

How Rail Could Make Honolulu Less Sustainable

DEMOGRAPHIA

By Wendell Cox
Kapolei Town Meeting
28 February 2012

East Kapolei Rail Station Site

The Broader Context: The New Realities

Downtown

DEMOGRAPHIA

Fiscal Realities

BUDGET DEFICITS AS A % OF GDP (2011)



Greece
8.5%



United States
10.8%

Birmingham, Alabama: 2011 Jefferson County Bankruptcy Sewer System Debt



Honolulu

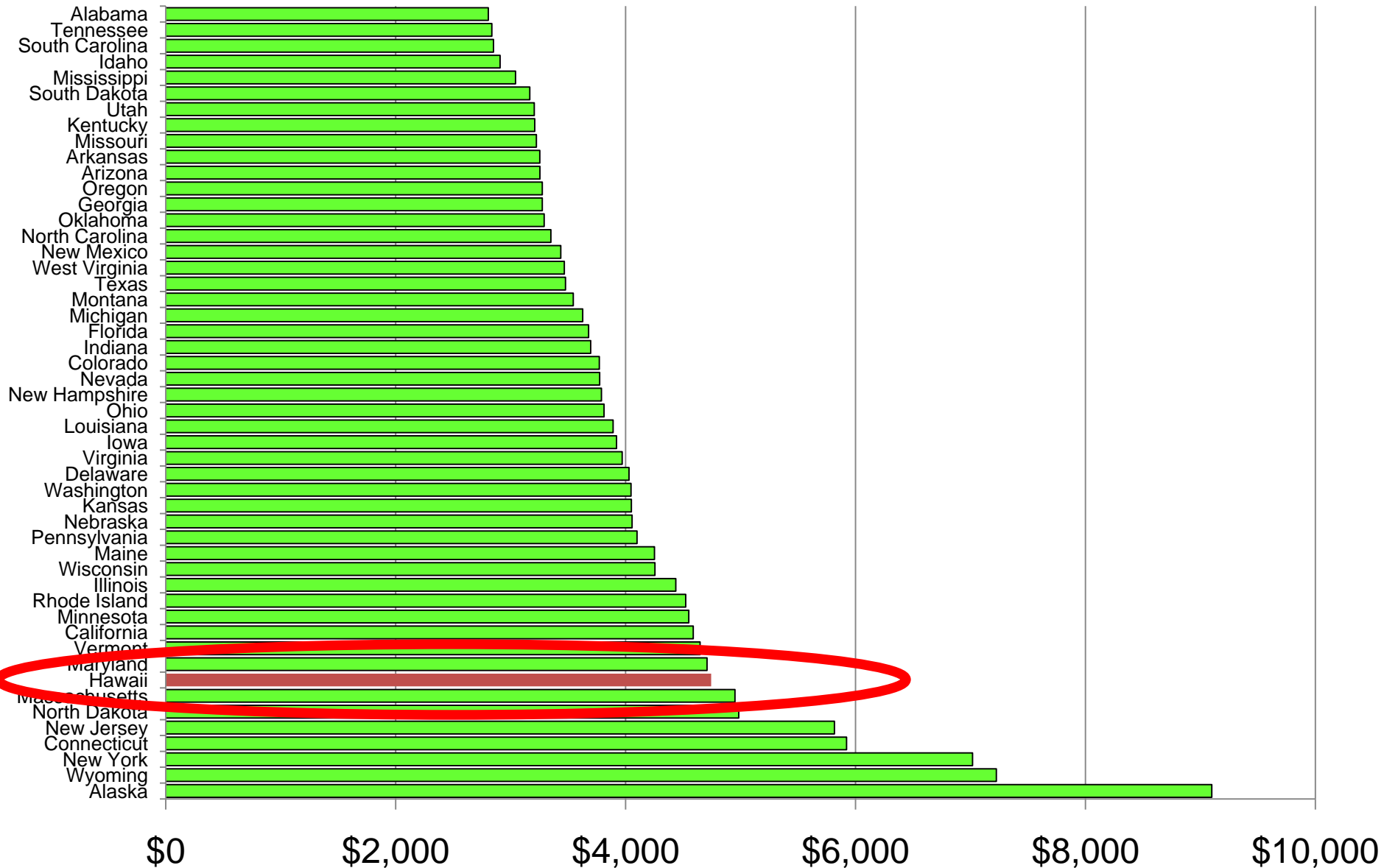
The Situation



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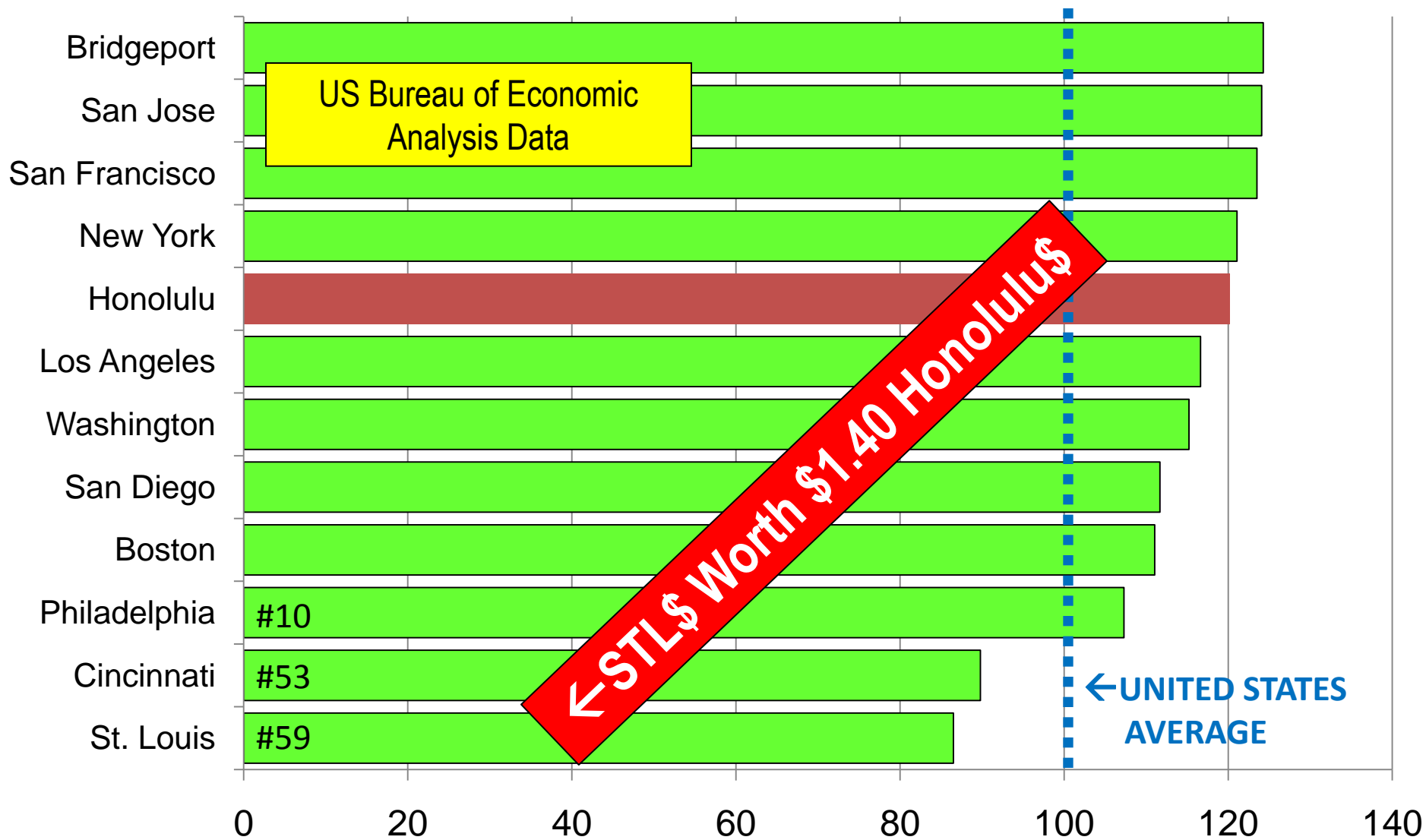
State & Local Taxes per Capita

