed once the funding plan is known.
- c. The Honolulu Authority for Rapid Transportation (HART) is consistently using the City C2HERPS financial system to monitor expenditures and develop financial data. However, HART cannot discount the use of Contract Management System (CMS) because C2HERPS provides data when paid. It is just as important to know what expenditures are incurred, and CMS provides that information.

#### **Need further evaluation:**

- a. HART is in the process of evaluating the requirement to substitute/by-pass CMS and the inherent risk of replacing a mission critical system in mid-stream.

### **2. Improve Project Management and Contract Administration**

#### **Currently working on:**

- a. HART meets monthly with the Federal Transit Administration's Project Management Oversight Consultant (PMOC) in addition to holding weekly project managers and project status meetings. Among the things discussed in those meetings are:
  1. Project changes and how they affect overall costs.
  2. Project status.
  3. Project risks.
  4. Overall project costs including contingencies.
  5. Cost saving strategies.

## ATTACHMENT 2

- b. A Contract Change Committee was created. Committee members are: Director of Design and Construction, Director of Procurement (Chair), and Director of Project Controls. The Committee meets weekly (or as required) and reviews change orders from \$500,000 to \$1,000,000, changes affecting multiply contract, and changes affecting project schedule

Changes below \$500,000 requires review by the Deputy Director of Procurement, Deputy Director of Contracts, and/or Deputy Director of Construction Claims.

- c. Finance, Project Controls, and Procurement staff have begun the process of meeting with project managers to discuss project status and costs and anything that may affect the cost of the Project. Initial meetings have occurred with Airport Guideway and Stations project managers and Construction Engineering and Inspection.
- d. Beginning June 2017, all major contract invoices are now reviewed by the Director of Project Controls to ensure billings are consistent with Master Contract schedule.

### **3. Better Planning is Needed to Address and Manage Future Rail Project Costs**

- a. The Department of Transportation Services (DTS) is responsible for Operations and Maintenance (O&M). HART is working with DTS to develop an O&M Plan.

## ATTACHMENT 3

### PMOC June 2016 Risk Refresh Findings and Recommendations

#### Section 1.3 - General

1. Revised Revenue Service Date (RSD) to no earlier than December 2024.  
Response: The estimated target for full revenue service is December 2025. The targeted RSD has been captured in the PMOC Monthly Report since October 2016.

#### Section 1.3.1 – Management Capacity and Capability

1. Complete project management plan (PMP)  
Response: PMP to finalize when updated financial is known. This was reported in HART's July 20, 2017 Board of Directors meeting.
2. Identify and document a permanent risk manager.  
Response: Risk Manager, Mr. Paul Johnson joined HART this month (July 2017).
3. Reevaluate staffing plan to be more effective and fill gaps in technical capability.  
Response: This is an on-going process. Mr. Frank Kosich joined HART this month (July 2017) as the Director of Design and Construction position.
4. Strive to transition key management positions from consultants to HART in order to have greater ownership and stronger control of project.  
Response: HART has created a Personnel Evaluation Committee and is working with City Department of Human Resources department to evaluate technical salary requirements for these positions. City Corporation Council (COR) is currently reviewing the plan.
5. Update management plan to incorporate organizational changes.  
Response: Interim CEO revised organization chart in March 2017. Major change associated with Procurement Department reporting directly to CEO. Other changes are being evaluated and are expected to take place in August.
6. Actively monitor the management of the program to ensure that staff and consultants implement the approved plans and procedures.  
Response: Interim CEO recently communicated with project consultants to ensure project implementation is in accordance with approved plans and procedures and to be proactive.
7. Develop effective process to preserve critical technical capabilities during reduction in force.  
Response: Under development.
8. Provide training to key existing staff through the National Transit Institute (NTI)  
Response: NTI training was completed in June 2016.

## ATTACHMENT 3

9. HART Chief Financial Officer (CFO) must develop strict budgetary controls.  
Response: A new CFO was hired March 2017. The evaluation of controls is an on-going process. New budget to actual reports will be presented to the HART Board as a regular agenda item. Process to meet with project managers (PMs) is on-going. The goal is to meet quarterly. Reevaluation on monthly and annual project expenditures are on-going.
10. HART's project staff must focus more heavily on cost management.  
Response: See response to Q#9.

### Section 1.3.2 – Project Scope and Project Delivery Review

1. Improve definition of work to replace HECO overhead line for the City Center Guideway and Stations Design Build (DB) contract.  
Response: The City Center DB contract is on hold subject to funding. This will be incorporated in the RFP. The infrastructure (duct banks, manholes, etc) are being designed for addition to the City Center DB contract.
2. Push to resolve regulatory issues that are impeding progress on on-going construction.  
Response: This is on-going
3. HART must take a more proactive approach to getting contractors to establish and meet schedule.  
Response: HART will take steps to ensure contractors submit schedules in a timely manner including withholding invoice payment until schedule requirements are met.
4. Site access and permitting issues must be resolved early to avoid delays.  
Response: HART's Planning and Right-of-Way Departments are taking steps in their negotiation process with land owners to address this matter.
5. Continue to review and vet all potential Contract Change Orders (CCO).  
Response: HART has put in place a contract change procedures policy and established a Contract Change Committee (CCC).
6. Continue to review all post-Record of Decision (ROD) changes to ensure they do not have an impact on the environmental documentation, project scope, cost...  
Response: Ongoing.
7. Prioritize resolution of required third party agreements, real estate acquisitions...  
Response: HART priority is to execute outstanding agreements first then amendments to executed agreements.

**Section 1.3.3 – Project Schedule Review**

- 1. Develop an updated Basis of Schedule (BOS) to the PMOC.**  
Response: An updated BOS dated April 2017 was submitted to FTA as part of the HART Recovery Plan in April 2017
- 2. Re-evaluate management capacity and capability within project controls organization.**  
Response: A new project controls director joined HART at the end of 2016 to address management capability needs.
- 3. Reconcile, revise, and align the Basis of Estimate (BOE) with the BOS.**  
Response: The revised BOE and BOS submitted to FTA as part of the Recovery Plan in April 2017 are updated and aligned.
- 4. Require all construction contractors and third party scheduling parties to consistently apply calendars according to HART procedures.**  
Response: The current specifications direct use of 5-day work week and 7 day calendar days as Project level rather than Global Calendar. The schedule specifications for City Center DB are being drafted to standardize use of work days on the gFolobal calendar.
- 5. Review staffing plan to ensure that schedule compression has not caused excessive staff requirements during peak periods.**  
Response: Staffing at the project level is overburdened. For example, Project Controls staff are not contract-specific and lend support to burdened areas resulting in workforce leveling. In addition, temporary Project Controls consultants are being utilized to supplement vacant positions until filled.
- 6. HART should withhold partial or full payment of contractor monthly pay application if the contractor fails to submit timely and acceptable schedules.**  
Response: This is in-place. Finance staff met with project managers that payment will be held until schedule is approved by HART.
- 7. Request that each contractor provide a separate grouping of activities specific to its punchlist and closeout activities. This is especially for the Airport and CCGS contracts.**  
Response: This will be written into the specifications in the CCGS contract.
- 8. Reduce the number of constraint date in the Master Project Integrates Schedule (MPS).**  
Response: The April 2017 BOS and ongoing schedule submittals to PMOC contain minimal constraints and each one is described/explained as to why it remains in the Master Project Integrated Schedule.

9. Develop an overall MPS “schedule architecture” of standards and templates for all scheduling parties.

Response: A Master Project Integrated Schedule and BOS have been developed. A schedule architecture is being developed including naming standards and reports.

#### 1.3.4–Schedule Risk Analysis

1. The revised revenue service date (RSD) should be no earlier than December 2024.  
Response: The estimated target for full revenue service is December 2025. The targeted RSD has been captured in the PMOC Monthly Report since October 2016

2. HART must better document patent and latent time contingencies included in construction contract schedules and MPS.  
Response: HART has developed and included this item in the Risk Management Contingency Plan (RCMP) draft #2, submitted to PMOC in June 2017. This includes schedule contingency “Hold Points” for key schedule milestones that have been agreed upon by HART and PMOC.

3. HART should closely monitor the MPS longest and near critical paths.  
Response: Agreed.

4. HART should revise its staffing plan to ensure schedule compression has not caused excessive staff requirements during peak demand of construction.  
Response: With the expected NTP of City Center Design Build of August 2018 or later, HART scheduling staff positions should allow workload leveling with staff prior projects near completion transitioning to the new City Center project.

5. The PMOC and HART should engage in focused “schedule containment workshops” monthly.  
Response: HART meets with PMOC monthly to discuss schedule containment.

6. HART should institute more aggressive and more consistent risk and contingency management efforts by project controls and risk manager.  
Response: HART has institutionalized an aggressive risk and contingency management process that includes monthly reporting and careful scrutiny of new risks or risks that are trending above what has been established above the current contingency levels. All risks are reviewed monthly by the Program Risk Manager. Reports and discussions are held with the Risk Management Committee. The Risk Manager develops monthly reports depicting forecast of remaining contingency for each project within the program. This information is used for decision support to maintain the HART program forecasted budget.

#### 1.3.5– Project Cost Estimates

1. Prepare cost estimates for all identified potential and possible changes (CCOs)

## ATTACHMENT 3

Response: HART transmitted the Basis of Cost Estimate to PMOC in March 2017. The Estimate at Completion (EAC) for each contract is reviewed and analyzed monthly to monitor all anticipated changes and contingency drawdown.

2. Focus on AGS and CCGS estimates to allow time for mitigation.  
Response: Estimates were revised and adjusted accordingly.
3. Refresh Right-of-Way (ROW) estimates to reflect current property cost...  
Response: Completed.
4. Prepare an Independent Cost Estimate (ICE) for the remaining (un-awarded) HECO work.  
Response: Unawarded HECO work ranges from 0% design to 30% design level and subject to HART-HECO negotiations on clearance requirements. ICE's completed to date include: CCGS 138kV Undergrounding ICE on 6/26/17, CCGS Cabling ICE on 5/18/17, AGS Cabling ICE 5/18/17, KHG 138kV Undergrounding on 11/4/16.
5. Refresh personnel manpower charts to account for new positions and a refined MPS to verify the cost included in SCC 80 soft costs.  
Response: This is ongoing.
6. Verify that budgets and any on-going estimates refreshes include adequate funds for escalation.  
Response: This is ongoing.
7. Review the March 2016 CPP to confirm that latent contingency is not included in contract values.  
Response: This is ongoing.

### 1.3.6-Cost Risk Analysis

1. HART's estimate falls short of the p65 FTA model by \$1.189 billion. HART should review its project estimate and determine how to reduce costs or increase revenue to close the gap.  
Response: HART has developed an EAC that gets updated by ongoing risk analysis, risk management, and value engineering exercises to minimize the gap. agement,
2. The recommended amount of budget increase reflects the condition of no viable Secondary Mitigation being presented.  
Response: Secondary Mitigation has been defined in the HART Recovery Plan of April 2017 and the RCMP.
3. Independent Risk Management must be institute on the project. The RCMP must be resurrected....  
Response: Independent Risk Management has been institutionalized on the HART project and program level. The RCMP has been revised with a second draft submitted to PMOC in June 2017.

## ATTACHMENT 3

4. Strong control must be put in place immediately to avoid future contingency reduction. Project statistics must be reported monthly.  
Response: Strong controls have been put into place with monthly reports to project and program managers including a forecast report that forecasts each package in the Contract Packaging Plan's (CPP) Estimate to Complete (EAC) including forecasted contingency (risk).
5. Independent reporting of project cost and contingency levels should not be subject to politically-driven bias.  
Response: HART prepares an independent cost-based (bottoms up) estimate that uses local labor, equipment, and material pricing, along with reasonable productions, soft costs and escalation to develop unit prices in current dollars under the procurement timeframe, market factors and p80 level risk factors for contingency.
6. The PMOC and HART should engage in a realistic, focused "cost containment workshop" on a monthly basis.  
Response: HART meets with PMOC monthly to discuss cost containment opportunities.



**AMERICAN PUBLIC TRANSPORTATION ASSOCIATION**

**PEER REVIEW**

**FOR**

**Honolulu Authority for Rapid Transportation**

**Honolulu, HI**

**January 2017**

**HART Responses Updated**

**July 20, 2017**



**A service of the American Public Transportation Association  
performed by the  
North American Transit Services Association,  
a wholly owned subsidiary of APTA**

## 1.0 Technical Management Capacity and Capability

### 1.2 Recommendations

Success of projects of the complexity and magnitude of HART's Rail System depend heavily on the strength and competence of the management organization. Our team strongly recommends that HART takes the following steps immediately:

- The Director of Design and Construction is vacant and is a key position to urgently fill.

**HART Response: HART concurs. The new Director of Design and Construction reported for duty on June 26, 2017. Recommendation Implemented.**

- Executive management should focus on strengthening the Project Controls team with additional experienced staff focused on scheduling, cost estimation, and trend reporting.

**HART Response: HART concurs. Through a new sub-consultant, HART has added three senior specialists with backgrounds in cost, scheduling and document control to help resolve legacy process issues in Project Controls. Additional staff is being recruited for permanent HART staff. Recommendation Implemented.**

- Management should update the master staffing plan for overall project completion that includes the interim revenue service date, as well as the full line's revenue service date, including bringing on the appropriate staffing for service testing and pre-revenue operations

**HART Response: HART concurs. With Charter Amendment #4 in November 2016, the City's Department of Transportation Services (DTS) was tasked to provide for the transfer of positions and legal rights and obligations relating to rail operations and maintenance from HART to DTS effective July 1, 2017. HART is working with DTS to develop the appropriate timing and staffing for service testing and pre-revenue operations.**

- The Board, with the support of management, should analyze options related to the one year personal services contract vs. Civil Service employment to assist with recruitment and retention, especially for critical positions. This action would include taking necessary steps to retain key employees and managers for the duration of the project as continuity of personnel is a key to success.

**HART Response: HART concurs. The HART Board indicated that they would support this effort. The HART CEO met with the Mayor and the City's Department of Human Resources (DHR) concerning the possibility of changing from the one year personal service contracts in an effort to retain personnel. DHR proposed that HART create an internal committee to develop recommendations on pay levels for positions requiring special skills. HART's CEO is in the process of selecting the committee members for that task.**

- 
- HART and City/County should determine long term O&M framework to influence decision on type of CEO to lead HART to successful delivery and revenue service. The focus of the CEO over the next five years will be the construction of the project. In addition, the CEO will be preparing for anticipated interim service beginning in 2020, which will be contracted but based on recent ballot decisions, would be managed or operated by the City/County. HART's role in revenue service seems undetermined.

**HART Response: HART concurs. The HART Board developed an analysis of the position with the Karras Group and is in the process of selecting a CEO. Recommendation Implemented.**

- The current project organization is not reflected in the Project Management Plan (PMP). HART should re-evaluate project organization in support of project delivery and update the PMP.

**HART Response: HART concurs. HART is working on updating the Project Management Plan and hopes to have an update after the legislature determines the funding for the project.**

- HART may want to analyze creating a separate Claims Department to resolve past claims which will allow the project team to focus on project delivery. The project team has to expend resources to resolve claims and anticipated claims at a level higher than anticipated during project delivery based on historical issues. These efforts can impede staff in their ability to deliver the project efficiently. A separate department to focus on the claims and coordinate with the delivery team may allow appropriate focus on for all project team members.

**HART Response: HART concurs. HART has established a separate Claims Department within the Procurement Department, but the field staff is still being diverted to assist in the claims review. Additional field staff is being recruited to remedy this situation. Recommendation Implemented.**

## 2.0 Contract Administration

### 2.2 Recommendations

- Master Project Schedule needs to be proactively shared with all project team stakeholders to create a sense of a team schedule
  - HART should have one Master Project Schedule and Budget and Project Controls is responsible for maintaining it
  - Distribute Master Schedule updates to Project Team on monthly basis.

**HART Response: HART concurs. HART has developed a Master Integrated Project Schedule which is updated and distributed on a monthly basis. Recommendation Implemented.**

- HART should analyze impact on consultant contract expirations and options to ensure this issue is managed proactively.

---

**HART Response: HART concurs. HART has already developed a budget and has projected the budget costs for all of the consultant contracts. The FTA’s PMOC is currently reviewing the projected consultant contract costs shown in the Recovery Plan. Recommendation Implemented.**

- Establish a monthly Project Trend Report Meeting that is focused on cost, schedule and quality.

**HART Response: HART concurs. HART is developing a monthly Project Trend Report that is focused on cost, schedule and quality. Currently, the projected date for the first report is October 2017.**

- HART should consider measures to force contractors to meet contract requirement to supply a schedule and timely updates.

**HART Response: HART concurs. HART has reviewed and updated the project General Conditions and Special Provisions to require contractors to meet contract requirements to supply a schedule and provide timely updates. Recommendation Implemented.**

- Team to improve communication and collaboration and cooperation (3 Cs).

**HART Response: HART concurs. HART holds Monday Project Management Coordination meetings with all departments to ensure communication and cooperation. HART also holds Friday Program Meetings to ensure that general project information is communicated to the managers to avoid “silos” within the organization. Recommendation Implemented.**

- Project Team to keep PMP updated and used as the overarching plan to manage the project.

**HART Response: HART concurs. As previously noted, the Project Management Plan is being updated and will be used as the plan to manage the Project.**

- Benchmark project staff size in relation to other major rail projects.

**HART Response: HART is reviewing different transit agencies, but few have similar characteristics of being construction managers without O&M responsibilities. To date, one similar transit agency has a larger staff without the numerous contracts that HART has in place. HART will continue to poll the industry.**

### **3.0 Change Order Process and Claims Management**

#### **3.2 Recommendations**

- HART may want to analyze impacts on proactively de-scoping current construction contracts or reaching a global settlement on change orders/claims to minimize future risk concerns.

**HART Response: HART concurs. HART developed a proposal with the cooperation of its contractor to de-scope a section of their contract where third party impediments were threatening to cause delays. The HART Board approved this change order in June 2017. This proposal allowed HART to mitigate the delay costs and will enable HART to complete**

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**the work with another contractor at a later time. Global settlements are always a last resort, but HART will consider them when appropriate. Recommendation Implemented.**

- HART may want to consider using a Dispute Resolution Board (DRB) to facilitate solutions with their contractors. Ideally a DRB on large complex contracts results in dispute avoidance. We understand that DRB language has been added into the Airport Guideway & Stations Design Build contract. Although the Panel did not review the contract language, in discussions with Procurement and Contracts it appears to be more of a process for flagging potential disputes and elevating them up in the contractors and HART organizations for resolution. This large contract in excess of \$800 million would benefit from a formal DRB process where each party selects a DRB member to represent them and then both agree on a third neutral member. The DRB is usually selected from retired industry leaders from the transit and construction industry. The Panel views this as a proactive claims avoidance tool that will be helpful in reducing future claims exposure.

**HART Response: HART concurs. Under its current Airport Guideway and Stations (AGS) contract, HART calls for a mediation process, but a Dispute Resolution Board can be considered on its next contract. At a Partnering session held in March 2017, the AGS contractor was open to the suggestion. HART is evaluating this change. Recommendation Implemented.**

- In order to ensure that cost and schedule Impacts for ongoing work and for future contracts are minimized, peer review team strongly recommends that HART dedicate a group of design engineers and contract administration team to do a thorough review of designs and contracts for remaining work on existing contracts and for future contracts. HART may also opt to have Claims consultants to be part of this review team.

**HART Response: HART concurs. Because of concern over increasing soft costs, HART does not have a dedicated group of design engineers for this task, but is using current project management staff to perform this task. Recommendation Noted.**

- Analyze creating a separate Claims Department to resolve past claims which will allow the project team to focus on project delivery. Some Construction Management staff have taken on new contract assignments, yet are still burdened with resolving past claims resulting from the injunction delays and utility relocation and permit delays. The Panel recommends reorganizing HART resources to take on the work load associated with past claims to allow HART PMs and CMs to focus on delivery on new contracts and claims avoidance.

**HART Response: HART concurs. HART has developed a Claims Department with contract administration staff, but the construction management staff is still burdened with resolving past claims and change orders. Additional field staff is being recruited to remedy this situation. Recommendation Implemented.**

- Reestablish a Change Control Board and incorporate into Contract Change Procedure.

**HART Response: HART concurs. HART has established a Change Control Board and incorporated it into a Contract Change Procedure. Recommendation Implemented.**

- Best industry practice does not include contractor's initial proposal or the owner's ICE in the board change order approval documents.

**HART Response: HART concurs. HART no longer includes the contractor's initial proposal or HART's independent cost estimate in Board presentations. Recommendation Implemented.**

- The CEO change order authorization level is adequate for the West Side project but the East Side project scope and size may warrant adjustments.

**HART Response: HART concurs. At the present time, HART recommends that no changes to the CEO change order authorization be made as the current authorization level appears adequate for the changes being processed. Recommendation Noted.**

Table 2-7 summarizes the Federal and non-Federal funding sources, as well as the level of commitment for each source based on FTA New Starts guidelines.

