



Lori M.K. Kahikina, P.E.
Executive Director and CEO

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March 28, 2023

'23MAR28 PM 2:50 CITY CLERK

The Honorable Radiant Cordero, Chair
and Members of the Committee on Budget
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Cordero and Members:

In response to Budget Communication No. 10, dated March 14, 2023, requesting additional information relating to Committee on Budget's follow up questions, we submit the following information:

- 1. Bonds - Question: Please explain how much in bonds need to be floated in FY23 and how much in FY24 to be in line with our updated (but not approved) FFGA? Can we float FY23 bonds in the beginning of FY24 (which is still technically Federal FY23)?**

HART Response: The annual "City Subsidy" amounts provide a source of funding to the rail project, but is a capital expenditure in the City's budget. The currently unfunded FY23 City Subsidy amount is \$17.0 million and the FY24 amount is \$12.0 million. These dollar amounts, and their corresponding fiscal years, were established in HART's 2018 Recovery Plan. HART has not discussed with the Federal Transit Administration (FTA) whether it would be acceptable to provide the FY23 amounts in early FY24.

In the past, it was the City's practice to fund the City Subsidy amounts from City bond proceeds; however, the 2018 Recovery Plan did not specify the source of the funding from the City. These amounts could be funded through means other than bonds.

In regards to HART bond issuances, HART does not need additional funding from General Obligation (GO) bonds in FY24. However, in connection with the City's expected bond issuance in FY24, approximately \$175 million in GO bonds will need to be issued for HART in order to refinance existing bonds that were issued in FY19. The FY19 bonds were structured with a maturity in calendar year 2023 with the intent of refinancing the bonds. The entire proceeds from the bond issuance will be used to repay the FY19 bonds and, as a result, there will be no net increase in HART's outstanding bonds.

- 2. Funding Sources – Question: On slide 3 of your presentation, you provide a chart with funding sources. Can you identify where these numbers are in Bill 16?**

HART Response: The chart on slide 3 of HART's presentation is an estimate of HART's total FY24 expected funding from all funding sources. However, the funding sources included in Bill 16 are limited to General Excise Taxes (GET), Transient Accommodations Taxes (TAT), and Oahu TAT (OTAT).

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Bill 16 reflects HART's operating budget, which consists primarily of debt service (principal and interest) payments on outstanding GO bonds. Funds received by HART from GET and TAT, based on capital expenditures certified by the State, are used for the debt service payments. Funds received from the OTAT are used for the remaining operating expenditures.

3. Transit Fund – Question: How much is in the Transit Fund?

HART Response: The balance of the Transit Fund, as of March 20, 2023 is \$350.7 million.

Cash from each of HART's funding sources, including GET, TAT, OTAT, and Federal funds, are deposited into the Transit Fund which is, in turn, used to fund HART's expenditures.

If there are further questions, please do not hesitate to contact me.

Very truly yours,



Lori M.K. Kahikina, P.E.
Executive Director and CEO

cc: Office of the City Clerk
HART Board of Directors
Mr. Michael Formby, Managing Director
Mr. Andy Kawano, Director, Department of
Budget and Fiscal Services
Ms. Carrie Castle, Deputy Director, Department of
Budget and Fiscal Services