2009: HAWAII 8TH HIGHEST



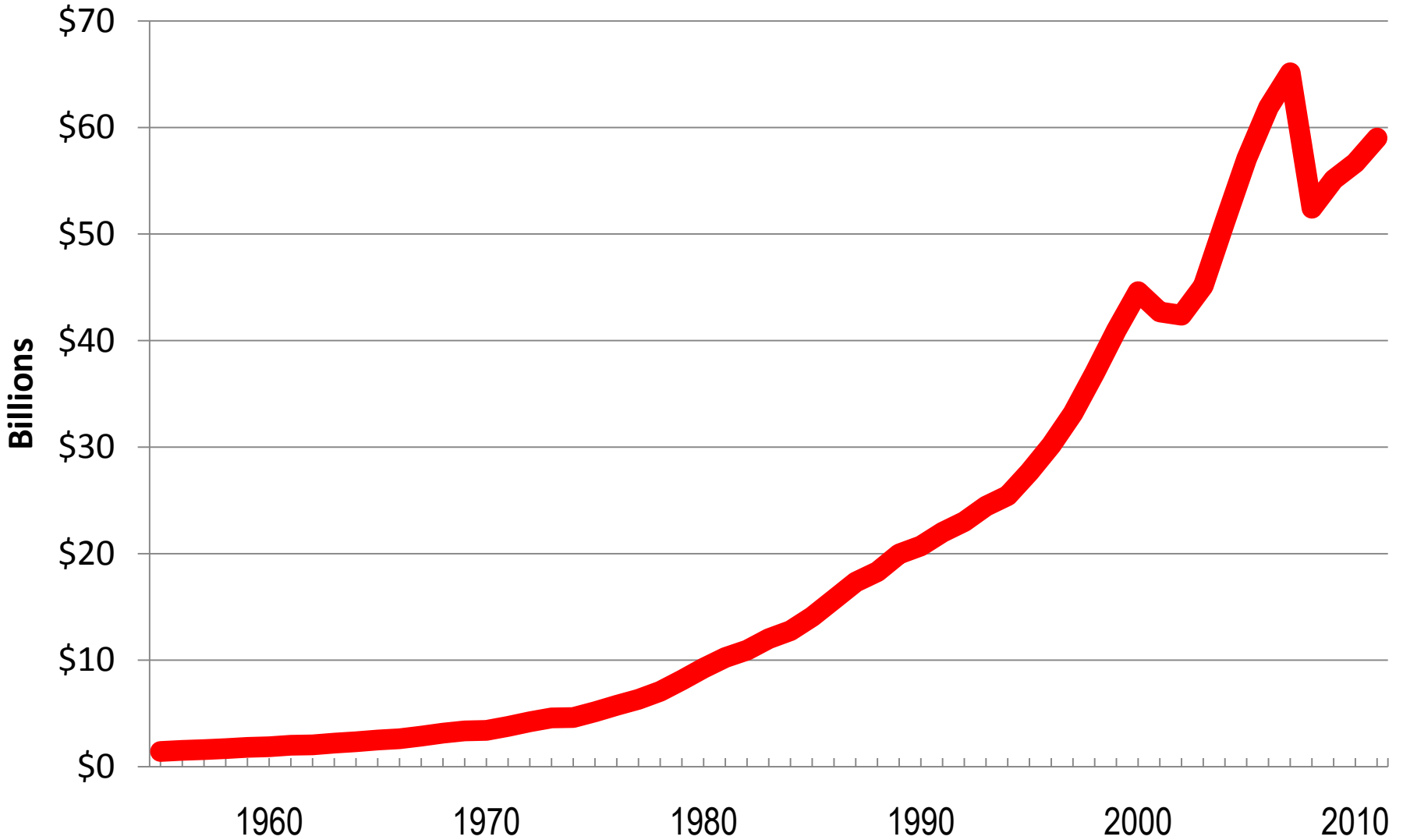
Cost of Living: MSA's Over 900,000

HONOLULU: 5TH MOST EXPENSIVE IN 2009



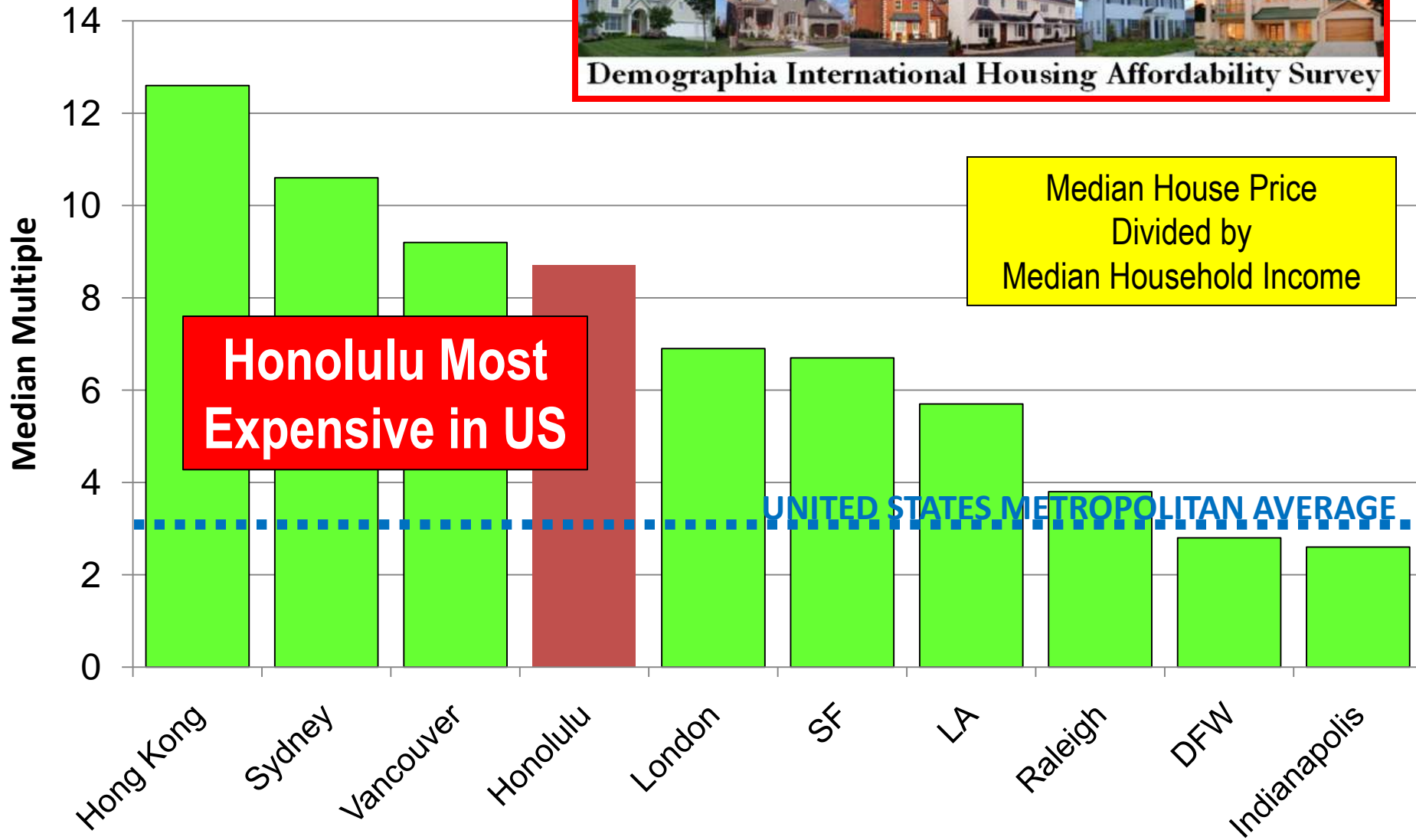