**Table 2-7, Summary of Federal and Non-Federal Project Capital Funding Sources**

Sources of Funds	Funding Level (YOE \$M)	Funding Share	Level of Commitment	Evidence of Commitment
<b>Federal:</b>				
FTA 5309 New Starts	\$1,550	30.0% <sup>1</sup>	N/A	N/A
FTA 5307 Formula Funds Used for the Project	\$210	4.1%	Committed	Statewide FY2011 - 2014 Transportation Improvement Program
American Recovery and Reinvestment Act Funds Used for the Project	\$4	0.1%	Committed	FTA Grant HI-96-X001
<b>Non Federal:</b>				
General Excise and Use Tax 0.5% surcharge	\$3,396 <sup>2</sup>	65.8%	Committed and dedicated to the fixed guideway project	Enabling legislation: <ul style="list-style-type: none"> <li>• State Act 247</li> <li>• City and County of Honolulu Ordinance 05-027 Selection of a fixed guideway system as the Project</li> </ul>
Interest Income	\$3	0.1%	Committed	City & County of Honolulu Ordinance 06-37
<b>Total Project Capital Sources of Funds</b>	<b>\$5,163</b>	<b>100%</b>		

Note: Totals may not add due to rounding

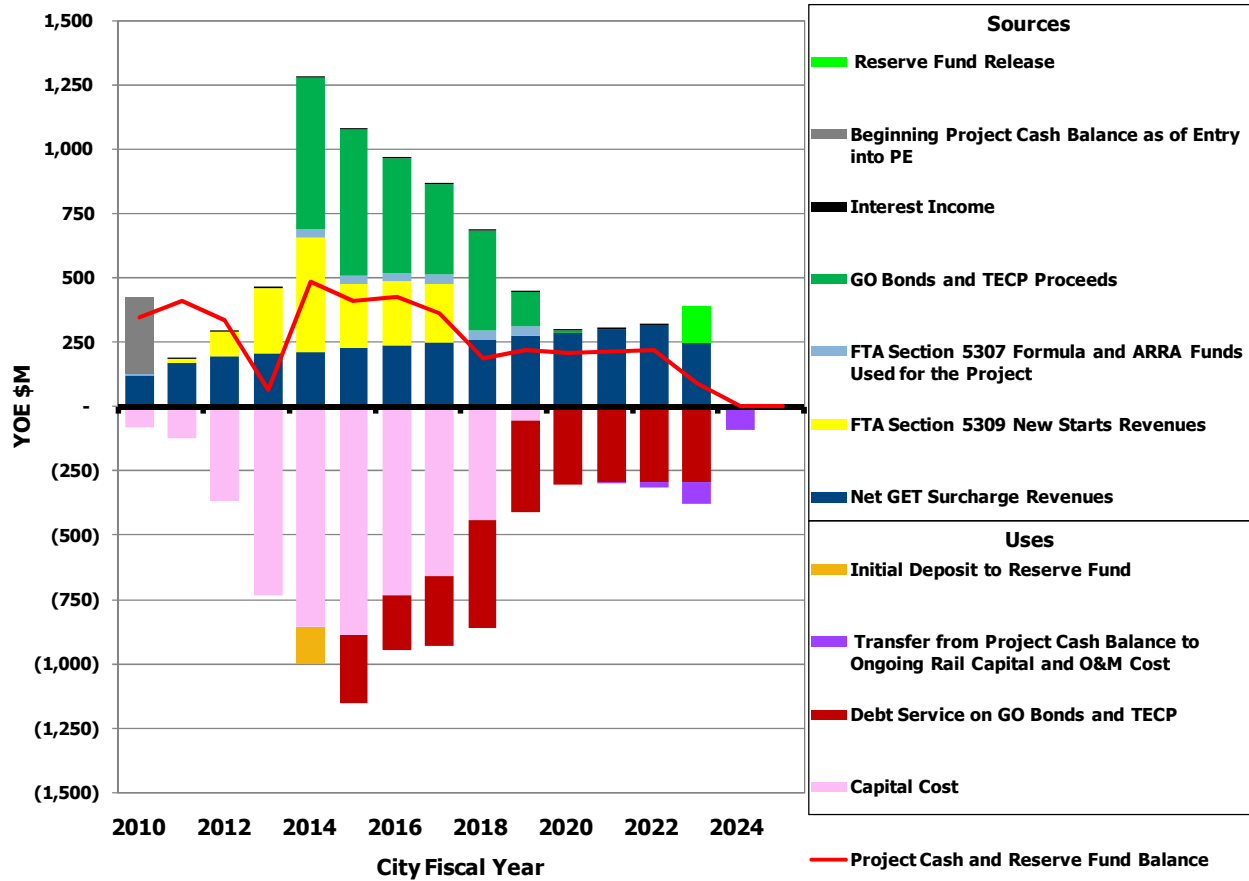
<sup>1</sup> Percentage used in FFGA is 30.3%, based on Project capital cost with finance charges through FY2020 of \$5,122 million

<sup>2</sup> Includes \$298 million in beginning cash balance and subtracts \$193 million in ending cash balance transferred to ongoing Project capital and operating needs

## FINANCING OF THE PROJECT

Figure 2-5 shows the Project capital sources and uses of funds, including debt service. In the years in which capital expenditures are greater than the funding available on a pay as you go basis, debt financing is needed. GET Surcharge revenue will continue to be generated after construction is completed, which provides the funding source for debt financing. Details on the proposed financing approach are provided in the following sections.

**Figure 2-5, Project Capital Sources and Uses of Funds, FY2010 – FY2030, YOY \$millions**



PE = Preliminary Engineering // GO = General Obligation // TECP = Tax-Exempt Commercial Paper // ARRA = American Recovery and Reinvestment Act // GET = General Excise and Use Tax

**PROJECT CASH BALANCE**

The cash balance as of entry into PE in October 2009 was approximately \$298 million. With the GET Surcharge projections and Federal revenue assumptions described above, the Project exhibits a positive cash balance through FY2013 without the need for debt financing, as GET Surcharge and other revenues will be used on a pay as you go basis.

As shown on Figure 2-5 above, the City has the capacity to maintain a positive cash balance throughout the construction period. While the City has many options on how to utilize this excess funding capacity, the financial plan assumes that funds would be deposited in a Project reserve fund out of the first issuance of General Obligation (GO) bonds in FY2014. The amount deposited in the Project reserve fund is \$139 million, which was sized in order to maintain a positive cash balance in each year until FY2023. The financial plan assumes that the Project reserve fund would be released in FY2023 to repay a portion of that year’s debt service obligations, although it could also be available to cover Project capital cost increases or revenue shortfalls during the construction period if needed, as discussed in the sensitivity analysis in chapter 4.

Once construction ends in FY2020, GET Surcharge revenues continue to increase gradually through FY2023 while debt service remains constant. This, combined with the fact that the Project reserve fund is used to repay a portion of the final year’s debt service payment, results in a Project cash balance in those years accruing to a total of \$193 million by the end of FY2023. The financial plan assumes that this cash



balance will be first applied to CARP and rail vehicle expenditures, and then to rail O&M cost; thereby freeing up Section 5307 revenues for preventive maintenance and ongoing capital expenditures after FY2020.

### GENERAL DEBT STRUCTURE AND DEBT INSTRUMENTS

In years where GET Surcharge revenues and Federal funding are not by themselves sufficient to meet the cash flow requirement to cover Project capital expenditures, a mix of GO bonds (backed by Project revenues) and short-term borrowing in the form of Tax-Exempt Commercial Paper (TECP) would be used to meet Project funding needs. Table 2-8 shows the annual mix of TECP and GO bond proceeds issued to fund the construction of the Project. The financial plan assumes that all debt proceeds and related debt service costs will be paid off in full with Project revenues by the end of FY2023.

**Table 2-8, Debt Proceeds, FY2010 – FY2030, YOY \$millions**

City Fiscal Year	2014	2015	2016	2017	2018	2019	2020	Total
General Obligation Bond Proceeds Excluding Issuance Costs	\$492	\$366	\$345	\$251	\$188	\$136	\$7	<b>\$1,785</b>
Proceeds from Tax-Exempt Commercial Paper (rolled over)	\$100	\$200	\$100	\$100	\$200	—	—	<b>\$700</b>
<b>Total Bond Proceeds</b>	<b>\$592</b>	<b>\$566</b>	<b>\$445</b>	<b>\$351</b>	<b>\$388</b>	<b>\$136</b>	<b>\$7</b>	<b>\$2,485</b>

Note: Totals may not add due to rounding

All debt proceeds and related debt service costs are scheduled to be paid off in full with Project revenues by the end of FY2023.

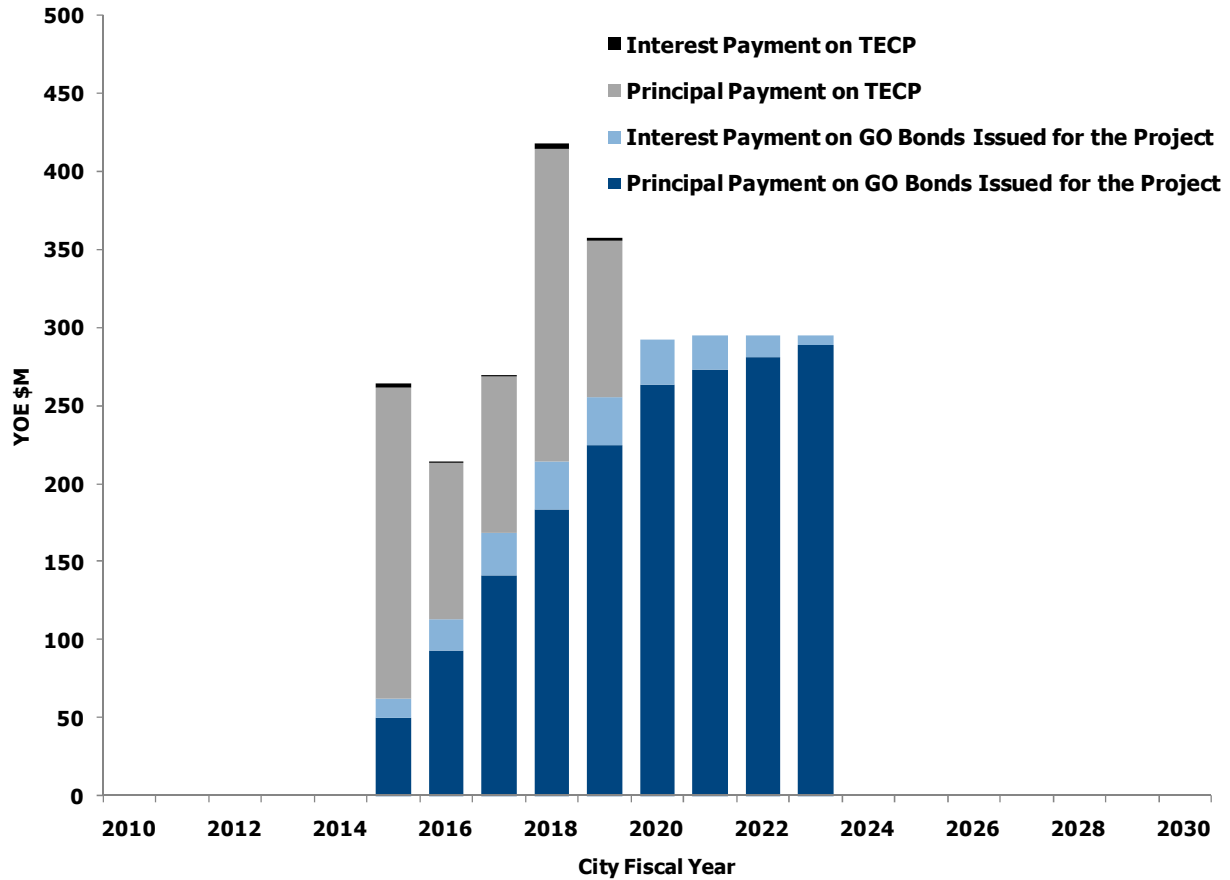
The two types of debt instruments included in the financial plan are summarized below.

**Project General Obligation Bonds:** Although the Project's debt requirements will be solely repaid from GET Surcharge revenues, the Hawai'i State Constitution requires that these bonds be classified as GO bonds. The financial plan assumes that Project GO bonds will be sized to account for project cash flow requirements and cost of issuance. As mentioned earlier, the first GO debt issuance in FY2014 also includes a deposit of \$139 million to a Project reserve fund. The intent of such a fund is to maintain a cash reserve to be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements, or to cover capital cost increases or revenue shortfalls during the construction period if needed. It should be noted that this structure is only one of many options available to the City on how to use the excess funding capacity and does not constitute a legal requirement under current law.

Consistent with the requirements of Chapter 47, Hawai'i Revised Statutes and the State Constitution, a conventional mortgage-type amortization schedule with a level debt service repayment is assumed for each GO bond issue (as shown on Figure 2-6). The financial plan further assumes that all GO bonds issued for the Project will mature in the year when the GET Surcharge expires. As such, the maturity of each Project GO bond issue decreases over time since the GET Surcharge sunsets in FY2023.

**Tax Exempt Commercial Paper:** The Project will also utilize the City's existing TECP program or other short-term construction financing that could provide a low-interest form of borrowing in which interest-only payments are made and the principal balance is repaid with available cash or rolled into Project GO bonds at the end of the 270-day maximum term. Until recently, the City had authorization to issue up to \$350 million in TECP. On June 6, 2012 the City Council approved an additional \$100 million in TECP capacity thus increasing the total authorized amount from \$350 million to \$450 million. The Project is expected to utilize \$100 million of TECP between FY2014 and FY2018. The \$200 million shown to be used in FY2015 and FY2018 in the capital plan cash flows result from two issuances of TECP in those years. Depending on the cash flow requirements of other projects in the City's Capital Improvement Program, the Project could make use of additional TECP if needed to meet short-term cash flow needs.

**Figure 2-6, Total Annual Debt Service, FY2010 – FY2030, YOE \$millions**



TECP = Tax-Exempt Commercial Paper // GO = General Obligation

**Financing Costs and Maturity**

**Interest rate:** The financial plan assumes interest rates on GO bonds of 2.50 percent for issues in FY2014 and FY2015 and 3.00 percent for issues beyond FY2015, consistent with the City’s current AA+ rating. The interest rate assumption is increased after FY2015 to account for the possibility that market conditions become less favorable in the future. The interest rate on TECP financing is assumed to equal 1.50 percent for FY2014 and FY2015, and 2.00 percent beyond FY2015. The interest rates are consistent with current interest rates for debt instruments with similar maturities.

**Issuance cost:** Upfront costs associated with the issuance of Project GO bonds are assumed to equal 0.75 percent of gross proceeds. Issuance costs for TECP financing are assumed to be included in the TECP interest rate discussed above.

**Maturity:** All Project GO bonds have a final maturity in FY2023, corresponding to the last fiscal year of receipt of net GET Surcharge revenues.

**Debt Capacity**

The City’s ability to issue debt is defined by legal limits included in the State’s Constitution. Furthermore, the City has implemented policy guidelines that define appropriate levels of debt in relation to its funding base.

**Legal Debt Limit:** The State of Hawai'i Constitution (Act VII, Section 12 and 13) requires any one county to have a total outstanding funded debt equal to no more than 15 percent of that county's total assessed value of real property for tax purposes. This test represents the primary legal restriction on the amount of debt that the City could issue. Based on current estimates there is significant debt capacity under the limit. As of February 2012, the City had \$155.3 billion in net assessed value of real property, which represents \$23.3 billion in total legal debt capacity. Of the total capacity, \$21.1 billion was available for future use.

**City Affordability Guidelines:** The City has established affordability guidelines, as last amended by Resolution No. 06-222 in June 2010. These policies include the following:

- Debt service for GO bonds, including self-supported bonds and enterprise and special revenue funds, should not exceed 20 percent of the City's total operating budget.
- Debt service on direct debt, excluding self-supported bonds, should not exceed 20 percent of the General Fund revenues.
- Other guidelines include a limitation on the City's variable debt rate and debt refunding policy.

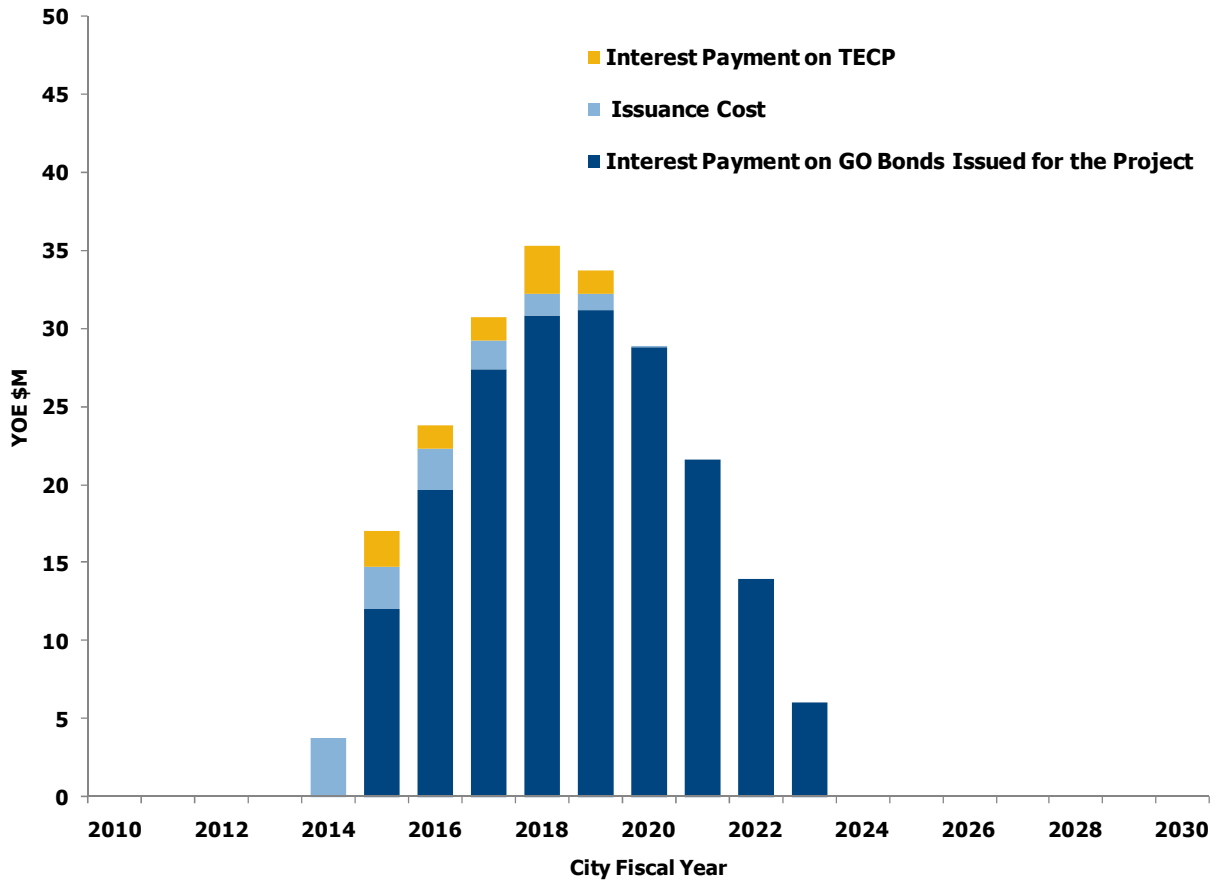
Assuming the City's affordability guidelines are applicable in future years, the limitations on future GO debt can be calculated based on growth assumptions in assessed property values, General Fund revenues, and the City's operating budget.

The resolution that adopted the affordability guidelines includes language stating that the guidelines "may be suspended for emergency purposes or because of unusual circumstances." In a letter dated October 26, 2011, the City's Department of Budget and Fiscal Services recommended, and the City's Managing Director concurred, that (1) issuing shorter than normal GO debt to fund the Project which would be repaid by GET Surcharge revenues was not contemplated at the time of Resolution No. 06-222; and (2) the affordability guidelines be suspended for the period of FY2014 to FY2023 due to unusual circumstances created by the Project's financing structure. The unusual circumstances relate to the Project having "self supported" short term GO debt, not included in the City operating budget, that is paid for by GET Surcharge revenues rather than the City's General Fund revenues.

**Finance Charges**

Based on the above assumptions, finance charges to be incurred for the Project are projected to total \$173 million between FY 2014 and FY 2020; and \$215 million between FY2014 and FY2023. As shown on Figure 2-7, the majority of finance charges correspond to interest payments on Project GO bonds.

**Figure 2-7, Total Annual Finance Charges, FY2010 – FY2030, YOE \$millions**



TECP = Tax-Exempt Commercial Paper // GO = General Obligation

For detailed annual cash flows for the Project, refer to Attachment A.

**SYSTEMWIDE CAPITAL FUNDING SOURCES**

While the assumed New Starts funding, GET Surcharge revenues, and a portion of the FTA Section 5307 formula funds will be adequate to fund the Project capital costs, other sources of funds will continue to be relied upon to fund ongoing capital costs for the existing TheBus and TheHandi-Van systems. The following section discusses these Federal and local funding sources.

