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HAWAII NEWS

City can't meet FTA deadline for rail funds

By [Kevin Dayton](#)

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Mayor Kirk Caldwell seeks an extension to February to meet a \$44 million obligation.

The city cannot meet a Federal Transit Administration deadline to provide \$44 million to help fund construction of the Honolulu rail project, and Mayor Kirk Caldwell says he plans to ask for an extension.

Late last month, the FTA asked the city to provide the funding to the Honolulu Authority for Rapid Transportation by Nov. 20. But Caldwell said the logistics of issuing bonds to borrow the money will prevent the city from meeting that deadline.

“That is a big problem, and one that HART is going to have to address with the FTA,” Caldwell said during a discussion with the HART board Sept. 27.

On Tuesday, he told the Honolulu Star-Advertiser that February is the earliest the city could provide the money to HART — “if we started today.”

Nelson Koyanagi, director of the city’s Department of Budget and Fiscal Services, said city officials plan to issue about \$400 million in general obligation bonds for rail early next year. That would provide the rail authority with the \$44 million as well as hundreds of millions of dollars in additional funding to ensure HART has enough cash to pay its bills.

Bond floats of that size normally require three to four months of preparation, including meetings with the city’s bond counsel and the rating agencies that assess the city’s creditworthiness, he said.

Last year the city issued \$350 million in general obligation bonds and another \$100 million in short-term debt known as “commercial paper” to help HART with its cash flow, Koyanagi said.

HART is responsible for repaying all of that money with interest, and also will be responsible for repaying all of the money raised in the upcoming bond float, except for the \$44 million. The city administration will be required to repay that amount, marking the first time city funds have been committed to rail construction.

The city signed an agreement with the FTA in 2012 that called for the rail’s elevated guideway and 21 stations to be built for \$5.26 billion by 2020. However, construction and financing of the project is now expected to total about \$9 billion and HART says the project won’t be finished until late 2025.

The FTA committed \$1.55 billion in federal funding to help Honolulu build the 20-mile rail line but has withheld \$744 million of that money while HART develops an acceptable “recovery plan” for the project.

Caldwell previously promised that city money would not be used to finance rail construction, and up to this point the rail project has been financed with federal funds, state hotel room taxes and revenue from the half-percent general excise tax surcharge on Oahu.

However, last year the state Legislature essentially overruled Caldwell. When the mayor asked lawmakers for more financial help for rail, the Legislature approved a \$2.4 billion bailout package that also required \$214 million in city contributions.

The \$44 million the FTA wants the city to deliver to HART by November is the initial payment on the \$214 million obligation.

To meet the demands of the FTA, the Honolulu City Council would have to take the politically difficult step of amending a city ordinance that prohibits the use of city general funds to build rail. Council members also would have to approve a resolution authorizing the \$400 million bond float.

City Council Chairman Ernie Martin said his plan is to schedule special meetings and complete all of that by the close of the council's next regularly scheduled meeting on Nov. 14. Martin believes the FTA may be satisfied if the council takes those steps before the Nov. 20 deadline and that an extension may not be needed.

Caldwell has been publicly urging the council to approve the resolution and amend the ordinance, but says the council hasn't done so because "they put politics ahead of policy." Caldwell has alleged that Council Budget Chairman Trevor Ozawa, who is running for re-election, "wants the election to be completed before he has to make a hard decision."

Ozawa has countered that Caldwell campaigned in two elections on the promises that rail would be on time and on budget, and that general funds would not be used to pay for it.

"I am just holding the mayor to the promises that he made to the people," Ozawa said.

But to approve the bond resolution and change the city ordinance, "they need to start now," Caldwell said Tuesday. "They can't start Nov. 6th or 7th and do it. It's going to just put us further behind."

As for the FTA, "my thought is that if they see good-faith efforts by the council in a timely manner that perhaps they would allow us more time to actually get the money delivered to HART," Caldwell said.

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