Worst Downturn Since the Depression

HOUSEHOLD WEALTH: 1955 – 2011: IN TRILLIONS



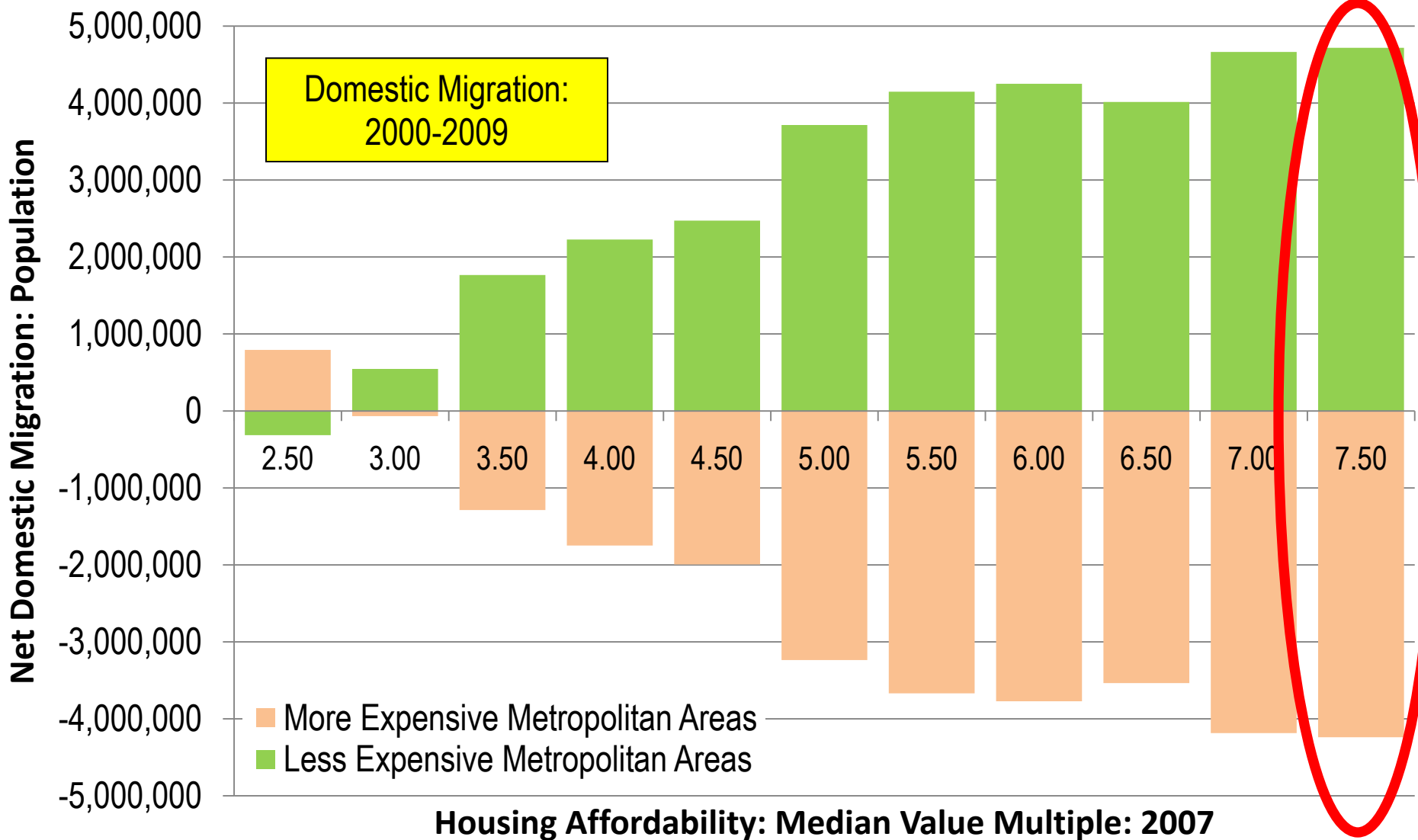
International Housing Affordability

HONOLULU: MOST EXPENSIVE US/NEAR 3X AVERAGE