**FEDERAL FUNDS**

The three main sources of Federal funds for systemwide capital costs are as follows:

- FTA Urbanized Area Formula Program (49 U.S.C. Section 5307)

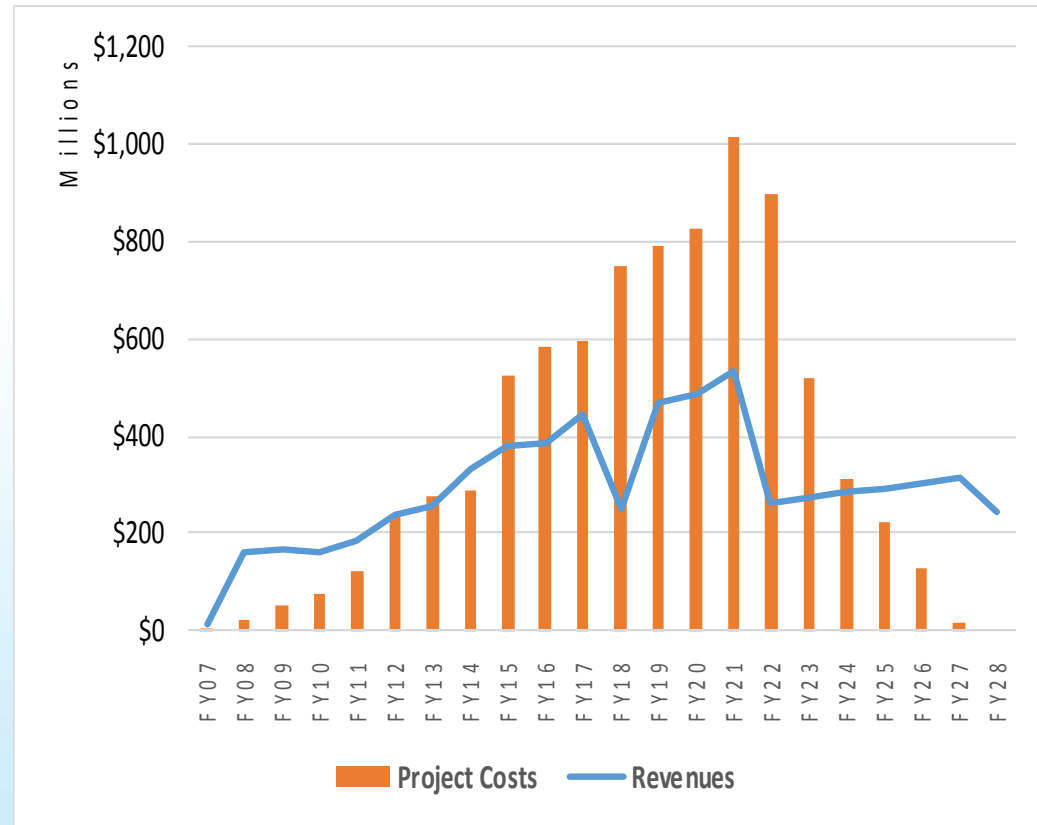
# Project Costs, Excluding Financing – East Kapolei to Ala Moana

Description	Amount (000's)
Guideway, Stations, Support Facilities, System, and Vehicles	\$4,969,813
Professional Services – Final Design	\$170,750
Professional Services – Management & Special Conditions	\$1,054,268
Utilities, Real Estate, and Art Elements	\$637,450
HART Labor and Expenses (Including 5% City Administrative Services Expense (CASE), Corporation Counsel hourly charges and contracted outside legal services)	\$249,301
Pre- HART City Department Services completed (no future charges anticipated)	\$18,437
Contingency	\$1,065,035
<b>Total Project Costs</b>	<b>\$8,165,054</b>

# Revenues & Expenses

## Excluding Finance Charges by Fiscal Year

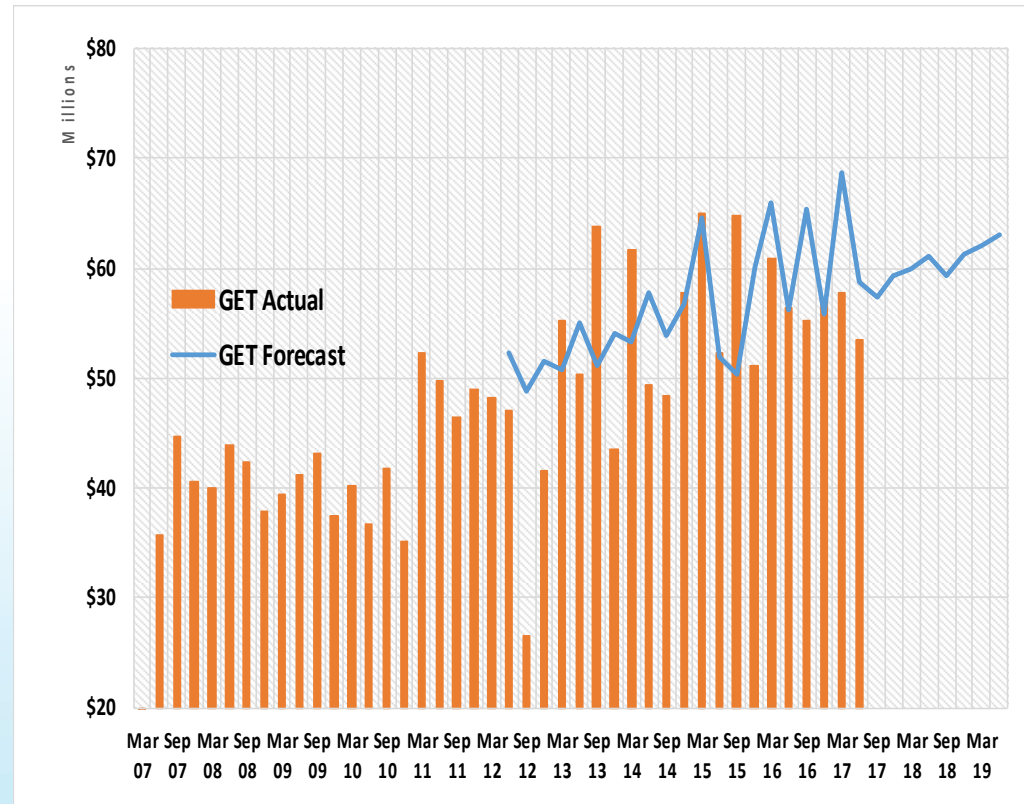
- Project cost based on the current schedule as of June 30, 2017 for the City Center Guideway and Stations contract is \$8.165 billion.
- Revenues are primarily from GET and Federal Grant. Grant proceeds totaling \$806 million was drawn down from October 2009 to July 2017.
- Grant draw downs for the remaining \$744 million are pending approval of an update financial plan. Consequently, grant draw downs are not included in the FY 2018 revenue forecast.



# GET Surcharge Revenue

Forecast vs. Actual Beginning March 2007

- FFGA Financial Plan (June 2012) growth rate at 5.04% based on 30 year GET growth rate. Forecast starts in June 2012
- Growth rate revised in April 2015 to 4.75%
- Growth rate revised to 4.0% in October 2015
- Growth rate revised to 4.3% in March 2016
- Effective June 2017, forecasted growth rates are based on the most recent Council on Revenue estimate for Statewide GET with growth rates ranging from 3.2% to 3.9%



**From:** [Jon De Jesus](#)  
**To:** [TRE Testimony](#)  
**Subject:** Rail  
**Date:** Monday, August 14, 2017 8:54:22 AM

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I believe that this special session called today is just a smoke screen to funding the disaster rail project. The Hawaii democrats are so irresponsible for supporting this ridiculous and idiotic project. The state now jumping on board to help rail is even worse, it's not their responsibility but will join in on this big lie on funding. Tax payers are being assaulted as usual.

Sent from my iPhone





**EMBASSY  
SUITES**

by HILTON™

Waikiki Beach Walk®

Testimony of Simeon Miranda

General Manager, Embassy Suites by Hilton Waikiki Beach Walk

Board member of Hawai'i Lodging & Tourism Association

**Senate Committee on Transportation and Energy**

Dear Senate Committee on Transportation and Energy

**STATEMENT OF OPPOSITION TO INCREASE IN TRANSIENT ACCOMMODATIONS TAX**

August 10, 2017

My name is Simeon Miranda and I am the General Manager of Embassy Suites by Hilton Waikiki Beach Walk. Embassy Suites Waikiki with over 200 employees strongly opposes any further increase in the transient accommodations tax for any reason.

In particular, Embassy Suites strongly opposes any increase in the TAT, including any characterized as "temporary", as a means of funding completion of the Honolulu rapid transit project.

Embassy Suites takes no position on whether and how the rapid transit project should be completed or, if so, to what extent it should be financed. Embassy Suites' position is that, if it is to be completed and if completion is to be financed by state tax increases: (1) those increases should not be to the TAT but to the broad-based general excise tax; and (2) those increases should be limited strictly to what is required to complete the Honolulu rapid transit project.

The TAT paid by Hawaii visitors was enacted to finance collective marketing of Hawaii tourism through the Hawaii Tourism Authority, construction and maintenance of the Hawaii Convention Center, and aid to the counties to address tourism-related impacts. At its original 6% and for those specific visitor industry-related purposes, designed to preserve Hawaii's position in an increasingly competitive world, it was fair and sustainable.

In 2011 the TAT was raised to 9.25% over the objections of the visitor industry for what was represented and sold as a temporary measure to address budget shortfalls. That was, however, made permanent in 2015 over the industry's warnings that it would harm Hawaii tourism over the long run.

In just the last five years, TAT annual revenues have grown from \$324 million to \$508 million, a total increase of \$184 million/year or over 10% per year in taxes paid by Hawaii visitors for the privilege of visiting Hawaii. Virtually none of this increase has gone to the HTA, convention center or the counties, all of which have instead seen their contributions capped and in fact faced constant threats of actual reductions in their annual share to the detriment of their missions.

Instead, virtually all of the increase has gone to the general fund, to the extent that the general fund share of total TAT annual revenues has increased from 39% five years ago to now almost 60%. All the more troubling is that the general fund share of total annual TAT revenues was just 8% ten years ago.

## STATEMENT OF OPPOSITION TO INCREASE IN TRANSIENT ACCOMMODATIONS TAX

August 2017

Page 2

By contrast, GET annual revenues over the last decade have grown at less than 3% per year. In other words, the visitor industry has paid a highly disproportionate share of increased non-visitor industry expenses while the industry-related purposes for which the TAT was instituted have been severely underfunded.

The Hawaii visitor industry has been hammered by tax exaction increases not only through the state TAT but through the county real property tax. On Oahu annual property tax revenues from the hotel/resort class grew from \$91 million five years ago to \$170 million currently, an increase of 17% annually. For all four counties statewide the hotel/resort class annual property tax revenues grew from \$196 million to now closing in on \$300 million, an increase of well over 10%/year.

Total statewide annual TAT and property tax revenues paid by Hawaii visitors, already at some \$400 million five years ago, are now closing in on \$1 billion every year! And only around ten percent of that amount is specifically earmarked to maintain and improve Hawaii's position in the international visitor industry.

The close to \$1 billion annual tax exaction from the visitor industry also does not include that portion of the GET which is paid by the industry and our visitors. If one assumes that around one-third of GET revenues come from the industry, that is another \$1 billion per year that the industry contributes.

Where does it stop? What will it take for Hawaii's government leaders to appreciate the dangers of still-further increases to state and county taxation to our bread-and-butter industry and the hundreds of thousands of citizens whose livelihood and families depend on it? Do we really have to run over the tipping point before facing that reality?

The GET is a far better and fairer means of financing if one is desired. It is broad-based and so does not disproportionately impact any one segment of Hawaii's economy or community. It is stabler as it does not rely on one specific industry which is especially subject to international cycles. It is exacted from Hawaii visitors as well and so they pay their "fair share" without the industry itself being placed at further risk as would be the case with another TAT increase. Hawaii's citizens will benefit the most from the Honolulu rapid transit project and they stand to lose the most if the visitor industry is harmed. Any regressive aspects of the GET can be dealt with separately through GET tax credits or other aid to lower income citizens.

Embassy Suites by Hilton Waikiki Beach Walk cannot accept any solution to the Honolulu rapid transit project financing challenge that involves increasing the TAT for any period.

Mahalo for your time and support of my testimony.

Best regards,



Simeon Miranda

**From:** [Vicki Franco](#)  
**To:** [TRE Testimony](#)  
**Subject:** Informational Hearing on Financing Rail  
**Date:** Sunday, August 13, 2017 11:17:40 AM

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Hawaii's Legislators both House and Senate Members,

The Honolulu Rail Project and its management or lack of has been a total disgrace to the State of Hawaii. The cost overruns have been tremendous and no one has been held accountable for them. Management changes are a constant thus no continuity of the project are found. NO accountability for the cost overruns have been presented.

More money, more money that is all the public hears about that project. The last interim Director of the Rail found many issues with personnel not being qualified to do the job were found, changes were made to insure qualified people were no in place to do the job correctly. In the meantime, we paid millions of dollars to personnel that were not qualified and should not have been on the payroll. The Fox watching the hen house and that is still happening. NO accountability, the public has no confidence with the dollar value the rail says it

needs to get the route to Ala Moana. Honestly I am confident that the current Rail organization doesn't know either. A new Director was hired, with rail experience, but can he overhaul that existing organization to be transparent and get this job done on time and within budget.

We all know the answer is NO!!!!!!

If this was your personal finances you would have never done for lack of funds or watched it so closely that you would have stopped it before it was out of control.

Too much spending of tax payers money with no regards for accountability. Enough is enough, stop funding something that is out of control and no one is accountable for. There are so many

other issues that need funding here in this State, throwing money at this project is not the right thing to do. I am sure vendors have made millions on this project thus far, is anyone watching that

also. Probably not. Additional amendments to the existing contracts are causing major cost overruns. Is HART looking at those figures also?

I need this governing body to think of the money needed to finish this project like it was coming from their personal checking accounts. Can we afford it or do we have to alter it to not bankrupt our City. Has anyone projected the cost of maintenance for this project? How much HECO costs will be to run these trains?

These are after thoughts that HART has not even investigated yet. We are digging a hole deeper and deeper that you will require taxpayers to dig us out of.

The management of this project is a disgrace to the State of Hawaii. The highest costing rail system in the country for the shorted length of tracks.

Think carefully about the future of this State and what this project is doing to the ability of residents to stay here due to the out of sight tax burden put upon us largely due to the rail.

Mahalo for letting me testify,

Victoria Franco  
Manoa Resident

**TO:** State Senators and State Representatives  
**FROM:** Frank Genadio  
**SUBJECT:** Informational Briefing on the Current Rail Project  
**DATE/TIME:** August 14, 2017/10:00 a.m.

Honorable Ladies and Gentlemen, as a member of the Financial Accountability for Rail Mass Transit Association, I am submitting this testimony to address a rail alternative that uses modern technology to ensure financial accountability for our taxpayers. Our group invited everyone who wished to, to speak at our 5 August meeting, including those advocating technologies other than elevated steel wheels on steel rails. I was the only speaker who addressed an alternative, making a presentation on conversion of the current project to a much less costly American designed urban magnetic levitation (maglev) system. With the help of the University of Hawaii (UH) Engineering Department's Professor Amarjit Singh, who currently is in India, a cost estimate folio was prepared that addresses how we can complete all of the major elements of the 2012 Full Funding Grant Agreement (FFGA) while staying within available funding. That funding amounts to about \$6.8 billion, realized through a combination of the existing rail surcharge that is authorized for 21 years through 2027 and \$1.55 billion in obligated federal funds. As I am sure you are aware, about \$750 million is being withheld from the project until federal officials accept a financial recovery plan.

There are several major elements of the FFGA; in my opinion, they are: a 20-mile grade separated system; 21 stations and four park-and-ride lots with a total of 4,100 spaces; a maintenance and storage facility; a transit center at Pearl Highlands; 80 light metro fully automated (driverless) rail cars; and three-minute service during peak hours. A plan based on Maglev 2000 technology can deliver these elements, including full use of the existing ten miles of guideway to Aloha Stadium through the use of patented planar technology. Considerable savings can then be realized by constructing a maglev-only guideway for the remaining ten miles. The technology also will enable use of the existing guideway by steel wheeled trains so there would be no need to scrap already delivered rail cars. Our cost estimate is \$5.86 billion, an amount that the principals of Maglev 2000 believe is higher than their figures; we thought it best to factor in "the price of paradise." That total is a far cry from what a member of the City Council claimed in a May hearing on Bill 42, that maglev would be ten times the cost of steel wheels—or \$82 billion based on the mayor's project estimate at the time of \$8.2 billion. Unfortunately, since I had already testified, I was not permitted to respond to such a gross and uninformed exaggeration. I will, however, take the word of Dr. James Powell, holder of the patents for both first- and second-generation superconducting maglev (SCM) as well as a medal from the Benjamin Franklin Institute for excellence in engineering over any council member or, for that matter, anyone at the Honolulu Authority for Rapid Transportation (HART), where they seem to have trouble with accounting. Franklin medals have been awarded in the past to innovators and scientists such as Alexander Graham Bell, Thomas Edison, Henry Ford, Albert Einstein, Neils Bohr, and Stephen Hawking. Dr. Powell's first generation SCM has been applied to a Japanese maglev that holds the world speed record for trains at 374 miles per hour (mph). The second generation system, in addition to making high-speed maglev cost-effective for both passenger and freight operations, also can be applied for urban maglev use and has been proposed for the New York City subway system, which uses the same gauge rail as the guideway being constructed on O'ahu. That is the key for conversion here.

The costs folio prepared at UH was presented to city officials and to HART. Its specific details can be summarized as follows:

Costs incurred or contracted that are associated with the current project:	\$2,048.97 million
Conversion of ten guideway miles and costs associated with maglev:	\$328.86 million
Completion of the maglev guideway, maglev rail cars, and stations:	\$1,552.98 million
Right-of-way, transit center, professional services, and finance costs:	\$1,816.00 million
New overhead costs of 10% for some elements of the above:	\$113.52 million
<b>Total for full conversion to Maglev 2000</b>	<b>— \$5,860.33 million</b>

Each element of the above costing was described in detail in the folio. The cost estimates in this study were approved by Dr. Powell and his team in a three-page letter to me; if desired by you, I will be pleased to send a copy.

Aside from the overall construction cost, the amount for operations and maintenance (O&M) must be addressed. Those costs must come from local taxpayers and passengers because federal guidelines state that municipalities with populations that exceed 200,000 are not eligible for federal O&M support. Fare box revenues, by City Council resolution, can only cover 27 to 33 percent of O&M. Most maglev experts use one third of the cost of steel wheels as the figure for maglev O&M. Using forty percent, again to be conservative, a straight-up comparison between steel wheels and maglev, with zero inflation for 30 years, would mean savings of \$2.23 billion. At two percent inflation, the figure would be \$3 billion, a lot of money that can be better spent on necessities and even some luxuries than on a cost-ineffective steel wheels system.

While we continue pushing for a last-century system, other nations charge ahead with urban maglev. China offers the strongest example, with an operational system in Changsha, one going operational in Beijing later this year, and plans for maglevs in more than ten large and middle sized cities. They also have tested an urban system at 75 mph, heading towards 100 mph tests. With sufficient distance between stations on, for example, extensions to the current plan, the “R” in HART may someday actually stand for “Rapid.”

The question for you is: Are you willing to give the city the funding authorities it needs to continue “throwing good money after bad” or are you ready to call for a pause and a full re-evaluation of the technology, with a result that might lead O’ahu mass transit into the 21st Century on a cushion of air? Since there are so many special interests backing completion of the flawed steel wheels project to keep the money flowing, it is important for me to close by pointing out that I have no current or planned future financial interest in Maglev 2000; I just believe that it would be the most operationally superior and cost-effective rail transit system for O’ahu. Mahalo.

Frank Genadio  
92-1370 Kikaha Street  
Kapolei, HI 96707  
(808) 672-9170

**From:** [Michele Gibson](#)  
**To:** [TRE Testimony](#)  
**Subject:** Fwd: Undeliverable: Oahu Rail  
**Date:** Sunday, August 13, 2017 4:02:22 PM

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Aloha,

Regarding the deficit on the rail on Oahu, taxing other other islands for the mis-management and cost over-rides is unfair. The people of Oahu that I have talked to do not want the rail on their island and I believe instead of completing it, it should be disbanded. The tax money that is wasted in this state is an abomination and has to stop. Our keiki need air conditioning in their schools, not a money pit like the rail project.

The incomes of the working class are higher on Oahu than on any other island and this additional tax would create an even heavier financial burden than what we currently experience. To have to pay for something that we will never use is cruel when we are trying our best to make ends meet on what we can make in income in this state.

I hope that you consider advocating for the disbanding of this albatross.

Sincerely,  
Michele Gibson  
Maui County

**From:** [Janet Gillmar](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony about Honolulu Rail Transit  
**Date:** Monday, August 14, 2017 12:59:19 AM

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## Testimony about Honolulu Rail Transit for the Senate Committee on Transportation & Energy

August 14, 2017

Thank you for the opportunity to share my views on this important and controversial issue. I am a landscape architect / planner, and I have lived in Honolulu for over 40 years, in Waikiki and Palolo Valley.

Growing up in Chicago and on many visits since then, I enjoyed using the extensive Chicago rail transit network--but not the blight of the elevated "El" loop downtown. On visits to Minneapolis and Phoenix, I have enjoyed using their street level rail transit and appreciated both how user-friendly it is and how gracefully it has fitted into their downtown urban landscape.