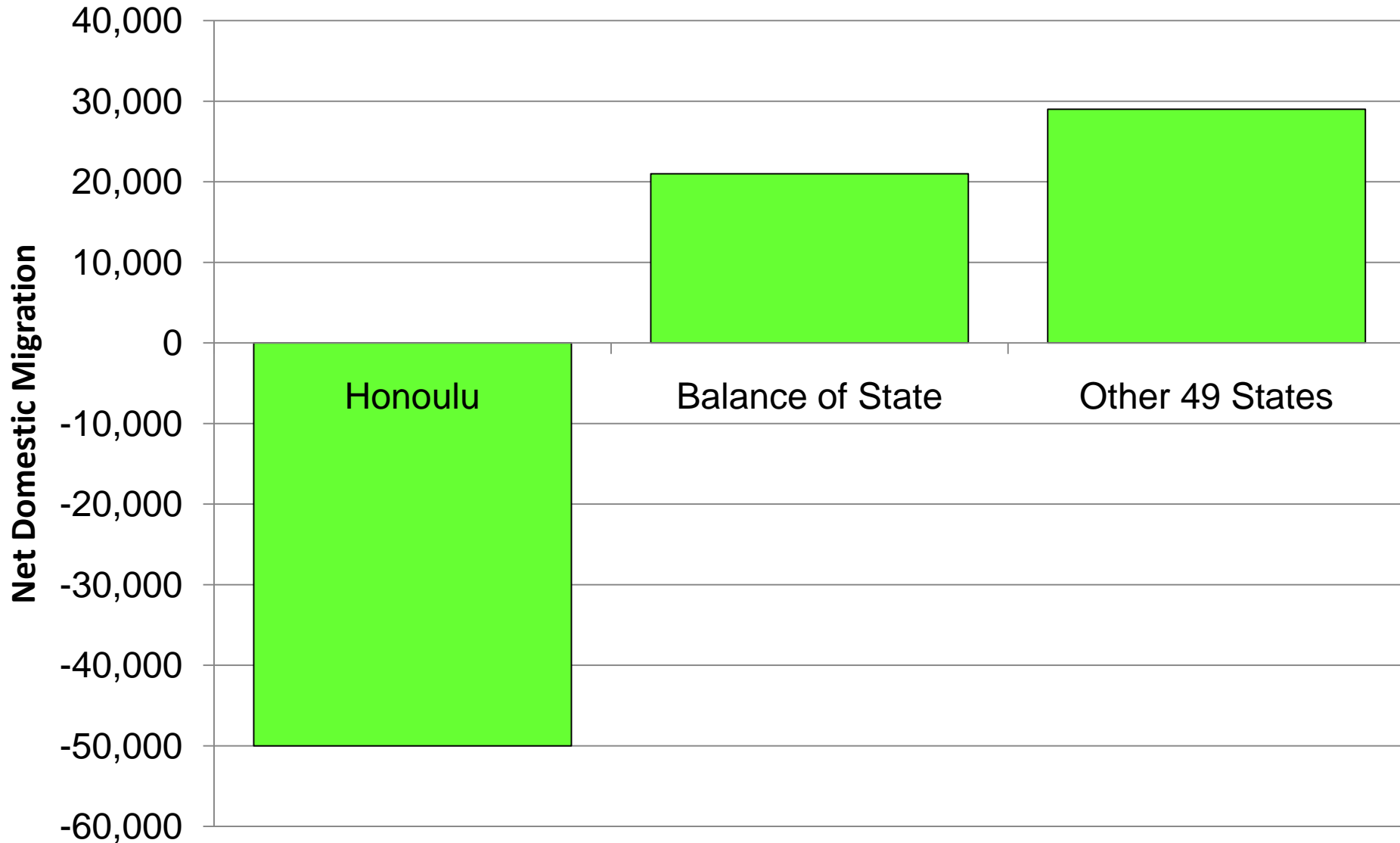
People are Leaving Unaffordable Areas

BY METROPOLITAN AREA HOUSING AFFORDABILITY



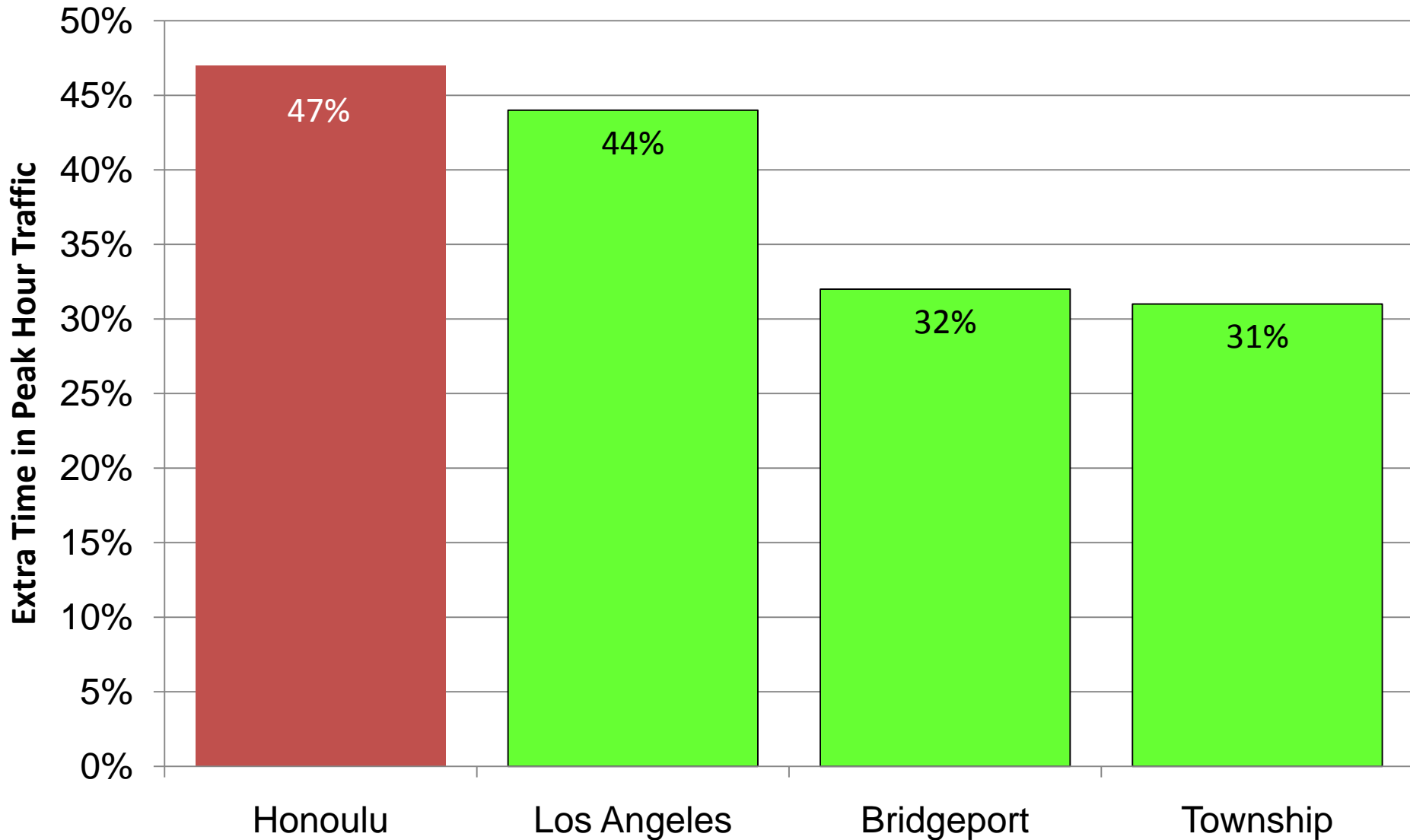
Domestic Migration: 2000-2009