I appreciate Honolulu's effort to improve public transit, but I cannot support the city's and HART's plan to continue elevated rail from Middle Street into town. Please strongly urge the Honolulu city mayor, transportation department, city council, the HART Board and its new executive director to change course: Bring Honolulu rail transit down to street level from Middle Street into town. Portland and Dallas as well as Phoenix and Minneapolis are among the many U.S. cities that have built and expanded successful street level rail transit in recent times at a fraction of the cost of elevated rail.

Street level rail from Middle Street is the only responsible way to bring our partially-built rail transit system into town. It is the only way to provide the spine for the affordable, user-friendly and unobtrusive public transportation in central Honolulu that our city needs in the 21<sup>st</sup> century. We should shift our focus from how to fund unaffordable elevated rail to how to best fit rail into bus lanes on our major streets, with bicycles possibly sharing motor vehicle

lanes on slower-speed parallel streets, as in Vancouver.

Changing to street level from Middle Street:

Would use the elevated infrastructure that is already in place,

Would “tame the monster” of the huge unknown expense beyond today’s projected

cost,

Would be in use sooner than if elevated rail were to be continued into town,

Would be more accessible for people of all abilities and not depend on expensive, prompt maintenance of elevators and escalators,

Thankfully, changing to street level from Middle Street:

Would not cut off access to federal funding, since the Federal Transit Administration

itself already advised the city last year that street level could be done by taking the

FTA’s “Option 2a”.

Would not obstruct our mauka-makai and other scenic views in the central Honolulu



urban landscape. Protected since the 1970s in our State Capitol and Chinatown

Special Districts in the city's Land Use Ordinance, these views are a key part of both

our Hawaiian sense of place and our attraction for the visitors who support our

economy. The consultants for the city's TOD plan apparently didn't realize this.

A local coalition of concerned citizens, including Hawaii's Thousand Friends, proposes a route from Middle Street, mostly located on King and Beretania Streets. Information, including the FTA funding letter, is in their SalvageThe Rail website.

I ask our Legislators to help our beleaguered City officials, Council members, HART board and staff change course with Honolulu rail transit. Help them escape the "elevated rail is the only option box" that they have been put in due to pressure from construction unions, concern about using street space for rail cars and apparently unfounded fear of losing federal funding.

Let's pull back from the astronomical cost of elevated rail and protect the beauty of our island and mauka-makai views as much as we can.

Janet Gillmar/ ASLA

3035 La-i Road

Honolulu 96816



**From:** [Michele Golojuch](#)  
**To:** [TRE Testimony](#)  
**Subject:** Go rail go  
**Date:** Sunday, August 13, 2017 12:56:11 PM

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Michele Golojuch  
92-954 Makakilo Dr 71  
Kapolei HI 96707

I in total support of our rail system. We need to finish what we voted for and stop using the rail project a wedge between the different factions of the island of Oahu. This is one of the most important steps in bringing Oahu into the future and offering people a way out of gridlock. I for one can't wait to ride to work while the train does the work for me. No matter how many stalled car, fender benders or road work it will take but a few minutes not and hour to get back to Kapolei!

Sent from my iPhone

**From:** [Michael L. Gomes](#)  
**To:** [TRE Testimony](#); [TRE Testimony](#)  
**Subject:** Opposition to tax Outer Islands to pay for Failed Rail Project  
**Date:** Monday, August 14, 2017 1:47:12 AM

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I am in Strong Opposition to any proposals to include or pass on a share of taxing outer islands to help in any way to pay for the Failed Rail Project for Honolulu. It is ridiculous to even mention a possibility for outer islands to help pay for the worst mismanaged project ever in Hawaii at the cost of the outer islands.

It goes like this, NO MORE MONEY - END THE PROJECT! Plain and simple!!!

Instead you have an idiot mayor talking about expanding rail to UH and to Kapolei, but no \$\$\$ to even get pass middle street. To top things off, he's accepted a 5% raise plus others in the HC&C government.....thats a very asinine thing to do while island residents are going more and more homeless each week.

You as legislators fail to offer a 6th option, which is to consider gambling or lottery/Powerball. That is a viable option to help this project out along with education, school bus shortages on Maui, and homelessness.

This rail project is a Honolulu Fiasco, it isn't a state project. We on Molokai pay \$4.72 for regular gasoline, compared to what Oahu pays. I DO NOT SUPPORT helping in any way to pay for that Rail SCHEME.  
A'OLE FROM MOLOKAI

M. L. GOMES

--

Sent from my Android phone with [mail.com](#) Mail. Please excuse my brevity.

ADDRESS

3442 Waialae Ave., Suite 1  
Honolulu, HI 96816

PHONE

808-735-5756



FAX

808-735-7989

EMAIL

bicycle@hbl.org

August 11, 2017

Hawaii Cycling League Supports Finishing Rail with General Excise Tax

Aloha Representatives of the People of Hawaii,

The voters of Oahu have repeatedly voted in favor of rail. The City Council, elected by Oahu's voters, is the ultimate authority to determine how the City will pay for rail. What is needed is enabling legislation that allows the City Council to make that decision on behalf of Oahu voters. These are the elected officials whose elections were most related to rail issues.

Hawaii Cycling League **supports extending the general excise tax to fund implementation of the full 20-mile 21-station rail system between East Kapolei and Ala Moana, at a minimum.**

The elevated rail system extending from East Kapolei to Ala Moana will provide high quality, quick, and reliable transit for a large portion of Oahu's population. The rail system will serve as the core of a robust multi-modal transportation system with the bus, bicycling and walking that will provide quality transportation options for thousands, enable people to choose healthy active transportation modes of walking and bicycling, lead to fewer people to driving (fewer traffic collisions and deaths), and make it possible for individuals and households to get rid of a car and save thousands in transportation costs. A system built that falls short of the planned 20-mile 21-station system will lessen all these benefits and reduce the value of the already major public investment.

Thank you very much for considering these comments. If you have any questions or would like to discuss further, please contact Chad Taniguchi (808-735-5756, [chad@hbl.org](mailto:chad@hbl.org)) or Daniel Alexander (808-275-6717, [daniel@hbl.org](mailto:daniel@hbl.org)).

Ride and Drive Aloha,

Chad Taniguchi  
Executive Director

Daniel Alexander  
Advocacy, Planning, &  
Communication Director



**HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST**  
650 Iwilei Road, Suite 285 · Honolulu, HI 96817 · Phone: 808-845-3238 · Fax: 808-845-8300

**TESTIMONY OF HAWAII LECET  
CLYDE T. HAYASHI - DIRECTOR**

**SENATE COMMITTEE ON TRANSPORTATION AND ENERGY**

Senator Lorraine R. Inouye, Chair  
Senator Will Espero, Vice Chair

**SENATE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS**

Senator Clarence K. Nishihara, Chair  
Senator Glenn Wakai, Vice Chair

**SENATE COMMITTEE ON WAYS AND MEANS**

Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

**HOUSE COMMITTEE ON TRANSPORTATION**

Representative Henry J.C. Aquino, Chair  
Representative Sean Quinlan, Vice Chair

**HOUSE COMMITTEE ON FINANCE**

Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen, Vice Chair

**NOTICE OF INFORMATIONAL BRIEFING**

DATE: Monday, August 14, 2017

TIME: 10:00 a.m.

PLACE: State Capitol Auditorium

**TESTIMONY ON SENATE BILL NO. 1183 SD2 HD1, RELATING TO TAXATION**

**ALOHA COMMITTEE CHAIRS, COMMITTEE VICE CHAIRS, AND COMMITTEE MEMBERS:**

My name is Clyde T. Hayashi, and I am the Director of Hawaii LECET. Hawaii LECET is a labor-management partnership between the Hawaii Laborers Union, Local 368, and its unionized contractors.

Mahalo for the opportunity to testify in **SUPPORT** of the Legislature enabling the City and County of Honolulu to extend the .5 percent Rail GET Surcharge for an additional 10 years, to December 31, 2037. We strongly support completing the Honolulu Rail Project to Ala Moana Shopping Center (20 miles, 21 stations and 80 cars).

Extending the .5 percent Rail GET Surcharge is the best way to ensure that the Rail Project can be completed to Ala Moana Shopping Center. Oahu residents are already set to pay the Rail .5 percent GET Surcharge until December 31, 2027. The additional 10 years will provide adequate funding.

The Honolulu Rail Project must be completed to Ala Moana Shopping Center (the full 20 miles, 21 stations and 80 cars). It is the only major transportation project planned for Oahu to provide major traffic relief and because it is elevated, will be independent from our highway system. The rail system will take cars off the road and provide a daily commuting alternative, especially for the thousands of West and Central Oahu residents whose destinations are the airport, Downtown, Kakaako/Ala Moana, and Waikiki.

If the Rail project is killed, the burden of addressing the traffic nightmare that West and Central Oahu residents face daily will fall on the State as State highways and roads are where the major congestion occurs. I am not aware of the State having any plans for any major transportation project to provide any kind of significant relief to residents of West and Central Oahu. Another freeway or an additional deck added to the H-1 would cost much more than the additional funds needed to complete the Rail Project. If not Rail, then what?



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The FTA is requiring the City to provide a Financial Plan by September 15, 2017. This plan needs to include adequate funding for Rail to be completed to Ala Moana Shopping Center. The best way to meet the terms of the Full Funding Grant Agreement is to extend the .05 percent Rail GET Surcharge by at least 10 years.

Failure to provide a financial plan which will complete the Rail to Ala Moana Shopping Center will likely mean that the City has breached the terms of the Full Funding Grant Agreement (FFGA) (which Mayor Carlisle signed on December 19, 2012) and the City will lose the \$1.55 billion of federal funds pledged to this project. It will mean that the City will have to repay the FTA an estimated \$700 million to \$800 million.

The completion of the Honolulu Rail Project will provide us the opportunity for building more affordable housing, especially around rail stations. With properly planned TOD, it will help us to build a modern, sustainable Honolulu.

Our thousands of members and our contractors have benefited from the many construction jobs that Rail has created and will continue to create. We also look forward to working on TOD and on the affordable housing projects the completion of Rail will bring about.

Mahalo for this opportunity to testify.



**HAWAI'I LODGING & TOURISM**  
**A S S O C I A T I O N**

August 10, 2017

The Honorable David Y. Ige  
Governor of Hawai'i  
415 S Beretania St #5  
Honolulu, HI 96813

RE: 2017 Legislative Special Session

Dear Governor Ige,

The Hawai'i Lodging & Tourism Association—nearly 700 members strong, of which 170 are lodging properties with more than 51,000 rooms—opposes using the transient accommodations tax as a funding source for the Honolulu rail transit project.

We recommend instead that rail funding come from extending the general excise tax surcharge. And if a tax increase is warranted, it should be from the GET and not the TAT.

**The GET is a broad-based and stable revenue source:** The general excise tax is a broad-based tax that is paid by residents and visitors alike, but its revenue largely benefits our local community. It is also a relatively stable source of revenue, as opposed to transient accommodations revenues that fluctuate with the health of the hospitality industry.

**Rail will benefit residents:** As envisioned, the rail system will serve the broadest ridership and reach our densest job centers. In this regard, we firmly believe the transit line must reach Ala Moana Center, its original terminus, and eventually be extended to serve the Manoa campus of the University of Hawai'i, to be at its most effective for residents. A station at the Daniel K. Inouye International Airport will be an important stop for the thousands of airport-area employees, not to mention the millions of tourists who visit Hawaii yearly and people traveling between the islands. We expect that many of our hospitality industry employees, particularly those who live on the west side, will use rail and the bus to commute into Waikiki and the surrounding areas. Transit-oriented development along the rail line should lead to more affordable workforce housing, revitalized neighborhoods and public education institutions. Given these long-term benefits for our residents, the general excise tax is the appropriate source of revenue to fund the rail system.



**TAT revenue is being spent more and more on general government operations:** As our association has pointed out repeatedly over the years, the transient accommodations tax—which was originally established for tourism marketing, the convention center, and to help defray county government services used by visitors—has been steadily raised over the years despite our objections. However, the added revenue has not gone toward its original purposes; rather, more than half of it is now being used for general government spending. Imposing yet another increase would not be in keeping with the enabling legislation, while adding to our visitors’ vacation expenses. And we remember all too vividly when we were told by government officials that raising the TAT to 9.25 percent would just be a “temporary” measure to address budget shortfalls; in fact, it turned out to be permanent.

**Record visitor arrivals do not equate to record profitability:** The tourism industry is midway through our sixth consecutive year of increased visitor arrivals, but this does not mean that this money is going into the pockets of hoteliers. Rather, the hospitality industry is faced with ever-increasing costs for employee payroll and benefits (over 40 percent of expenses are for personnel costs alone), taxes, electricity and gas, water and sewage, supplies and contracted services, and all the other expenses associated with a major enterprise. And year after year, hotel property owners must invest millions of dollars, in the face of rising construction costs, not only on general maintenance but in facility upgrades or major renovations to remain competitive. Furthermore, all this spending goes into the local economy, generating even more tax revenue.

It bears mention that real property taxes on hotels constitute a major operating expense that must be passed on to our guests. O’ahu’s property tax revenues from the hotel-resort class have nearly doubled over the past five years to a current \$170 million. This year alone, property taxes for hotels and resorts in all four counties will reach a projected \$300 million, a rise of 50 percent over the past five years.

**Contributions to the community and our quality of life:** The hospitality industry has been a major contributor to the community throughout our history, generous in our support of many causes that enhance the quality of life for all residents. Among them, we organize the annual Charity Walk, which has raised more than \$32 million during its history, with all of this money devoted to local charitable organizations. We have raised \$2 million to address the homelessness situation statewide in the last few years and are poised to provide more funding to help nonprofits assist local government in this critical endeavor. We grant over \$50,000 a year in scholarships to public school seniors across the state, and support college students pursuing travel industry degrees. We have donated money for beach replenishment, public safety, the replacement of air-conditioning and other infrastructure needs at our public schools, contributed supplies for elementary schools, are leaders in the Aloha United Way annual campaign, and given back to our home in many other ways.

The Honorable David Y. Ige  
Page 3  
DATE

According to the Hawai'i Tourism Authority and Department of Business, Economic Development & Tourism, tourism accounts for 190,000 jobs in the islands, either directly or indirectly. Nearly 40,000 of those jobs are in the lodging sector. The Hawai'i Lodging & Tourism Association is adamant in opposing tax proposals that would adversely affect our residents, as well as the visitor industry, by raising the expense of accommodations, increasing the cost of a Hawaiian vacation, and making it even more difficult to compete against lower-priced national and international destinations.

Mahalo for your consideration.

Sincerely,



**Pam Yagi**  
**General Manager**  
**Hilton Grand Vacations at Hilton Hawaiian Village Waikiki Beach Resort**

Cc: The Honorable Ronald Kouchi, Senate President  
The Honorable Scott Saiki, Speaker of the House

**From:** [Shirlene Ostrov](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony for Rail Informational Meeting, 8/14/17  
**Date:** Sunday, August 13, 2017 7:21:24 PM

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To the honorable members of this legislative body, thank you for the opportunity to address you today. I am writing on behalf of not just the Republican Party of Hawaii, but on behalf of every citizen and taxpayer of the State of Hawaii, regardless of political affiliation, who has growing and grave concerns over the direction of the Honolulu Rail Project and the impact it will have on all who call Hawaii home.

The facts of the situation are clear. We were promised a rail system for \$3-billion. That promise was broken. We were promised a rail system on time and on budget. That promise was broken. We were promised no tax increases. The GET has been extended and the mayor of Honolulu has indicated the possibility of a property tax increase. We are now at the mercy of the federal government, yet transportation officials in Washington—much like many of you in this legislative body—have expressed concerns and doubts about the competency, transparency and honesty of the Caldwell Administration and are poised to cut off rail funding completely.

I am not, and our party is not, against the concept of a comprehensive public transportation system. In the course of my military career I have lived in locations across our nation and around the world, and have personally seen how a properly-managed, properly-functioning, well-maintained rail network can fundamentally impact and benefit the lives of working people and their families. But this system is not being properly managed, is not yet even functioning, and is already suffering from maintenance woes before the first rail car has even stopped at the first rail station. This is unacceptable.

And while I am not here today to provide a strategy or solution to this predicament and I am not a qualified expert on this rail project, I am a retired Air Force Colonel who specialized in logistics and I have seen well-executed transportation solutions throughout my career. This is not one of them, and responsibility belongs to our city's elected and appointed officials.

The responsibility of overseeing this project fell into the hands of Mayor Caldwell, and he has failed. The responsibility of managing and implementing this project fell into the hands of the members of HART, and they have failed. The voters of Oahu had an opportunity to rectify this situation during last November's election, and they chose to allow an embattled incumbent to remain in office...but I'll bet you they regret that now. Not a single day passes where I'm not approached by a voter who cautiously admits wishing he or she had voted for "the other guy."

I can't help but think that had our city government incorporated just a few of my party's ideals in planning and implementing this project, we would not be in this situation today. The Republican Party stands for a smaller, smarter, more transparent and efficient system of government; a government where those that hold office are held accountable for their actions and words; a government of elected officials who stand on principles, rather than political expediency; a government that serves the people, not the other way around.

I am here today because the opportunity to rectify this situation is now yours, and I very humbly ask that you stand up for all of us who will ultimately bear the brunt of the this project's consequences. Hold Mayor Caldwell and his administration accountable. Hold HART and the project's executives accountable. Audit this project and reveal your findings, because your constituents deserve to know exactly when, where and how their tax dollars are being spent. Demand honesty and transparency from those overseeing this project, because all good government is built on those foundations. And above all, do not burden us with more tax increases and an even higher cost of living. My children spent so many years moving from one city to the next, and I would like them to at long last be able to carve out a life here in Hawaii, and continue to call it home.

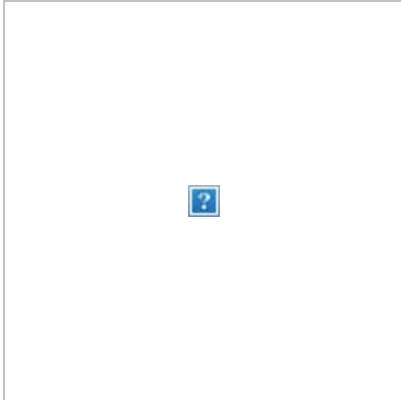
The opportunity is now yours. For all of us with a stake in the future of our state, please do what you know is right.

Thank you for your time.

Respectfully,

Shirlene DelaCruz Santiago Ostrov  
Chairman  
HAWAII REPUBLICAN PARTY  
725 Kapiolani Blvd., #C-105  
Honolulu, Hawaii 96813

Office: [808-593-8180](tel:808-593-8180)  
Cell: [808-722-2313](tel:808-722-2313)  
Email: [shirlene@gophawaii.com](mailto:shirlene@gophawaii.com)





## *Hawaii's Thousand Friends*

300 Kuulei Road Unit A #281 \*Kailua HI 96734\* Phone/Fax 808-262-0682 E-mail htf3000@gmail.com

August 14, 2017

COMMITTEE ON TRANSPORTATION  
COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, & MILITARY AFFAIRS  
COMMITTEE ON WAYS AND MEANS  
COMMITTEE ON TRANSPORTATION  
COMMITTEE ON FINANCE

Information Briefing on  
City and County of Honolulu's rapid transit system

Committee Chairs, Vice Chairs  
Committee Members

As rail creeps toward historic downtown we cringe at the thought of elevated rail snaking along the waterfront bifurcating downtown from Honolulu's historic waterfront and gigantic stations encroaching into historic buildings.

So we took the opportunity of a rail system with NO MONEY and OVER BUDGET to look at viable and cost effective rail options. During the legislative session we peppered legislators with information on Option 2A "Build to Middle Street as planned and continue with at-grade rail" an option that was identified by HART at their 6/8/16 meeting.

Throughout the session we explained how stopping elevated rail at Middle Street and going to street level would *save \$3 billion dollars, cut construction time by 4 years, and preserve downtowns historic waterfront connection.*

In addition three nationally recognized rail experts who have followed Honolulu rail project and viewed the rail route took Option 2A even further stating that street level rail will gather new enthusiasm and change the character of transit within downtown by creating a true urban transit system that will be more readily expandable to UH and Waikiki.

The FTA, in a letter to Mayor Caldwell, noted that it has an obligation to protect the public's very substantial investment in the rail project stating that the City "must make a fundamental choice to either reduce the scope of the Project, consistent with the financial resources currently available or seek additional, non-Federal resources sufficient to complete the functional scope of work..." and that logically the City's first step "will be to identify a range of viable options for cost containment...."

The legislature too has an obligation to protect Oahu taxpayer's very substantial investment in rail and not continue the tax at any cost mentality that permeates around rail.

In light of a \$3 billion dollar shortfall Option 2A – street level rail from Middle Street not only *saves \$3 billion dollars* thus eliminating the budget shortfall but provides an opportunity to create a true urban transit system that enhances the livability of downtown while retaining downtowns mauka-makai view corridors and historic waterfront connection.



**From:** [Richard Heaton](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony for Rapid Transit Informational Briefing  
**Date:** Sunday, August 13, 2017 11:52:47 AM

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I believe that if the public were actually be given a vote for or against the rail, it would be soundly defeated.

It is time to cut our losses and discontinue this doomed-to-fail project.

Perhaps if any more money is spent, it could be to change the elevated guideways into bus rapid transit lanes connecting the new city area to downtown.