LARGE LOSSES IN HONOLULU



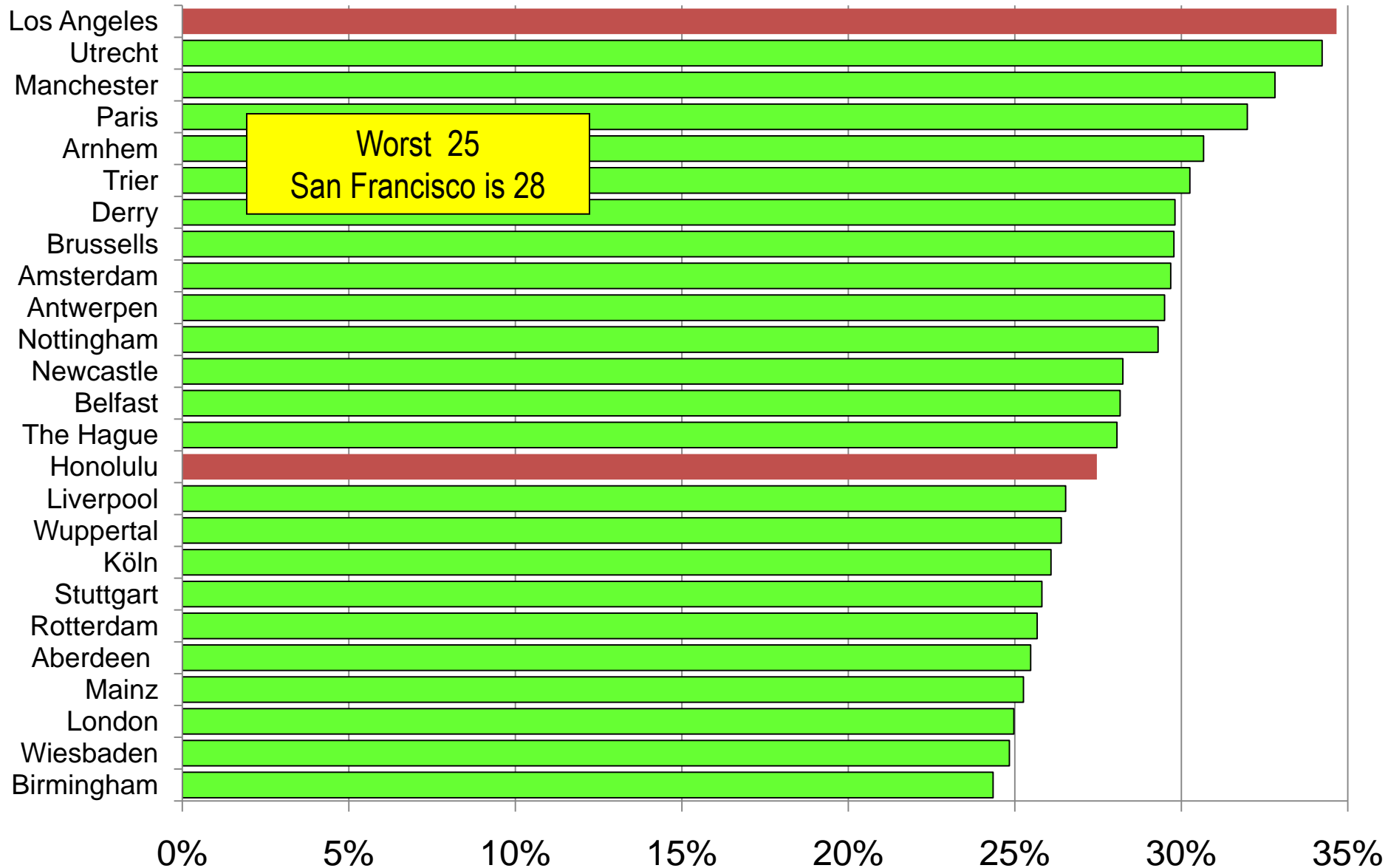
Excess Time in Peak Hour Traffic

HONOLULU WORST IN NATION 2007



Excess Peak Hour Traffic Delay

16TH MOST CONGESTED: 200 US & EUROPEAN CITIES



Democratization of Prosperity

ASSOCIATION BETWEEN MOBILITY & AFFLUENCE

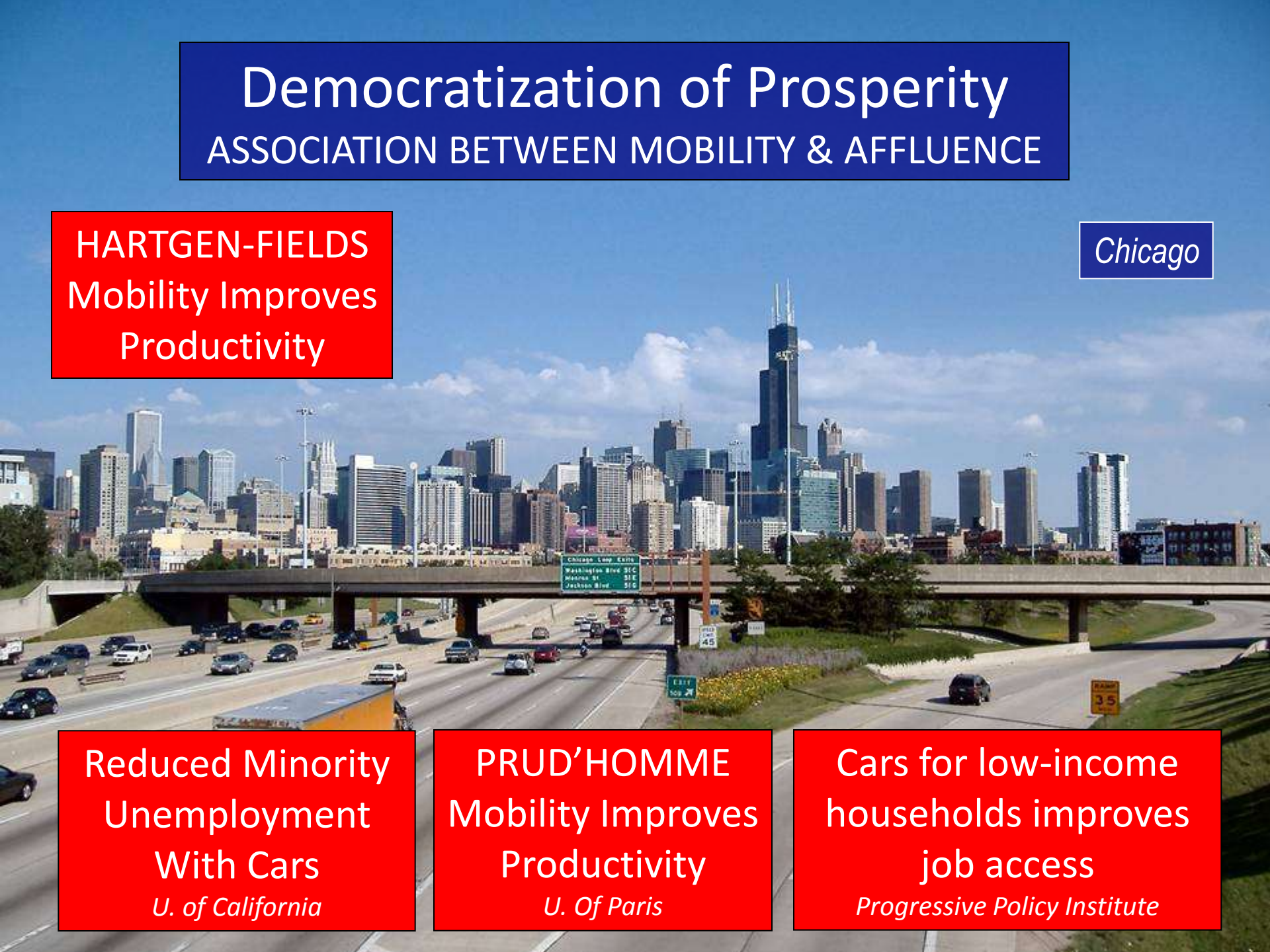
HARTGEN-FIELDS
Mobility Improves
Productivity