***Richard A. Heaton, P.E.***

**From:** [Marguerite Higa](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony in SUPPORT of Honolulu Rail Project  
**Date:** Sunday, August 13, 2017 11:19:56 PM

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RE: Testimony in SUPPORT of Honolulu Rail Project

Aloha Senator Inouye, Espero, and members of the Comm on Transportation and Energy,

I write to you to urge you to fund the Honolulu Rail Project to completion. I now live and work in Manoa but grew up in Mililani in the 70's and 80's. Today the traffic between the suburbs and town is so horrendous that it is a serious detriment to the quality of life. Oahu's families that live outside of town are spending literally hours every day to get to town and back. It is not only adults, but also children who are losing precious time for sleep, for meals, and for homework. It is insane.

I work at the University. We recruit nationally competitive candidates and students and regularly lose them when they choose to leave Hawaii because they cannot find an affordable place to live within a reasonable commute. The faculty and top professionals understand when they move to Hawaii that they will have to adjust their expectations for living standards, but they are not prepared to rent forever or live in faculty housing. They are willing to make some sacrifices, but they are not willing to live like students. And the students - it is especially hard on them, having to live in very small shared spaces. All of these issues are related to our transportation problem. With efficient, reliable mass transit, it will become more feasible to live further away and still maintain a high quality of life. Without driving, and parking, it will save significant time, and residents can have more housing options to suit a range of budgets and needs.

Let's make sure that the rail project goes to completion. We must connect residential areas to the airport, to Honolulu and Waikiki, and to the University. Even if it must be added section by section, nevertheless we must advance. It is so important to our future growth as a city and county.

I have lived in other cities where rail was adopted, and it is always used well beyond expectation once it is operational. Most recently in St. Louis. Again there was deep skepticism that anyone would use it. There were arguments that we already had a bus system, why do we need a rail? But buses are slow, subject to traffic, and unreliable. Trains run on time. Initially it only connected downtown with University City. But once the rail was built, it was used well beyond expectation and the city of St. Louis was able to expand the lines much earlier than anticipated. It was a huge success and was a major contributor to revitalizing downtown and promoting growth of St. Louis. It is a much more modernized city now than pre-rail.

These transportation and housing issues are a risk to the future of Hawaii. It is impacting our competitiveness and ability to recruit and retain talent. These are keys to the success of a metropolitan area. We need rail. It is an essential investment. Please don't make the same mistake as the previous effort. It would be our doom. Let's get this done so that we can advance the future of the people of Hawaii.

Sincerely,  
Marguerite Higa  
Resident of Manoa



**From:** [Brett Kulbis](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony to the Senate Committee on Transportation and Energy  
**Date:** Sunday, August 13, 2017 10:02:39 AM

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Aloha Committee Members,

As a resident, voter and Chairman of the Honolulu County Republican Party, I have seen the gross mismanagement of the Honolulu rail project go on and on. Our party has wisely adopted resolutions in opposition to this wasteful project and any tax hikes to fund it. Likewise, I do not support any increase in any tax that bailsout the Mayor, City Council and HART for their gross mismanagement of the rail project. Indeed, it is our job to lead this fight.

This boondoggle has been poorly planned, over politicized, badly administered, and will yield little to no benefit for Oahu residents, while ensuring our children and grandchildren will forever be in debt.

The Mayor, City Council and HART have repeatedly expressed the need to complete the project as is, or risk the loss of the FTA's \$1.5B. In what business do you spend \$10B to save \$1.5B? In keeping with our party's official positions, it's time to make the tough call and end this project because:

1. Cost of its construction and operation will exceed any income generated from its riders, and it will negatively impact the private property of many Oahu residents.
2. It's too costly, inflexible, and offers limited access and service areas.
3. It will be an ugly and noisy eyesore for visitors to our islands.
4. It will be a single point of failure of mobility in the event of a breakdown, natural disaster, or terrorist attack that affects the system.
5. Instead, the City and County of Honolulu should return TheBus to its once award-winning service (TheBus has been the only mass transit system to be recognized twice by the American Public Transportation Association as America's Best Transit System (1994–1995 and 2000–2001, beating other transit systems) by:
  - a. Increasing the number of buses and frequency of service;
  - b. Increasing funding of the bus system which can be transferred from the rail budget;
  - c. Providing Wi-Fi on the bus since it has seating for more passengers;
  - d. Completing plans for the westbound zipper lane;
  - e. Building underpass lanes in critical areas to expedite left turns;

Transportation is just one of many issues affecting Oahu residents which require serious solutions and action to tackle. With the median price of a home in our county predicted by economists to reach one million dollars in the next five years and our cost of living being the worst in the country, it's clear that only Republicans can provide the leadership and the solutions Oahu will require to avert economic disaster.

The 2018 General Election is 1 year 2 months and 24 days away. The Honolulu County Republican Party will ensure that taxpayers and voters are reminded of your decision today!

The 2018 elections will have consequences.

Brett Kulbis

Chairman

Honolulu County Republican Party

*"The voice of the silent majority!"*



# HYATT PLACE®

Testimony of

Fernando Vazquez  
General Manager  
Hyatt Place Waikiki Beach

Date: 08/14/17

The Honorable David Y. Ige  
Governor of Hawai'i  
415 S Beretania St #5  
Honolulu, HI 96813

RE: 2017 Legislative Special Session

Dear Governor Ige,

The Hyatt Place Waikiki Beach with 106 associates with 426 rooms—opposes using the transient accommodations tax as a funding source for the Honolulu rail transit project.

We recommend instead that rail funding come from extending the general excise tax surcharge. And if a tax increase is warranted, it should be from the GET and not the TAT.

**The GET is a broad-based and stable revenue source:** The general excise tax is a broad-based tax that is paid by residents and visitors alike, but its revenue largely benefits our local community. It is also a relatively stable source of revenue, as opposed to transient accommodations revenues that fluctuate with the health of the hospitality industry.

**Rail will benefit residents:** As envisioned, the rail system will serve the broadest ridership and reach our densest job centers. In this regard, we firmly believe the transit line must reach Ala Moana Center, its original terminus, and eventually be extended to serve the Manoa campus of the University of Hawai'i, to be at its most effective for residents. A station at the Daniel K. Inouye International Airport will be an important stop for the thousands of airport-area employees, not to mention the millions of tourists who visit Hawaii yearly and people traveling between the islands. We expect that many of our hospitality industry employees, particularly those who live on the west side, will use rail and the bus to commute into Waikiki and the surrounding areas. Transit-oriented development along the rail line should lead to

**Hyatt Place Waikiki Beach**

175 Paoakalani Avenue \* Honolulu, Hawaii 96815 \* Telephone 808 922 3861 \* Facsimile 808 922 3779  
888 HYAT HP or HyattPlace.com



more affordable workforce housing, revitalized neighborhoods and public education institutions. Given these long-term benefits for our residents, the general excise tax is the appropriate source of revenue to fund the rail system.

The Honorable David Y. Ige

Page 2

DATE: 08/10/17

**TAT revenue is being spent more and more on general government operations:** As our association has pointed out repeatedly over the years, the transient accommodations tax—which was originally established for tourism marketing, the convention center, and to help defray county government services used by visitors—has been steadily raised over the years despite our objections. However, the added revenue has not gone toward its original purposes; rather, more than half of it is now being used for general government spending. Imposing yet another increase would not be in keeping with the enabling legislation, while adding to our visitors’ vacation expenses. And we remember all too vividly when we were told by government officials that raising the TAT to 9.25 percent would just be a “temporary” measure to address budget shortfalls; in fact, it turned out to be permanent.

**Record visitor arrivals do not equate to record profitability:** The tourism industry is midway through our sixth consecutive year of increased visitor arrivals, but this does not mean that this money is going into the pockets of hoteliers. Rather, the hospitality industry is faced with ever-increasing costs for employee payroll and benefits (over 40 percent of expenses are for personnel costs alone), taxes, electricity and gas, water and sewage, supplies and contracted services, and all the other expenses associated with a major enterprise. And year after year, hotel property owners must invest millions of dollars, in the face of rising construction costs, not only on general maintenance but in facility upgrades or major renovations to remain competitive. Furthermore, all this spending goes into the local economy, generating even more tax revenue.

It bears mention that real property taxes on hotels constitute a major operating expense that must be passed on to our guests. O’ahu’s property tax revenues from the hotel-resort class have nearly doubled over the past five years to a current \$170 million. This year alone, property taxes for hotels and resorts in all four counties will reach a projected \$300 million, a rise of 50 percent over the past five years.

**Contributions to the community and our quality of life:** The hospitality industry has been a major contributor to the community throughout our history, generous in our support of many causes that enhance the quality of life for all residents. Among them, we organize the annual Charity Walk, which has raised more than \$32 million during its history, with all of this money devoted to local charitable organizations. We have raised \$2 million to address the homelessness situation statewide in the last few



years and are poised to provide more funding to help nonprofits assist local government in this critical endeavor. We grant over \$50,000 a year in scholarships to public school seniors across the state, and support college students pursuing travel industry degrees. We have donated money for beach replenishment, public safety, the replacement of air-conditioning and other infrastructure needs at our public schools, contributed supplies for elementary schools, are leaders in the Aloha United Way annual campaign, and given back to our home in many other ways.

The Honorable David Y. Ige

Page 3

DATE: 08/10/17

According to the Hawai'i Tourism Authority and Department of Business, Economic Development & Tourism, tourism accounts for 190,000 jobs in the islands, either directly or indirectly. Nearly 40,000 of those jobs are in the lodging sector. The Hawai'i Lodging & Tourism Association is adamant in opposing tax proposals that would adversely affect our residents, as well as the visitor industry, by raising the expense of accommodations, increasing the cost of a Hawaiian vacation, and making it even more difficult to compete against lower-priced national and international destinations.

Mahalo for your consideration.

Sincerely,

Fernando Vazquez  
General Manager

Cc: The Honorable Ronald Kouchi, Senate President

The Honorable Scott Saiki, Speaker of the House



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TO: Members of the Senate Committees on Transportation & Energy, Public Safety, Intergovernmental & Military Affairs, and Ways & Means; and House Committees on Transportation and Finance

FROM: Natalie Iwasa (4 pages)  
Honolulu, HI 96825  
808-395-3233

INFORMATIONAL

BRIEFING: 10 a.m. Monday, August 14, 2017

SUBJECT: Honolulu's Rapid Transit System

Aloha Committee Chairs and Committee Members,

Thank you for holding an informational briefing and allowing the public the opportunity to provide testimony. Given rail's history of incomplete, incorrect and inconsistent information and continuing cost overruns, I ask you to set the following priorities:

- 1) **Stop the funding;**
- 2) **Support a forensic audit; and**
- 3) **Look at all of the reasonable options.**

### **Reasons to Stop the Funding**

#### **Incomplete and Incorrect Information is Provided to Decision Makers and the Public**

Major decisions that have been made regarding rail have been followed by significant bad news. In addition, numbers from HART are still not reliable. For example, page 21 of the *Draft Update of the Financial Plan for Full Funding Grant Agreement* dated December 1, 2016, includes only \$6 million in other revenue to February 2016. The amount was well over that as of June 30, 2015.

HART's numbers also frequently do not include important assumptions, making it difficult to determine whether information is reasonable or complete. Attached is a summary of cash balances and debt proceeds from several of HART's cash flow projections. While it is reasonable that projections will change as new information becomes available, it should not be acceptable to have wide fluctuations in numbers without explanations clearly indicated. Please see attached page 4 of my testimony for an example.

#### **A Move Toward Less Transparency**

As you probably know, I have found many errors in HART's numbers, including inconsistent reporting of cash balances, math errors on their bus ridership "raw data," the

number of community meetings they attended as listed in their monthly progress reports, and other financial information. Rather than correcting some of these numbers, HART has been removing them. For example, cash balances that had regularly been reported in their monthly progress reports are no longer available.

When the Honolulu City Council initially approved a resolution for rail bond funding several years ago, they included a cash flow projection that included a \$140 million adding error. This year they did not include a cash flow projection with the resolution.

HART used to include copies of testimony with their minutes and post them online. I have been asked them several times over the past few years to post public testimony, but they still do not.

During the regular session, the mayor asked for an extension to 2047. I asked for that projection through a Freedom of Information Act request. I was denied a copy on the basis that it is "pre-decisional." If these projections aren't provided, good decisions cannot be made.

### **Support A Forensic Audit**

HART has had annual financial audits. There have been other audits as well. I support a forensic audit, because I have other concerns that have not been addressed in these prior audits. For example:

- Approximately \$8 million of federal funding was netted with expenses in the transit fund on the city's books. This means that rail revenues and expenditures are understated by this amount. Why was this done? Have other amounts similarly been improperly booked?
- Finmeccanica is a major contractor for HART. Finmeccanica is fraught with corruption and fraud. Were their negotiations on the up and up with Honolulu? Why didn't more reputable firms get involved with Honolulu rail?
- The financial audit for fiscal year ended June 30, 2016, included no passed journal entries. Passed entries are errors that do not materially affect the financial statements. I performed audits for 10 years, and I always found at least one passed adjustment. Given all of the errors in HART's numbers, why is it that the auditors did not have even one passed adjustment?
- Principals of the firm that audited HART contributed thousands to Caldwell's campaign. While this is not illegal nor against ethical policies that I am aware of, it raises serious questions about the integrity of the audits.



A forensic audit can help answer many of the still-unanswered questions that people have. In addition, there has been so much push-back for a forensic audit, I wonder what people are trying to hide.

### **Look at Reasonable Options**

We still have options, but we need good information to make a good decision. Those options should include an honest look at the full cost of rail – including operations and maintenance. If ridership is 50% of what is projected (and we already know the projections are way too optimistic), what does that do to the amount taxpayers have to subsidize.

How would a tax extension or increase impact the city's other responsibilities? How does it impact the state's flexibility to take care of its responsibilities? What are the opportunity costs of having a steel-wheels-on-steel rail all the way to Ala Moana?

**Please stop the funding, at least for now, and let's go from there.**

**TESTIMONY OF NATALIE IWASA  
ILLUSTRATION OF PROJECTED CASH BALANCE & DEBT PROCEED VARIANCES  
WITH LACK OF EXPLANATIONS FOR ASSUMPTIONS USED**

Page 4

<i>Amounts in millions</i>	Beginning Cash FY 2018	Beginning Cash FY 2019	Debt Proceeds FY 2018
11/21/16 - FY 2018-2023 cash flow provided to HART board <sup>1</sup>	\$ 68.5	\$ 325	\$ 507.7
12/1/16 - Table A-1, provided to FTA <sup>2</sup>	\$ 25	\$ 25	\$ 653
5/18/17 - Monthly Cash Flow FY 2018, provided to HART board <sup>3</sup>	\$ 25	\$ 46.4	\$ 563.1
6/22/17 - Monthly Cash Flow FY 2018, provided to council <sup>4</sup>	\$ 25	\$ 31	\$ 590

**NOTE:** The monthly cash flow report provided to council 6/22/17 for FY 2018 includes \$35 million for reserves. If those reserves were not deducted from the cash balance, beginning cash for FY 2019 would be \$66 million instead of \$31 million.

*1 Budget presentation available at <http://hartdocs.honolulu.gov/docushare/dsweb/Get/Document-20133/20161121-fy2018-operating-and-capital-budgets-presentation.pdf>*

*2 Draft Update of the Financial Plan for Full Funding Grant Agreement*

*3 <http://hartdocs.honolulu.gov/docushare/dsweb/Get/Document-20690/20170518-hart-projected-cash-flow.pdf>*

*4 Council communication DC 469*

Honorable State Senators and Representatives

My name is Elaine Kam. I am a retired government employee and a member of the Financial Accountability for Rail Mass Transit Association, and I will summarize our four-part testimony.

1) Roy Nakamura, our president and a former City and State employee, provided the introduction and our concern for financial accountability and affordability of the rail system. He also raised serious questions that must be answered by the city and HART as well as the need for an audit before you can even think about going forward with new funding initiatives.

2) Mr. Nakamura was followed by Rod Tam, a former State Senator and experienced budget analyst, who provided specifics on the seven questions needing answers from an administration who seems to have a lack of concern for our taxpayers' welfare and the negative impacts on their budgets and ability to pay for basics such as food and medicine.

Mr. Tam presented documented escalating costs and our association's failed attempts to not only obtain financial accountability from the Mayor, the City Council, and HART but also any details on how federal funds have been spent. His proposal for you to adopt a resolution for a **COMPREHENSIVE FINANCIAL and FORENSIC AUDIT** on the rail project at the special legislative session that starts on August 28, 2017 must be seriously addressed before legislating any future funds to pay for this over-priced rail system.

There is time because bonds will fund rail through 2017, and the rail surcharge on the excise tax will run for another ten plus years. You will be able to re-visit rail funding in your regular 2018 session. Federal money will still be there—and will become available when the FTA sees a sound financial recovery plan. The current financial burdens on our citizens cannot be disregarded whenever this legislature considers how best to fund rail.

3) Charles Carole, a former urban planner for the Department of Business, Economic Development & Tourism of New York and then Hawaii, followed Mr. Tam to also strongly request a rail audit by the State Auditor before the 2018 State Legislative Session. Mr. Carole is concerned about the rail's construction costs, ridership projection, and potential operating and maintenance costs, especially since the cost has nearly doubled since 2012. He also brought up what seems to be faulty analysis by the rail consultants, especially with regard to ridership forecasts for Honolulu given the poor actual ridership numbers for another new elevated rail system in Puerto Rico, 71 percent less than projected.

4) Frank Genadio, a retired Air Force officer and system analyst, closed our association's testimony by proposing a cost-effective, operationally superior, and much more affordable rail system, an American designed urban maglev. Conversion using 21st Century technology will enable completion of the full 20-mile project while staying within available funding. Mr. Genadio stated that there is enough money now, and our state legislators should pause to examine every alternative and meet with U.S. Department of Transportation officials and Congress to discuss either fiscally responsible completion of the rail project or its termination.

Mahalo for the opportunity for our association to express our views, suggestions and proposals.

**From:** [Kapua Keliikoa-Kamai](#)  
**To:** [TRE Testimony](#)  
**Subject:** Rail Management Skepticism for the Legislative Special Session on Monday, 14 August  
**Date:** Sunday, August 13, 2017 3:42:36 PM

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Aloha Chairs, Vice Chairs and Members of the  
COMMITTEE ON TRANSPORTATION AND ENERGY,  
COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL, AND MILITARY AFFAIRS,  
COMMITTEE ON WAYS AND MEANS,  
COMMITTEE ON TRANSPORTATION,  
COMMITTEE ON FINANCE

Considering the prospective Special Legislative Session later this month, I share the following with you and hope you consider my recommendations in tomorrow's Special Informational Briefing.

1. Oppose any increase or extension of the General Excise Tax (GET) for Rail funding.
2. Exempt all Kamaaina from the Transient Accommodations Tax (TAT) or new TAT increases.
3. Only take action on Rail and other legislative bills that passed the 29th Legislative Session of the 2017 Legislature (the Governor vetoed measures; no new or amended legislative bills).

For too long, both the Honolulu City and County and the Honolulu Authority for Rapid Transportation have failed to provide sound and credible planning, informational data, and financial figures for the Rail Project. Causing myself, and many others apparently, to regret the initial support we had for mass transit, subsequently this Rail Project. Not being one to just sit on the sidelines, I've engaged and tried to be informed:

- I've gone to a few well-staffed pre & post Rail selection presentations. They were pretentious and costly.
- I've watched, read and listened to many individuals that presented alternative options. Obviously, the independent Rail Panel, the C&C and HART weren't paying attention and disagreed.
- I've (like many others) testified against this "light-rail" model when other more viable options were available. I consider this to be old-technology in a supposedly new-century forward thinking Honolulu. How many others have or are embarking on this specific steel-on-steel technology?
- I've come to accept that I (and many others) were deemed irrelevant community members in their charade - the Rail was already pre-selected.
- We've witnessed their non-cultural/environmental consideration and poor planning of the Rail that brought about legal lawsuits - causing delays and increased expenses.
- We've witnessed the legacy problems experienced by HART for having to either abide by or change plans that were made by their predecessors, the C&C.
- We've witnessed the necessity for numerous "change orders" due to their rushed and poorly planned execution of the Rail - causing continuous increased expenditures.
- We've seen their conflicting and erroneous figures, as pointed out by several members of the community, like Natalie Awase.
- We've seen them use and consolidate monies from other C&C coffers and still need more.
- We've seen them increase C&C fee's to support Rail.
- We've heard them say they only need \$\$\$\$\$\$ to cover this, that and the other to get by - then, return to ask for more.
- We've heard them imply that they can't say how much it'll cost until they get there on too many area's. Did they ever KNOW what the costs were and what they are now?
- We've heard their rhetoric that continues to play against sound reasoning:
  - "we can't afford to lose the Federal dollars"
  - "we've spent too much"
  - "we've come too far"
  - "we've got to finish the Rail"
  - etc., etc., etc.

The bottom-line is Yes, we are very skeptical of THIS Rail project! Yes, I believe that Mayor(s), Hanneman and Caldwell, have not been truthful and have not provided full disclosure of the Rail. Yes, I believe they pre-selected

THIS Rail and were selectively providing skeletal information for an obese fur-lined project. Yes, HART has had to live and adjust to previous decisions and are also accountable now. Yes, their deceptive approach, actions and decisions that will cost the taxpayers of today and generations to come - just for the build-out! And YES, WE NEED MASS TRANSIT but not this one.

I believe you've seen, read or heard much of this before, if not more, and from more reliable sources. But, if we don't stop this beast NOW and RE-consider alternatives we are well on our way to a Honolulu C&C bankruptcy - even with all the state legislature's financial assistance. Who wouldn't fire their personal financial manager for behaving like this? We can't fire the people but we can fire (change) the project and its expenditures. That's why I'm advocating for other alternative Rail reconsiderations that meet State, County and Federal guidelines that will fit our needs, budget and timeline - whatever they may be, JUST NOT THIS RAIL BEAST please. Mahalo.

Me ka ha'aha'a,  
Kapua Keliikoa-Kamai  
Concerned Wa'ianae Resident

*'A'ohe hana nui ke alu 'ia.*

*No task is too big when done together by all.*

*'Olelo No'eau #142*



August 14, 2017

The Senate and The House of Representatives  
The Twenty-Ninth Legislature, Interim of 2017

**Informational Briefing on the City and County of Honolulu's Rail System**  
**Monday, August 14, 2017, 10:00 a.m., Auditorium, State Capitol**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF and its members support the City and County of Honolulu's (City) Rapid Transit System (Rail System), and greatly appreciate the past efforts of the legislature to assist the Rail System by approving a General Excise Tax (GET) surcharge through the year 2027. Unfortunately, due to delays, rising costs and other administrative issues, we understand that more funding will be needed past the year 2027, to pay for the construction and financing costs of the minimum, operable segment of 20 miles and 21 station all the way to Ala Moana Center, which has been identified in the Environmental Impact Statement, has been approved by the Honolulu City Council and has been approved by the Federal Transit Administration (FTA).

LURF also understands that there has been skepticism over the management of the Rail System and the credibility of the information provided to the legislature by the Honolulu Authority for Rapid Transportation (HART) and the City, as well as questions regarding the information generated by the legislature and State of Hawaii. However, we encourage HART, the City, the legislature and the State to work together to determine a sufficient funding amount and reliable funding source that will allow completion of the entire Rail System, minimize the impact on Hawaii's taxpayers and major industries, and also meet the criteria for approval by the FTA.

Thank you for the opportunity to provide comments in support of the continued funding of the Rail System.

**From:** [alahoku@aol.com](mailto:alahoku@aol.com)  
**To:** [TRE Testimony](#)  
**Subject:** Fwd: rail  
**Date:** Sunday, August 13, 2017 11:54:01 PM

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To all 50 decision-makers,

**I say NO** to increasing and/or extending the rail tax. "Doing whatever is needed, meaning a "perpetual" rail tax, is an unconscionable burden to everyone. The cost is going up and up, to who knows where.

What to do?

I attended an anti-rail session regarding the future of our rail. Very good option plans were offered, not to stop the rail, but to save billions of dollars and precious time... for example:

#1 - the downtown rail portion could go street surface, perhaps saving several billion \$ and finishing several years sooner

#2 - for the rail stations, to save much dollars

- a) install stairs and elevators since escalators need too much maintenance,
- b) eliminate the mid level platforms.

Other options were also presented for the continual rail to UH, Ala Moana and Waikiki.

**Please be open to options. It's so easy to tax us; being creative is harder. It's your decision.**

Very concerned,  
Jean Leong

**From:** [Ian Lind](#)  
**To:** [TRE Testimony](#)  
**Subject:** We should not approve funds for a bottomless pit  
**Date:** Sunday, August 13, 2017 3:59:07 PM

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Submitted by Ian Lind, 934 Kealaolu Avenue, Honolulu.

I have, in the past, been a quiet supporter of rail, despite the fact that I believe the rail technology and design selected by the city do not reflect the best that modern light rail has to offer.

However, the fact is that the rail, as planned, has turned into a disastrously expensive project that we can ill afford. It has put you, and all of us, in a terrible bind. We've invested a lot, and it's hard to just abandon the project. But the inability to control costs or to put a firm number on future costs shows the system is out of control.

Rail proponents insist that full funding and completion of the system as originally planned is the only option.

But if that is the only option, I would urge you to pull the plug now and cut off any additional funding. We can't afford the bottomless pit that this has become.

It appears only a cut-off or postponement of any additional funds will force city planners to accept the reality that there must be a compromise if any rail system is going to be completed.

The proposal to transition to at-grade light rail at Middle Street is certainly feasible, as demonstrated by the group, Salvage the Rail.

Please don't be bullied into an open-ended financial commitment to the rail as currently planned.



**From:** [Laurie Lawson](#)  
**To:** [TRE Testimony](#)  
**Subject:** NO NEW TAXES  
**Date:** Sunday, August 13, 2017 9:54:42 PM

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Aloha,

As a resident of West Maui for 40 years, who has voted in every single election, I am against any increase in taxes. I am against Rail in Honolulu and asking neighbor island residents and visitors to pay for it in any way.

I have been against the Rail in Honolulu since it was first proposed by Rep. Neil Abercrombie. I have sent money to former Governor Ben Cayetano to support his bid for mayor. There are so MANY things that need to be addressed the Rail is a joke.

DO NOT RAISE GET or extend it .

DO NOT RAISE TAT that you will collect from Maui visitors and squander on Oahu rail. While Maui visitors sit on the Honoapiilani Highway for hours trying to go 20 miles. Maui needs a highway. Honolulu needs new infrastructure: Water, Waste plant, better busses. RAIL is a joke that is lining some politicians pockets.

You, the State Legislators are killing the Golden Goose, which is tourism. Stop the greed. Stop the taxation. Let the middle class survive. Keep small business strong.

We need hospitals, affordable housing, schools, qualified teachers, infrastructure, clean water, effective waste water recycling, better highways and roads.

Homelessness is a continuing disaster. Think what could be done with the BILLIONS of \$\$\$\$ you are spending on RAIL. What a joke. Take care of the citizens, STOP RAIL. Less than 2% of Oahu's population will use it to go what 21 miles? Seriously, where is your common sense. Care of our Veterans, our most sacred responsibility, yet so many are lost and fighting to survive. And you the people running our State are "blowing" money on Rail. What a joke.

An extended GET is a regressive tax for Oahu citizens. TAT is hoarded by Honolulu and paid for by our visitors.

SAY NO TO RAIL. Say NO to any Tax increase.

Sincerely,

**Laurie S. Lawson Realtor (B)**

ABR, CRB, CRS, ePRO, RSPS, SFR  
RB 16475

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808.667.7158 Fax



Testimony of

Chris Tatum  
Area General Manager  
Marriott Resorts Hawaii

Senate Committees on Ways and Means,  
Transportation and Energy, Public Safety, Intergovernmental, and Military Affairs; and  
House Committees on Finance and Transportation

State Funding for the City & County of Honolulu's Rail Project

Dear Chair Dela Cruz, Chair Inouye, Chair Nishihara, Chair Luke, Chair Aquino, and members of the Committees:

We offer this testimony in strong opposition to use of the transient accommodations tax as a funding source for the Honolulu rail transit project; and recommend instead that rail funding come from extending the general excise tax surcharge. The GET is a relatively stable source of revenue, as opposed to TAT revenues that fluctuate with the health of the hospitality industry. If a tax increase is warranted, it should be from the GET and not the TAT.

The TAT, which was originally established for tourism marketing, the convention center, and to help defray county government services used by visitors, has steadily increased over the years; however, the added revenue has not gone toward its original purposes. Rather, more than half of it is now being used for general government spending. Imposing yet another increase would not be in keeping with the enabling legislation, while adding to our visitors' vacation expenses. In addition, raising the TAT to 9.25 percent was to have been a "temporary" measure to address budget shortfalls, when in fact it turned out to be permanent.

As it is now, real property taxes on hotels already constitute a major operating expense that must be passed on to our guests. The hotel industry, which competes nationally and internationally against lower-priced destinations, cannot afford to continue passing on increased taxes to visitors while concurrently dealing with the state's high cost of living. Having to pass along higher taxes adversely affects our ability to compete and also impacts our appeal as a visitor destination. These increased costs make Hawaii less desirable in our highly competitive world-market which directly affects jobs and wages for the hard working residents of Hawaii

who are the employees working in our hotels. Our responsibility is to create good jobs and long term employment to perpetuate our unique Hawaiian culture and to ensure that our local communities and families have the opportunity for a thriving and vibrant future.

We hope the TAT can be eliminated as a potential funding source for Rail, as we strongly oppose any tax proposal that would adversely affect our visitor industry.

Mahalo for the opportunity to offer this testimony.

**From:** [Michele Matsuo](#)  
**To:** [TRE Testimony](#)  
**Subject:** Fwd: HART Whistleblower: Sinking Columns, Cracked Welds, Useless Designs, and Structural Failures  
**Date:** Sunday, August 13, 2017 10:04:45 AM

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Sent from my iPad

Begin forwarded message:

**Subject: RE: HART Whistleblower: Sinking Columns, Cracked Welds, Useless Designs, and Structural Failures**

John,

These are all valid public concerns that “must be” addressed before anyone even thinks about giving them another penny.

Respectfully,  
D. Kalani Capelouto

**From:** John Bond [<mailto:ewabond@gmail.com>]

**Sent:** Saturday, July 8, 2017 10:47 AM

**Subject:** HART Whistleblower: Sinking Columns, Cracked Welds, Useless Designs, and Structural Failures

**HART Whistleblower: Sinking Columns, Cracked Welds, Useless Designs, and Structural Failures**

**NOTHING HAS CHANGED AT HART RAIL FIASCO - ONLY WORSE, FULL SPEED OVER A CLIFF**

**After Dan Grabauskas left - WHO is the engineering professional guiding the rail project?**

Brennon Morioka just recently bailed out. There doesn't appear to be anyone with rail construction experience - *just the usual political appointees and insiders.* HOW has anything changed at HART and their continuing to make more stupid mistakes because they refuse to audit the prior hugely expensive mistakes?

Why isn't the Governor and State Legislature asking for detailed financial information, a

forensic audit,

and to hear directly from FTA rather than everything filtered by the same profiteering liars? HART

Rail continues to be a blundering FIASCO and will waste BILLIONS MORE because there is no

political leadership and fiduciary responsibility. **Just PRESSURE and PAYOFFS from the same**

**Rail Mafia profiteers racking off uncountable billions.**

<http://www.hawaiifreepress.com/ArticlesMain/tabid/56/ID/18222/HART-Whistleblower-Sinking-Columns-Cracked-Welds-Useless-Designs-and-Structural-Failures.aspx>

What are some of the future risks that may impact the budget and schedule? The Airport guideway

and stations were designed as a design-bid-build project. The preparation of the design-bid-build

cost HART approximately \$110 million to bring bid documents up to 80 to 90 percent level of

completion. The CEO decided that it should be a design-build project rather than a design-bid-build.

A design-build project requires the bid documents to include designs at only 30 percent level, which

allows the contractor to design and construct with cost savings. The \$110 million expenditure to bring

the documents to the 80 to 90 percent level is typically not necessary for a design-build package.

Therefore, a significant portion of the \$110 million will be lost because the design-build contractor

will not use all the designs that were initially developed. In order for the Airport portion to come in

on budget, the bids must be lower by the \$110 million that is already expended.

1. Has there been settlement of the Westside guideway drilled shafts with columns sinking into the ground beyond acceptable engineering and construction tolerances that may result in safety and maintenance concerns if the settlement doesn't stop. How many columns does this involve, how much will the columns sink over time and when will it subside? This condition if not properly addressed will result in significant operations and maintenance costs, and passenger safety concerns.

2. Back in April 2015, media reported that large cracks had developed along the

concrete segments now under construction, the most recent incident in February 2016. While minor cracking is to be expected, these major cracks are obvious structural failures that are not acceptable and extremely expensive to repair without the replacement of the entire involved segment. Does this present a safety and ongoing maintenance issue and what quality can be expected going forward for the next 14 miles?

3. The method that Kiewit used to attach the rail to the concrete guideway does not follow tested transit industry standards. Because of the way Kiewit designed the guideway, the rail attachment is subject to failure and expensive long-term maintenance, clearly a safety issue. Usually the rail is attached to a concrete curb on the guideway called a plinth. Kiewit eliminated this plinth claiming cost effectiveness, and HART agreed. However, the solution has resulted in a potentially unsafe condition. Kiewit has substituted plastic material to serve as a "shim" rather than concrete to support the rail on the guideway. While this plastic shim has been used in other transit systems, the height of the plastic shim on the HART project is beyond tested tolerances. The thickness of the shims may cause the bolts anchoring the rail to be subjected to excessive shear under the dynamic load of the train. The multiple layers of plastic shim required to level the tracks may shift. Was HART forced to accept the plastic shims to not delay the project further and what are the safety risks going forward?

## Financial Accountability For Rail Mass Transit Association

Re: State Legislature's August 14, 2017 Public Hearing On City & County of Honolulu's Rapid Transit System

To: Honorable State Senators And Honorable State Representatives

From: Financial Accountability For Rail Mass Transit Association

Re: State Legislature's August 14, 2017 Public Hearing On City & County of Honolulu's Rapid Transit System

### Roy Nakamura's Testimony

Good morning honorable State Senators and State Representatives. I am Roy Nakamura, president of the Financial Accountability For Rail Mass Transit Association, a registered State of Hawaii organization for the purpose of advocating financial accountability and Hawaii 's taxpayers' affordability of the City & County of Honolulu's Rapid Transit System, known as the steel-on-steel rail transit system. On behalf of the association, I am making the introductory remarks to be followed by:

- Former Senator Rod Tam speaking on financial accountability.
- Charles Carole speaking on operational cost and ridership
- Frank Genadio speaking on cost effective rail technology, example: Magnetic Levitation
- Elaine Kam giving the overall summary and conclusion

The association appreciates the state legislature for conducting today's public hearing to publicly obtain public testimony, assure financial accountability, and examine the affordability of the City & County of Honolulu's Rapid Transit System. The City & County of Honolulu's Mayor Kirk Caldwell and the current City Council refused to have financial accountability and denied open public community informational hearings. Thus, the open public questions are -



1. Are HART's financial books mismanaged and/or concealing illegal acts.
2. Do we now have an autocratic city government? What happened to "Democracy", "government of the people, for the people, and by the people".

I now present to you four (4) other speakers to conclude the association's testimony.

(Roy to speak about the city's cost in the taking of Kamehameha lands)

Mahalo.

Date: August 13, 2017

To: Senate & House Committees on Transportation, Public Safety, Ways & Means, Finance

From: Fran Nichols

66 Queen Street

Honolulu, HI

Subject: **Honolulu Rail Project – No Further Funding until other Options Reviewed**

I strongly support the testimony of Scott Wilson AIA representing Salvage the Rail. As Mr. Wilson states in his testimony:

**“So long as the Legislature continues funding for rail, the City will not consider the alternatives. As part of your duty to ensure that our taxes are used responsibly and effectively, I urge you to consider a modification to the rail project after it reaches Middle Street and to postpone further funding of the rail project until these options are reviewed.”**

It is imperative that a serious review and consideration of a modified plan be addressed. It is the responsible thing to do vs forging ahead blindly because bad decisions were made earlier – it’s not too late to do the right thing and stop pouring our hard earned dollars into a plan that is fraught with problems; financially draining, defaces historic downtown Honolulu and is simply just the WRONG system for Hawaii.

PLEASE DO THE RIGHT THING. Thank you for the opportunity to testify.

**From:** [Charels Ota](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony In Opposition to Rail Funding  
**Date:** Monday, August 14, 2017 9:54:27 AM

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Should the legislature meet in special session to consider funding options for the Honolulu rail project, I submit my personal testimony in opposition to any additional state funding. The project should be redesigned within currently available funding even if it means that the elevated rail system stops at Middle St.

I do not believe that the state legislature nor the citizens of the counties of Maui, Hawaii Island, and Kauai are responsible for resolving the funding issues for a project which is clearly a responsibility of the City and County of Honolulu nor should continue to render support for a grossly mismanaged project.

Furthermore, once completed, there is little confidence that the rail system will be operated, managed, and maintained on a financially viable basis. Oahu doesn't have the volume necessary to sustain the proposed rail system. Instead, it will likely cost Oahu residents additional millions of dollars annually.

Charles Ota  
Aiea, HI

# Pana'ewa Hawaiian Home Lands Community Association

P.O. Box 4788 ♦ Hilo, Hi 96720 ♦ Telephone: 808-315-2141 ♦ Email: phhlca@aol.com

## **Chair Inouye and Vice Chair Espero Senate Committee on Transportation and Energy Informational Briefing**

Monday; August 14, 2017

### **RE: OPPOSE TAXATION FOR BIG ISLANDES ON RAIL**

Aloha ē mai Kakou,

Pana'ewa Community is an ongoing vibrant residence based in Hilo; we pride ourselves with raising our children to become respectable citizens and keeping our elders comfortable in their twilight years. We are honored to demonstrate our voice of reason before this committee on considering taxation with public transportation that will *never* be used consistently when on O'ahu for Pana'ewa residents aka Big Islanders; in fact, because of the families relocation expansion throughout the state; consensus suggest that most of Pana'ewa residents would rather be picked up by family members or provide their transportation versus catching a costly public transportation dragging personal luggage to a point of base when visiting O'ahu.

The economic value for Pana'ewa residents comes in two fold, sustainability and allotted disposable income of which of lately has become challenging for our families on the rise of inflation. Our residents are NOW holding onto two and/or three jobs to meet the standards of rising inflation in their household when only to have added incurred debts by secluded county agencies to inflate onto constituents beyond its borders by O'ahu's failed public transportation debauchery. Our resident's sustainable concerns of lately is living pay check to pay check with vital thoughts of paying bills versus putting food on the table so to put undue stress on the family nucleus.

This is a specific crux to residence of Pana'ewa to render undue services that does not benefit each household for the sake of economical stability in the community and the overall statehood with ridership on a twenty (20) mile RAIL. Measures of discussion in the community suggest for the improvement of "TheBus" for ridership of O'ahuans. Pana'ewa's advocacy for the Super Ferry was deemed beneficial with our resident in visiting the outer islands via our own transportation oppose to the limited (20 mile) RAIL highway was decidedly a bad investment by this community.

We oppose for the taxation of HART by this Legislative Body to force undue encumbrance on Pana'ewa community and the community-at-large in the State.

MAHALO,

BILL BROWN  
PRESIDENT OF PHLCA

*"To establish a viable & strong Hawaiian community through education & respect for our cultural heritage and stewardship of the aina & its people"*

**From:** [John Rogers](#)  
**To:** [TRE Testimony](#)  
**Subject:** Funding Honolulu Rail  
**Date:** Sunday, August 13, 2017 12:18:50 PM

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Aloha,

My family and I have been residents of Ewa Beach for 25 years. We have suffered the commute into town for much of that time. When UH starts its fall semester the traffic increases exponentially. We know that an elevated rail system will provide folks all along the rail line with a choice on how they will commute to work, go shopping or enjoy a night out. Elevated rail will provide a reliable estimated travel time; in my experience, driving a motor vehicle along the freeways of O'ahu one experiences wildly different drive times. Elevated Rail will give support to the notion of keeping the country, country. Transit-Oriented Development facilitates the building of more housing for our ever growing population without the added burden of more cars on the road.

The process of building our rail line has gone well beyond the point of turning back or changing design specifications. We need to finish this project and finish it so that we do not jeopardize the federal money that is helping to build it. It must keep with its original intent on connecting UH Manoa to UH West in order to make the most impact.

Please, I implore you to figure out the best taxing mechanism that will best serve the public and provide sufficient funding to complete the Honolulu rail project.

Thank You,

ETCM (SS) John H Rogers USN, Ret  
Dr. Eileen Gawryls  
91-1094 Aawa Drive  
Ewa Beach, HI 96706



August 11, 2017

The Honorable David Y. Ige  
Governor of Hawai'i  
415 S Beretania St #5  
Honolulu, HI 96813

RE: 2017 Legislative Special Session

Dear Governor Ige,

We are residents of Hawaii and an associate of The Royal Hawaiian, a Luxury Collection Resort. We are writing to express our strong opposition of using the transient accommodations tax as a funding source for the Honolulu rail transit project. We recommend instead that rail funding come from extending the general excise tax surcharge, and if a tax increase is warranted it should be from the general excise tax (GET) and not the transient accommodations tax (TAT).

We believe that GET is a broad-based and stable revenue source. The general excise tax that is paid by residents and visitors alike, but its revenue largely benefits our local community. It is also a relatively stable source of revenue, as opposed to transient accommodations revenues that fluctuate with the health of the hospitality industry.

As envisioned, the rail system will serve the broadest ridership and reach our densest job centers. In this regard, we firmly believe the transit line must reach Ala Moana Center, its original terminus, and eventually be extended to serve the University of Hawai'i Manoa campus, to be at its most effective for residents. A station at the Daniel K. Inouye International Airport will be an important stop for the thousands of airport-area employees, not to mention the millions of tourists who visit Hawaii yearly and people traveling between the islands. We expect that many of our associates, particularly those who live on the west side, will use rail and the bus to commute into Waikiki and the surrounding areas. Transit-oriented development along the rail line should lead to more affordable workforce housing, revitalized neighborhoods and public education institutions. Given these long-term benefits for our residents, the GET is the appropriate source of revenue to fund the rail system.

According to the Hawai'i Tourism Authority and Department of Business, Economic Development & Tourism, tourism accounts for 190,000 jobs in the islands, either directly or indirectly. Nearly 40,000 of those jobs are in the lodging sector. The Royal Hawaiian Hotel is adamant in opposing tax proposals that would adversely affect our residents, as well as the visitor industry, by raising the expense of accommodations, increasing the cost of a Hawaiian vacation, and making it even more difficult to compete against lower-priced national and international destinations.

Thank you for your consideration.

Sincerely,  
Cheryl Williams  
General Manager

Associates of The Royal Hawaiian, a Luxury Collection Resort

Cc: The Honorable Ronald Kouchi, Senate President  
The Honorable Scott Saiki, Speaker of the House







  
 THE  
 ROYAL HAWAIIAN  
 RESORT  
 WAIKIKI  
 THE  
 LUXURY  
 COLLECTION

NAME	SIGNATURE	DEPARTMENT	HOME DISTRICT
NEHITA PALAFOX		Housekeeping	WAIPAHU
ROBERTINO RINGOR		HOUSEKEEPING	WAIPAHU
Christian Primero		Housekeeping	Kalihi
ANDREA		"	"
ALEX CASTILLO		Housekeeping	Waikiki
JOSE TADEO		HKPM	Waikiki
CARIS MUNIZ		HSKIC	Waikiki
Domini Legaspi		HSKPMG	Waipahu
Neise Enrriquez		"	Waipahu
Michael Nakada		"	Liliha
Romy E. Pauden		HSKPMG	AIEA
Luellen Kaneshiro		HSKP	Hawaii Kai
Andrea Lagazo		HSKP	SALT LAKE
INFANTE LLANAS		HOM.	Ewa Beach
Judith Maadau		HSKPMG	Waipahu
MAYITA Cambia		HSKPMG	Kalihi
BRAULIO S. MARUIT		HSKPMG	WAIPAHU
LIAHNT LA		HSKP	"
Tito		"	Moliili
Stephen V.		"	waipahu
MAYITA F. VITE		" "	Kalihi
Jachelyn Bautista		HSKPMG	Waipahu-Kalihi
Clarita Angala		HSKPMG	Kalihi
FE ESTRELLA		Housekeeping	Kalihi
Mely Matutino		Housekeeping	Waipahu
Reynaldo Ader		"	Kalihi
JOJOY RODRIGUEZ		HSKP	AIEA
NORBERT ABALAN		HSKP	AIEA
Julius Rualo		HSKPMG	Waipahu
Salome Ubaldo		Helping	Waipahu
Mrs Xenny		Housekeeping	Kalihi
John Perrin		HSKPMG	Kalihi





## Testimony against the Honolulu Rail

### Senate Committee on Transportation and Energy

Mary Smart, Mililani, Hawaii  
Hawaii Capitol Auditorium  
August 14, 2017

1. Thank-you for giving me an opportunity to submit testimony. I have given testimony to the City Council and at my Neighborhood Board citing important reasons why the Rail system must be stopped especially since the project is not being held to its original cost forecasts. This is a Honolulu County concern. I expect elected officials from other Counties to vote against any tax/fee increases unless they want their own counties to be included in whatever mandates are put on the people of Oahu. Any vote to increase costs to the residents or visitors to our state is unacceptable if any of those funds are used to sustain the Rail which is only an albatross on our backs. It has no value and is a horrendous blight on our beautiful island. We have already experienced 3 deaths caused by the Rail supports and the system is not even operational. Stop the Rail. It is unsustainable.

2. I voted against the Rail I did not believe the financial or time-line forecasts for this project. The cost estimates were not realistic. However, for those who voted for the rail by the slimmest margin, most regret that vote. They have learned that their rationale for voting in favor was based on false premises such as low cost, an influx of jobs for local residents, and a significant reduction of traffic congestion.

3. The fact that the project was started in the least usable segment of the line was a acknowledgement that the objective was to start the project and get sufficient work done so when the true costs were announced, state residents would wake-up to the impracticality of the project but would consider "sunk costs" as a reason to continue the project. We only have to look to [Puerto Rico](#), which has declared what can be considered [bankruptcy](#), that installed a similar "solution" to a non-problem to get a glimpse of Hawaii's future if we don't resolve this problem now, before more tax funds are wasted in this "rail money pit". The estimated [ridership](#) of the Puerto Rico system never materialized. and we should not expect Oahu ridership to be any different if residents are allowed to choose their desired form or mobility.

4. The project is poorly thought-out and constructed. That is a fact documented in articles too numerous to mention. It is unthinkable that a project of this magnitude began without a source of energy in place to power the system, but this project breaks all good practices for managing a major construction program. As someone with a background in project management, I am appalled. Also, the poor quality of construction has required "rework" which is always more costly than doing it right the first time. There have been

many [reports](#) of the failing shims, rusting rebar, failing concrete and other non-conformance issues.

5. The project is poorly managed. And even though there has been rotating "heads" of HART, there has been no accountability. Each of the leaders get awarded larger and larger pay checks for their poor performance. It is unbelievable to see that Andrew Robbins will earn a base salary of [\\$317,000 per year plus housing and transportation](#) money. I spent 30 years in the Navy and know flag and general officers with significantly more responsibility and get a fraction of the pay. In addition, military personnel are held accountable when they fail, unlike those who have been involved in the Rail project.. It makes no sense that we keep hiring people from outside Hawaii to manage our projects. There is plenty of local talent that could be employed at a much more reasonable pay level.

6. The fact that HART is an independent body with no accountability makes no sense. It is time to disestablish HART. HART's budget recorded a large increase mostly due to wage increases. When the Chair of the City Council, Ron Menor, was asked about this wage creep, the Councilmember indicated that they Council had no sway over the actions of HART. This just makes it more clear that HART is not accountable to our elected officials and therefore unaccountable to the residents of Hawaii. It is unfathomable that our government officials allow an entity, HART, to increase their own wages in light of their continued failures.

7. HART has given excuse after excuse about why there are costs overruns but none of them hold water. The project managers pursued the construction phase of this project even though they hadn't [completed an EIS](#). We knew from the Super Ferry this was an inexcusable failure to meet requirements. The privately managed Super Ferry was a very desirable, beneficial, and successful service that the people of Hawaii still want today, yet that service was terminated, against the desires of most state residents minor. I have heard the excessive costs attributed to lengthy court proceedings. However, it is my understanding that the City intentionally dragged out the proceedings and drove up the cost.

8 Furthermore, no one wanted to have an elevated rail system. This noisy "steel on steel" one point of failure solution to traffic is a return to the past. Honolulu had a rail system and we modernized it with a systems of roads, bridges, overpasses, underpasses and freeways. Only a road system give the flexibility and modularity that meets the people's needs. Buses are more flexible and meet the needs of remote communities. Car drivers pay the gas tax, registration, fees etc. to ensure we have adequate roads. We want more lanes, and better congestion-resolving innovations (flyovers/underpasses) and MORE parking facilities, not less. Stop taking away parking spaces. We pay our elected officials to make our lives better, not to mandate restrictions to make life more difficult.

9. It is a fallacy that public transport systems are more economical than autos. You only drive your car when you need to go somewhere. The Rail system must operate on schedule whether there are people riding or not (a waste of energy resources). If people

want, each car can handle four to seven individuals. Comparisons always show a car with one person and a bus/rail always filled to capacity. That is a false comparison. People want the flexibility and safety of their own vehicle. In other countries it is a common complaint that women are being [groped, riders robbed, or threatened by fellow travelers](#). We don't need that in Hawaii. Part of the initiative to get residents out of auto travel is to promote bike ridership. Bike riders don't pay gas taxes. Stop taking away road lanes for bike lanes. Autos have significant safety features to protect riders yet, bicyclists are [vulnerable](#) to the slightest accidents. With an aging population, increased bicycle travel is ridiculous. It is a travesty that the [Handi-van](#) riders are facing increases to sustain the Rail. If bike lanes are needed, build them away from the main artery roads. They should not be on S. King Street and other highly traveled roads. That "concept" poses a danger to bike riders and vehicle drivers alike. (And the recent proposal to mandate buildings have shower facilities for bike riders needs to be stopped now in its infancy. It is not the business of government to mandate the services provided by private owners.

10. The rail was not a demand of the residents but a solution superimposed on us from [national](#) and [international](#) planners. It is the modern "colonization" of communities. The once renowned Bus service that was a hallmark of our State is being ravaged to sustain the Rail project. Everyone is getting "rail" systems, transit-oriented-development- and "complete streets" -- even though we don't want them and we don't have the population to sustain them. Complete streets concepts are dangerous and undesirable. The concept of Transit Oriented Development (TOD) that is the goal of the Rail project (i.e. high tax revenue from a small plot of land) is not feasible for a small population as we have on Oahu without urbanization and population growth in the central core. Frankly, we don't want that for our state. Even though a pretty picture has been painted on "Live, work, and play (and worship?), we know from history that high density areas become hostile to families and breed crime. A high-rise apartment is no place to raise a family with children, especially when four legged pets enter the equation. The lack of incentives to build homes to meet the demands of the population is a failure of government. Making it difficult to impossible to develop trailer/modular home communities is another failure of government planning to meet the needs of the residents. Putting all your eggs into TOD, which your constituents don't want is a failure to listen to "we the people". Those large condo units being built have price tags out of reach of most of the residents. We have seen with the Marco Polo fire that a failure in one unit can have a devastating effect on hundreds of residents. (As an aside, the solution is not forcing sprinklers on property owners. They have a condo association to make those decisions. People are free to move if they don't want to live in a building without sprinklers. The water damage to property can be just as bad as the fire and smoke damage. I can't imagine what it would be to live in a condo and be forced to participate in mandated fire-drills. Our government should not be mandating anything to the property owners. The government should stop using tragedies to promote their concept of safety. Let the residents of each building make decision for themselves. It seems that asbestos may be a bigger problem than sprinkler systems. Let the people decide for themselves.)

11. I have seen the State gobble up land in [Central Oahu](#) (900 acres) and Aiea (635 acres) that could be used for inexpensive housing to meet the needs of our [resident families](#) but instead, government used our tax dollars to compete with builders who could have build homes at reasonable prices. Much of the homeless problem of the "working poor" could be solved just by allowing homes to be built that people can afford. This monopolizing of land only makes it more difficult for the individual citizen to attain the American dream of owning their own private home. The actions of our government makes this goal a much more difficult to achieve.

12. In most recent times, our State and County government have proved over and over they are not capable of developing and managing a major infrastructure project. Besides the Rail we have the problems with the airport [renovation](#) project especially with the [cargo hanger](#), problems maintaining our [water main system with multiple breaks](#) every year, [our sewers](#), and roads and bridges. The [Karsten Thot bridge](#) in Wahiawa has been under renovation for years. Recently the Roosevelt bride has begun renovation. Hopefully, it will not take as long.

13. Although the Rails system has undergone some "audits", none have been independently completed and held accountable individuals accountable for the waste. It is time for more scrutiny and facing the reality that a Rail system for Honolulu is unsustainable. Do not tax us more but stop this project. The most costly segments are yet to be started. We can't afford this project and we don't want it in our communities. Do not hold a special session and do not allow this project to proceed in its careless manner.

**From:** [kimospencer](#)  
**To:** [TRE Testimony](#)  
**Subject:** \*\*\*\*\*SPAM\*\*\*\*\* Testimony for Rapid Transit Informational Briefing  
**Date:** Monday, August 14, 2017 8:51:59 AM

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Stop this wasting of our money! Freeze this project! It's over budget, doesn't even take into account future maintenance & our population base can't support this waste!

Mahalo,

Kimo Spencer

Sent from my Verizon Wireless 4G LTE smartphone



**From:** [Lahela Spencer](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony for Aug 14, 2017 RE: Oahu Rail Project  
**Date:** Sunday, August 13, 2017 10:20:16 PM

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To whom it may concern,

This letter is in regard to the Oahu Rail project. My name is Lahela Spencer and I live on Hawaii Island. I strongly oppose the possible option of having neighbor island residence help with the cost of a rail system that is located on Oahu. This simply IS NOT fair. With the cost of living as it is we barely are able to make it to Oahu therefore we would have no benefit from this project.

Mahalo,  
Lahela Spencer  
PO Box 6777  
Kamuela, HI 96743  
[Lahelaspencer@gmail.com](mailto:Lahelaspencer@gmail.com)

**From:** [Emil Svrčina](#)  
**To:** [TRE Testimony](#)  
**Subject:** Testimony for Rapid Transit Informational Briefing  
**Date:** Sunday, August 13, 2017 8:31:35 PM

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Legislators,

This is still America, you are supposed to represent government of the people, by the people, for the people, so please stop this Rail Mafia/Cartel's ALOHA boondoggle before our Hawaiian economy is dead - bankrupt because of it.

I ran as a candidate opposing this nonsense project in 2008 against later convicted corrupt councilmember Nestor Garcia (remember the Samoan Mormon Mufi - running with his catchy slogan "Do we need it?", "Can we afford it?", "Can we maintain it?" - he lied to all of us too when he said Yes Yes Yes). I ran against House representative in district 37 Yamane 2 times opposing this UN Agenda 21 transit oriented development project attacking our freedoms in 2012 and 2014, and in 2016 I ran against Ron Menor opposing this project as example of government lying, stealing and murdering our economy harming generations alive and many generations of our children. Despicable.

Stop funding this ugly injury to Hawaii landscape, 20th century technology monstrosity, don't waste any more of our taxpayers precious dollars on it and instead convert it into something useful (many ideas are already available - think like true Americans - think freedom of movement - cheaper battery technology - electrical cars - distributed transportation solutions instead of this centrally controlled, vulnerable to sabotage, graffiti, homelessness, and over all inconvenient and mainly unaffordable useless silly elevated steal on steal Rail) and give citizens of this state ruined by this one party monopoly regime abusing their power for 63 years in Hawaii instead finally some REAL traffic relief solutions.

"Life of the land is perpetuated in righteousness of Jesus Christ" the opposite is HELL in paradise you will continue creating.

Emil Svrčina

Political refugee from communism  
American  
Father of 5 children  
Neighborhood #25 board member  
HD37 Republican Party District Chair  
HIRA Vice President  
Nuclear scientist, Cancer researcher

**From:** [Paulette Tam](#)  
**To:** [TRE Testimony](#)  
**Subject:** Transportation and Energy Senate Committee Meeting August 14, 2017 at 10 am.  
**Date:** Monday, August 14, 2017 9:33:30 AM

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My name is Paulette Tam, concerned Kane'ohe resident and former Kaneohe Neighborhood Board Member from 1989 to 2005 with breaks in between Two , Two year terms. Today, I represent myself.

I oppose Residential Property Taxes to repay the FTA Funding for the RAIL Route possible continuation of the Breach of Agreement should HART/RAIL Route Board of Directors exhaust the Agreed Joint House and Senate representatives funding plan prior to completion of the RAIL Route between Middle Street to Ala Moana Shopping Center on Oahu.

Mahalo nui loa.

Aloha, Paulette Tam concerned Kaneohe resident. [tampaulette@gmail.com](mailto:tampaulette@gmail.com).

## **Financial Accountability for Rail Mass Transit Association**

Re: State Legislature's August 14, 2017 Public Hearing on City & County of Honolulu's Rapid Transit System

To: Honorable State Senators and Honorable State Representatives

From: Financial Accountability for Rail Mass Transit Association

Re: State Legislature's August 14, 2017 Public Hearing on City & County of Honolulu's Rapid Transit System

### Rod Tam's Testimony

Good morning Senators and Representatives. Mahalo for the opportunity to testify on the City & County of Honolulu's Rapid Transit System.

I am Former Senator Rod Tam, a member of the Financial Accountability for Rail Mass Transit Association. My presentation is on the lack of financial accountability and the lack of concern for Hawaii taxpayers' affordability to pay for the city's Rapid Transit System known as the steel-on-steel rail transit system by Mayor Kirk Caldwell, the Honolulu Authority for Rapid Transportation (HART), and the City & County of Honolulu's City Council.

At this time, the association presents to you collected second-hand financial cost and projected cost information collected from Star-Advertiser on the steel-on-steel rail construction costs for your analysis. Attached (A) is the information.

In the months from April to August 2017 the association has attempted to get first-hand concrete financial accountability from Mayor Caldwell, the City Council, and HART. Unfortunately, without success. The following was done.

1. Communicated with the city council, Mayor Caldwell, and HART through the City Council's public hearings in trying to obtain concrete past, present,

and future financial information on the budgets and expenditures of rail construction, administration, and maintenance.

Page 2 – Rod Tam’s Testimony to State Legislature

2. Requested the Federal Transit Administration (FTA) to audit HART on its federal fund expenditures of the rapid transit system in line with FTA’s request to the city for financial accountability and a concrete financial plan to pay for the steel-on-steel rail system. FTA refused to do so. One can only conclude, the FTA is not being accountable to taxpayers and there is collusion between HART and FTA. Ironically, FTA agrees with our association that the City & County of Honolulu lacks a sound concrete financial plan to build a rapid transit steel-on-steel rail system at this time.
3. Sponsored an informational people’s public hearing on August 5, 2017 and invited Mayor Caldwell and HART to make a presentation on financial accountability. Specifically to answer seven (7) questions commonly asked by the public on financial accountability. Mayor Caldwell and HART refused to attend and respond to the questions. Also attached (B) to my testimony are the unanswered questions.

Aside from presenting to the above, the association is requesting the state legislature in its August 28, 2017 special legislative session to adopt a resolution to have the State Legislative Auditor do a comprehensive financial and forensic audit on the city’s rail mass rapid transit system before legislating future funds to pay for the over-cost transit. An audit would answer whether all revenues and expenses are accounted for, whether any criminal acts occurred, whether proper bookkeeping and accounting practices were followed, did the City have accountable budget forecasts, is the city rail transit system beyond the affordability of Hawaii’s taxpayers in relation to Hawaii’s negative economy, etc. Is there time to do a comprehensive and forensic audit? The answer is “yes.”

There is time, because –

1. The city council and mayor last month adopted \$350 million city bonds to sufficiently fund rail construction until December 31, 2017.
2. The current on-going ½% state excise tax special funding for rail is available through 2027.

3. The timetable for the fiscal years of the city, state, and federal governments allows future funding for 2018 and into the future on a timely basis if needed. The state legislature in its regular legislative session

Page 3 – Rod Tam’s Testimony to State Legislature

in January 2018 may again examine funding for the City & County of Honolulu’s Rapid Transit Steel-On-Steel System.

4. The remaining balance of the FTA money is available providing the City has financial accountability and a sound concrete financial plan, which depends on accurate budget forecasts as the FTA has stated.

Thus, no funding legislation needs to be adopted in the legislative special session this year.

The Financial Accountability for Rail Mass Transit Association wants financial accountability – the real concrete cost of a rail system affordable by taxpayers. Taxpayers are currently over-burdened with taxes and the high cost of living in Hawaii, the highest in the United States of America. Real unemployment is more than 10% in reality and wages are insufficient with our high cost of living. An extension of the ½% state excise tax would financially and economically hurt the low and middle income taxpayers, thus being unable to purchase food and prescription drugs for themselves and their families.

To repeat, please do not provide any new funding to the city’s rapid steel-on-steel rail transit system in this year’s special session. Instead, adopt for a comprehensive audit and a forensic audit in this year’s special session before considering any extension of increasing the state excise tax and increasing the state transient tax to pay for the unaccountable finances of the rail.

If the state legislature has to increase taxes to pay for the rail, the Financial Accountability for Rail Mass Transit Association prefers increasing the State of Hawaii’s transient tax. Hawaii’s transient tax on a national average is low. Hawaii’s residents are over-burdened with the existing state excise tax, a compounded sales tax of 12% to 16% in reality. Hotels are creating the false that

tourism numbers will decline. In reality, hotels are overcharging in hotel accommodations, thus, getting excessive profits.

Mahalo.

## Attachment A

### Cost Uncertainty for City Rail Project's 20 Miles of Guideway and Stations Construction

#### Projected costs (reported by Advertiser/Star-Advertiser):

August 2008 .....	\$3.72 billion	December 2012 .....	\$5.26 billion
December 2014 .....	\$5.9 billion	October 2015 .....	\$6.56 billion
March 2016 .....	\$6.9 billion	May 2016 .....	\$8.1 billion

Per FTA financial risk analysis, \$10.79 billion is the high possible cost projection. Per HART, the 20-mile completion date is now 2025.

In June 2016, Mayor Caldwell requested FTA to give the City until June 1, 2017 to provide a more fully developed cost projection for construction of the rail.

The FTA first gave the city until the end of December 2016 to address the deficit. Later, the deadline was moved to April 30, 2017, and the latest deadline is now September 15, 2017. Rail is now estimated to be an additional \$1.5 billion to \$3.2 billion burden on the city's taxpayers.

September 6, 2016 ... City and Kiewit Construction disputes arise over change orders that caused construction delays over first 10 miles of rail guideway. Thus, another increase in rail's price tag. Kiewit faulted the city and announced that it would not bid on the next phase of construction.

Note: Status of FTA's \$1.55 billion.

1. HART has received \$806,267,358 of the \$1.55 billion.
2. HART spent \$600 million.
3. \$743.7 million in federal funds is still available to HART.
  - a. FTA withholding \$500 million until HART updates its financial plan and submits an acceptable financial recovery plan.
  - b. \$243.7 million for fiscal year 2017 not yet appropriated to HART.

Conclusion: Mayor Caldwell lacks concrete financial accountability of the expenditures for rail construction, administration, and future maintenance. Thus, there should be no further extension of the .05% GET surcharge and no property tax increases for rail.



## **Attachment B**

### **Financial Accountability for Rail Mass Transit Association Questions Asked of HART**

- 1) What are HART's realistic overall concrete budget (revenues and expenditures) and timetable for completion of the city's current rail project? Provide the budgets for administration, construction, and maintenance.**
  
- 2) What are the detailed contractual agreements between the City & County of Honolulu and the Federal Transit Administration (FTA) for federal funds provided to the city's rail project?**
  
- 3) How were the FTA-provided funds spent?**
  
- 4) What were the quarterly and year-to-year revenues and expenditures for administration, construction, and maintenance from the date of inception?**
  
- 5) Explain HART's book-keeping methodology.**
  
- 6) What are the reasons for cost overruns?**
  
- 7) Why is the city administration unable to complete the rail project on time as planned initially?**

**From:** [Terry Tusher](#)  
**To:** [TRE Testimony](#)  
**Subject:** Rail Transit Hearing  
**Date:** Sunday, August 13, 2017 10:29:53 AM

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Date: August 14, 2017 Hearing

To: Senate & House Committees on Transportation, Public Safety, Ways & Means,  
Finance

From: Terry Tusher

Subject: Honolulu Rail Project – No Further Funding until other Options Reviewed

As an architect and resident of Honolulu, I am concerned that the rail project has become such a divisive element in our community. I feel it has created this polarity due the fact that the design and implementation of such a major transportation and urban design project has never been openly presented to, and discussed with, the community. The lack of transparency in the design and accounting of the project has created a project that will forever brand the system and project as a monumental failure.

I support the concept of rail, but I don't support the project as designed. Alternatives to an elevated rail system which blocks our view of the ocean and does not serve the entire Kapolei/ downtown/ Waikiki/ UH Manoa community have never been presented to and discussed by the community. This needs to happen.

As Scott Wilson and Salvage-the-Rail group point out, nothing will change until HART is forced to change. Consequently, I urge you to force HART to review and discuss modifications to the rail project as it reaches Middle Street and to postpone further funding of the rail project until these options are reviewed.



**From:** [rhonda.welsch](#)  
**To:** [Emil Svrcina](#); [TRE Testimony](#)  
**Subject:** Re: Testimony for Rapid Transit Informational Briefing  
**Date:** Sunday, August 13, 2017 9:35:49 PM

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Love it!

On Sun, Aug 13, 2017 at 8:26 PM Emil Svrcina <[emil\\_svrcina@hotmail.com](mailto:emil_svrcina@hotmail.com)> wrote:

Legislators,

This is still America, you are supposed to represent government of the people, by the people, for the people, so please stop this Rail Mafia/Cartel's ALOHA boondoggle before our Hawaiian economy is dead - bankrupt because of it.

I ran as a candidate opposing this nonsense project in 2008 against later convicted corrupt councilmember Nestor Garcia (remember the Samoan Mormon Mufi - running with his catchy slogan "Do we need it?", "Can we afford it?", "Can we maintain it?" - he lied to all of us too when he said Yes Yes Yes). I ran against House representative in district 37 Yamane 2 times opposing this UN Agenda 21 transit oriented development project attacking our freedoms in 2012 and 2014, and in 2016 I ran against Ron Menor opposing this project as example of government lying, stealing and murdering our economy harming generations alive and many generations of our children. Despicable.

Stop funding this ugly injury to Hawaii landscape, 20th century technology monstrosity, don't waste any more of our taxpayers precious dollars on it and instead convert it into something useful (many ideas are already available - think like true Americans - think freedom of movement - cheaper battery technology - electrical cars - distributed transportation solutions instead of this centrally controlled, vulnerable to sabotage, graffiti, homelessness, and over all inconvenient and mainly unaffordable useless silly heavy elevated steal on steal Rail) and give citizens of this state ruined by this one party monopoly regime abusing their power for 63 years in Hawaii instead finally some REAL traffic relief solutions.

"Life of the land is perpetuated in righteousness of Jesus Christ" the opposite is HELL in paradise you will continue creating.

Emil Svrcina

Political refugee from communism

American

Father of 5 children

Neighborhood #25 board member

HD37 Republican Party District Chair

HIRA Vice President

Nuclear scientist, Cancer researcher

--

In Liberty,

Rhonda Welsch  
HD 47 Chair  
386-576-4308

Georgette Yaindl  
Attorney and Counselor at Law  
P.O. Box 307  
Kailua-Kona, Hawai'i 96745-0307  
(808) 224-0219 • gyaindl@gmail.com • (877) 300-8869 (fax)

DATE: August 13, 2017  
TO: Interested Senate Committees, Hawai'i State Legislature  
VIA: Senate Committee on Transportation and Energy  
TRETestimony@capitol.hawaii.gov  
RE: Informational Briefing  
Date: August 14, 2017  
Time: 10:00 a.m.  
Place: Auditorium, State Capitol

Dear Senators,

This testimony is given in response to the invitation in the notice of informational briefing to provide pertinent information to the Senate in preparation for the legislative special session. During the regular session of the 29<sup>th</sup> Legislature, I provided testimony at the February 15, 2017 hearing of the Senate Committees on Transportation and Energy; and Public Safety, Intergovernmental And Military Affairs on SB1183(Proposed)SD1; and I submitted written testimony on SB1183, SD2, dated March 20, 2017 for consideration the March 22, 2017 hearing of the House Committee on Transportation. I understand pursuant to the informational briefing notice that I shall be submitting this testimony LATE and it may not be accepted for purposes of tomorrow's briefing.

### **QUESTIONS PRESENTED**

There are three. Here attached please find copies of the applicable statutes, namely, HRS § 237-8.6 (state administration of county surtax); HRS § 248-2.6 (disposition of surtax proceeds); and HRS § 46-16.8 (county surcharge on state tax) bearing deletions and additions to achieve the results proposed below. Mahalo.

1. Should the state legislature enable the Honolulu City Council to act to extend the GET surtax beyond January 1, 2027; and if so, for what length of time?
2. Should the legislature authorize the state director of taxation to continue to retain a portion of county surtax collections as an administrative fee?
3. Should the legislature re-enable the counties of Hawai'i, Maui, and Kaua'i via act of their respective county councils to impose a .05 percent GET surtax for public transportation purposes?

## SHORT ANSWERS

1. Yes, indefinitely or for a period certain, pursuant to ordinance.
2. No.
3. Yes.

## RATIONALE

1. The state legislature is not called upon to determine the matter of whether the Oahu GET surtax actually should be or shall be extended, and it is not the proper forum to solicit and receive testimony on that matter. The state legislature instead properly is called upon to decide the narrow question of whether it should continue to grant the Honolulu City Council the power to extend imposition of the surtax, including as presently provided, after public hearing and via adoption by ordinance. Whereas the proper forum for debate on whether the surtax actually is extended on Oahu beyond January 1, 2027 is Honolulu Hale, the only question before the state legislature inviting debate is whether the legislature should continue to authorize the Honolulu City Council to opt to do so.

Pursuant to chapter 51, Hawai'i Revised Statutes (HRS) (2012), "Mass Transit", and chapter 27, HRS (2012), "State Functions and Responsibilities", the responsibility ("power") for providing, operating, funding, maintaining, improving, and deciding matters of public transportation is vested in the State of Hawai'i's respective counties. Whereas matters of public transportation, including the HART rail project, do not touch or concern a statewide concern as specified in in HRS § 27-1 (1) – (6); and HRS §51-1 specifically assigns public transportation as a matter of concern for discretionary pursuit by county government, it is right and appropriate that the legislature amend HRS § 237-8.6, as amended, and HRS § 46-16.8, as amended, to authorize the Honolulu City Council to extend imposition of the surtax beyond January 1, 2027; and further, that the length of any such extension, consistent with enumerated powers, may be for an indefinite or certain length of time, and should be as provided in any ordinance extending imposition of the surtax.

2. According to AAHSTO (American Association of State Highway and Transportation Officials) in its Survey of State Funding, Final Report FY 2014 – 2016, the State of Hawai'i is one of only four US states that do not fund public transportation. (The other states are Alabama, Arizona, and Utah). The State of Hawai'i does not even help fund the costs of public transportation that serves the seat of state government. Instead, state government has cockroached a free ride on the backs of Oahu taxpayers and patrons of TheBus.

In lieu of a declared state interest in public transportation and state funding of public transportation that serves the seat of state government, it is right, appropriate, and equitable that the City and County of Honolulu retain 100% of its surtax revenue. Furthermore, the legislature should find a way through appropriate legislation for the State to pay to the City and County any and all amounts or surtax heretofore previously withheld and retained by the state director of taxation.

3. There is a public transportation crisis in the State of Hawai'i and the HART project is just one story. Here on Hawai'i island, half the meager fleet of fifty buses are broken.

The Mass Transit Agency has been paying Roberts and Polynesian Adventure for use of their mini-buses. A typical bus ride, if a bus actually does run a route, goes like this one this past Tuesday: a substitute Robert's minibus arrives at a Keauhou Shopping Center 35 minutes late, then skips the next stop scheduled for the Sheraton, and proceeds south on Kuakini to Kona Hospital and courthouse. The bus I was on was scheduled on its return from Captain Cook to come back to the hospital stop. As I left the bus I thought it wise to verify that the driver would be coming back to the hospital. The driver said no because the bus did not have enough gas! So I quick ran and accomplished my client's business with the clerk of the court, ran down the hill and up the road and caught the bus in the nick of time. When I boarded, the driver asked, "Do I have to bring you back to Keauhou Shopping Center?"

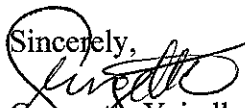
I understand from recent news reports that public transportation in Maui County also is in dire straights, that the public transportation system there currently is beleaguered particularly because school buses are not operating. This has shifted demand on to the county's bus system. It has been reported that the DOE responded by issuing county bus passes or vouchers to affected Maui county students, only to learn that the buses do not have capacity to meet the need and the passes are therefore worthless.

Whereas the State of Hawai'i does not fund public transportation and via statute has expressly disclaimed any state interest in it, it is imperative and only right that the state legislature enable county government to impose a .05% GET surtax for the purpose of funding public transportation purposes as presently set forth at HRS §46-16.8(f). Whereas State government is served by but does not contribute to the costs of public transportation provided by Hawai'i, Maui, and Kaua'i counties, it is right, appropriate, and equitable that any county that elects imposes a surtax by ordinance retain 100% surtax collected.

### CONCLUSION

With the exception of providing for payment by the director of finance to the City and County of Honolulu of the amounts of surtax collections heretofore previously withheld by the director of taxation, which requires additional legislative action, all the above amendments may be accomplished as shown here attached.

Thank you for your consideration and favorable attention to the prevailing and underlying questions presented.

Sincerely,  
  
Georgette Yaindl  
HSBA #8940



**§237-8.6 County surcharge on state tax; administration.** [Section repealed December 31, 2027. L 2015, c 240, §7.] (a) The county surcharge on state tax, upon the adoption of county ordinances and in accordance with the requirements of section 46-16.8, shall be levied, assessed, and collected as provided in this section on all gross proceeds and gross income taxable under this chapter. No county shall set the surcharge on state tax at a rate greater than one-half per cent of all gross proceeds and gross income taxable under this chapter. All provisions of this chapter shall apply to the county surcharge on state tax. With respect to the surcharge, the director of taxation shall have all the rights and powers provided under this chapter. In addition, the director of taxation shall have the exclusive rights and power to determine the county or counties in which a person is engaged in business and, in the case of a person engaged in business in more than one county, the director shall determine, through apportionment or other means, that portion of the surcharge on state tax attributable to business conducted in each county.

(b) Each county surcharge on state tax that may be adopted or extended pursuant to section 46-16.8 shall be levied beginning in the taxable year after the adoption of the relevant county ordinance; provided that no surcharge on state tax may be levied:

(1) Prior to:

- (A) January 1, 2007, if the county surcharge on state tax was established by an ordinance adopted prior to December 31, 2005; or
- (B) January 1, 2018, if the county surcharge on state tax was established by the adoption of an ordinance after June 30, 2015, but prior to July 1, 2016, ~~and~~.

~~(2) After December 31, 2027:~~

(c) The county surcharge on state tax, if adopted, shall be imposed on the gross proceeds or gross income of all written contracts that require the passing on of the taxes imposed under this chapter; provided that if the gross proceeds or gross income are received as payments beginning in the taxable year in which the taxes become effective, on contracts entered into before June 30 of the year prior to the taxable year in which the taxes become effective, and the written contracts do not provide for the passing on of increased rates of taxes, the county surcharge on state tax shall not be imposed on the gross proceeds or gross income covered under the written contracts. The county surcharge on state tax shall be imposed on the gross proceeds or gross income from all contracts entered into on or after June 30 of the year prior to the taxable year in which the taxes become effective, regardless of whether the contract allows for the passing on of any tax or any tax increases.

(d) No county surcharge on state tax shall be established on any:

- (1) Gross income or gross proceeds taxable under this chapter at the one-half per cent tax rate;

(2) Gross income or gross proceeds taxable under this chapter at the 0.15 per cent tax rate; or

(3) Transactions, amounts, persons, gross income, or gross proceeds exempt from tax under this chapter.

(e) The director of taxation shall revise the general excise tax forms to provide for the clear and separate designation of the imposition and payment of the county surcharge on state tax.

(f) The taxpayer shall designate the taxation district to which the county surcharge on state tax is assigned in accordance with rules adopted by the director of taxation under chapter 91. The taxpayer shall file a schedule with the taxpayer's periodic and annual general excise tax returns summarizing the amount of taxes assigned to each taxation district.

(g) The penalties provided by section 231-39 for failure to file a tax return shall be imposed on the amount of surcharge due on the return being filed for the failure to file the schedule required to accompany the return. In addition, there shall be added to the tax an amount equal to ten per cent of the amount of the surcharge and tax due on the return being filed for the failure to file the schedule or the failure to correctly report the assignment of the general excise tax by taxation district on the schedule required under this subsection.

(h) All taxpayers who file on a fiscal year basis whose fiscal year ends after December 31 of the year prior to the taxable year in which the taxes become effective, shall file a short period annual return for the period preceding January 1 of the taxable year in which the taxes become effective. Each fiscal year taxpayer shall also file a short period annual return for the period starting on January 1 of the taxable year in which the taxes become effective, and ending before January 1 of the following year. [L 2005, c 247, §§3, 9; am L 2015, c 240, §5]

[Previous](#)

[Vol04\\_Ch0201-0257](#)

[Next](#)

**[\$248-2.6] County surcharge on state tax; disposition of proceeds.**

[Section repealed December 31, 2027. L 2015, c 240, §7.] (a) If adopted by county ordinance, all county surcharges on state tax collected by the director of taxation shall be paid into the state treasury quarterly, within ten working days after collection, and shall be placed by the director of finance in special accounts. ~~Out of the revenues generated by county surcharges on state tax paid into each respective state treasury special account, the director of finance shall deduct ten per cent of the gross proceeds of a respective county's surcharge on state tax to reimburse the State for the costs of assessment, collection, and disposition of the county surcharge on state tax incurred by the State. Amounts retained shall be general fund realizations of the State.~~

~~(b) The amounts deducted for costs of assessment, collection, and disposition of county surcharges on state tax shall be withheld from payment to the counties by the State out of the county surcharges on state tax collected for the current calendar year.~~

~~(c) For the purpose of this section, the costs of assessment, collection, and disposition of the county surcharges on state tax shall include any and all costs, direct or indirect, that are deemed necessary and proper to effectively administer this section and sections 237-9.6 and 238-2.6.~~

b) ~~(d) After the deduction and withholding of the costs under subsections (a) and (b), the director of finance shall pay the remaining balance on [a] quarterly basis to the director of finance of each county that has adopted a county surcharge on state tax under section 46-16.0.~~ The quarterly payments shall be made after the county surcharges on state tax have been paid into the state treasury special accounts or after the disposition of any tax appeal, as the case may be. All county surcharges on state tax collected shall be distributed by the director of finance to the county in which the county surcharge on state tax is generated and shall be a general fund realization of the county, to be used for the purposes specified in section 46-16.8 by each of the counties. [L 2005, c 247, §§5, 9]

**i.e., b) All county surcharges .... The quarterly payments ....**

**§46-16.8 County surcharge on state tax.** [Section repealed December

31, 2027. L 2015, c 240, §7.] (a) Each county may establish a surcharge on state tax at the rates enumerated in sections 237-8.6 and 238-2.6. A county electing to establish this surcharge shall do so by ordinance; provided that:—

no

~~(1) No ordinance shall be adopted until the county has conducted a public hearing on the proposed ordinance.~~

~~(2) The ordinance shall be adopted prior to December 31, 2005; and~~

~~(3) No county surcharge on state tax that may be authorized under this subsection shall be levied prior to January 1, 2007, or after December 31, 2022, unless extended pursuant to subsection (b).~~

Notice of the public hearing ~~required under paragraph (1)~~ shall be published in a newspaper of general circulation within the county at least twice within a period of thirty days immediately preceding the date of the hearing.

A county electing to exercise the authority granted under this subsection shall notify the director of taxation within ten days after the county has adopted a surcharge on state tax ordinance and, beginning no earlier than January 1, 2007, the director of taxation shall levy, assess, collect, and otherwise administer the county surcharge on state tax.

(b) Each county that has established a surcharge on state tax prior to [July 1, 2015,] under authority of subsection (a) may extend the surcharge from January 1, ~~2023, until December 31, 2027,~~ <sup>\*</sup>at the same rates. A county electing to extend this surcharge shall do so by ordinance; provided that:—

<sup>\*</sup> **“indefinitely or for a specified length of time”**

no

~~(1) No ordinance shall be adopted until the county has conducted a public hearing on the proposed ordinance; and~~

~~(2) The ordinance shall be adopted prior to July 1, 2016, but no earlier than July 1, 2015.~~

A county electing to exercise the authority granted under this subsection shall notify the director of taxation within ten days after the county has adopted an ordinance extending the surcharge on state tax. Beginning on January 1, 2023, the director of taxation shall levy, assess, collect, and otherwise administer the extended surcharge on state tax.

(c) Each county that has not established a surcharge on state tax prior to [July 1, 2015,] may establish the surcharge at the rates enumerated in sections 237-8.6 and 238-2.6. A county electing to establish this surcharge shall do so by ordinance; provided that:—

no

~~(1) No ordinance shall be adopted until the county has conducted a public hearing on the proposed ordinance;~~

~~(2) The ordinance shall be adopted prior to July 1, 2016, but no earlier than July 1, 2015; and~~

(3) No county surcharge on state tax that may be authorized under this subsection shall be levied prior to January 1, 2018, ~~or after December 31, 2027.~~ .

A county electing to exercise the authority granted under this subsection shall notify the director of taxation within ten days after the county has adopted a surcharge on state tax ordinance. Beginning on January 1, 2018, the director of taxation shall levy, assess, collect, and otherwise administer the county surcharge on state tax.

(d) Notice of the public hearing required under subsection (b) or (c) before adoption of an ordinance establishing or extending the surcharge on state tax shall be published in a newspaper of general circulation within the county at least twice within a period of thirty days immediately preceding the date of the hearing.

(e) Each county with a population greater than five hundred thousand that adopts or extends a county surcharge on state tax ordinance pursuant to subsection (a) or (b) shall use the surcharges received from the State for:

- (1) Capital costs of a locally preferred alternative for a mass transit project; and
- (2) Expenses in complying with the Americans with Disabilities Act of 1990 with respect to paragraph (1).

The county surcharge on state tax shall not be used to build or repair public roads or highways, bicycle paths, or support public transportation systems already in existence prior to July 12, 2005.

(f) Each county with a population equal to or less than five hundred thousand that adopts a county surcharge on state tax ordinance pursuant to this section shall use the surcharges received from the State for:

- (1) Operating or capital costs of public transportation within each county for public transportation systems, including public roadways or highways, public buses, trains, ferries, pedestrian paths or sidewalks, or bicycle paths; and
- (2) Expenses in complying with the Americans with Disabilities Act of 1990 with respect to paragraph (1).

(g) As used in this section, "capital costs" means nonrecurring costs required to construct a transit facility or system, including debt service, costs of land acquisition and development, acquiring of rights-of-way, planning, design, and construction, and including equipping and furnishing the facility or system. For a county with a population greater than five hundred thousand, capital costs also include non-recurring personal services and other overhead costs that are not intended to continue after completion of construction of the minimum operable segment of the locally preferred alternative for a mass transit project. [L 2005, c 247, §§2, 9; am L 2015, c 240, §3]

**Revision Note**

"July 12, 2005" substituted for "the effective date of this Act".

### **Attorney General Opinions**

Act 247, Session Laws of Hawaii 2005, was not a complete delegation of the State's taxing authority. The legislature retains the power to change, by new legislation, all aspects of the county surcharge, including repealing the county surcharge in its entirety. Att. Gen. Op. 15-1.

Subsections (e) and (f) discussed in determining that the provision requiring ten per cent of the county surcharge be withheld as general fund realizations did not create a conflict within the intent of Act 247, Session Laws of Hawaii 2005. Att. Gen. Op. 15-1.

[Previous](#)

[Vol02\\_Ch0046-0115](#)

[Next](#)