Chicago

**Reduced Minority
Unemployment
With Cars**
U. of California

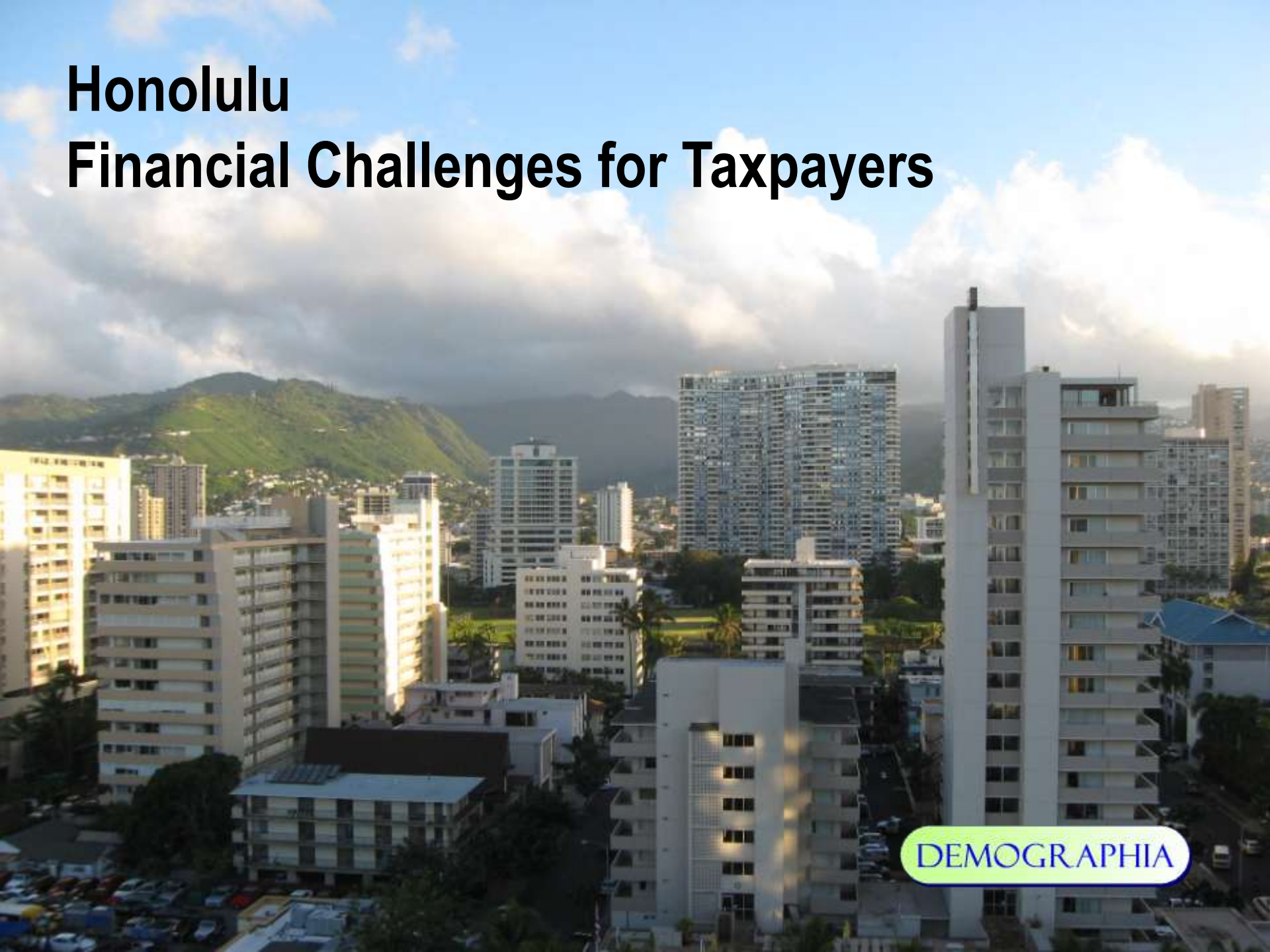
PRUD'HOMME
Mobility Improves
Productivity
U. Of Paris

**Cars for low-income
households improves
job access**
Progressive Policy Institute



Honolulu

Financial Challenges for Taxpayers



DEMOGRAPHIA



Report on the State of Physical Infrastructure in Hawaii

*Final Report
to the Economic
Development
Administration
U.S. Department
of Commerce*

July 2010



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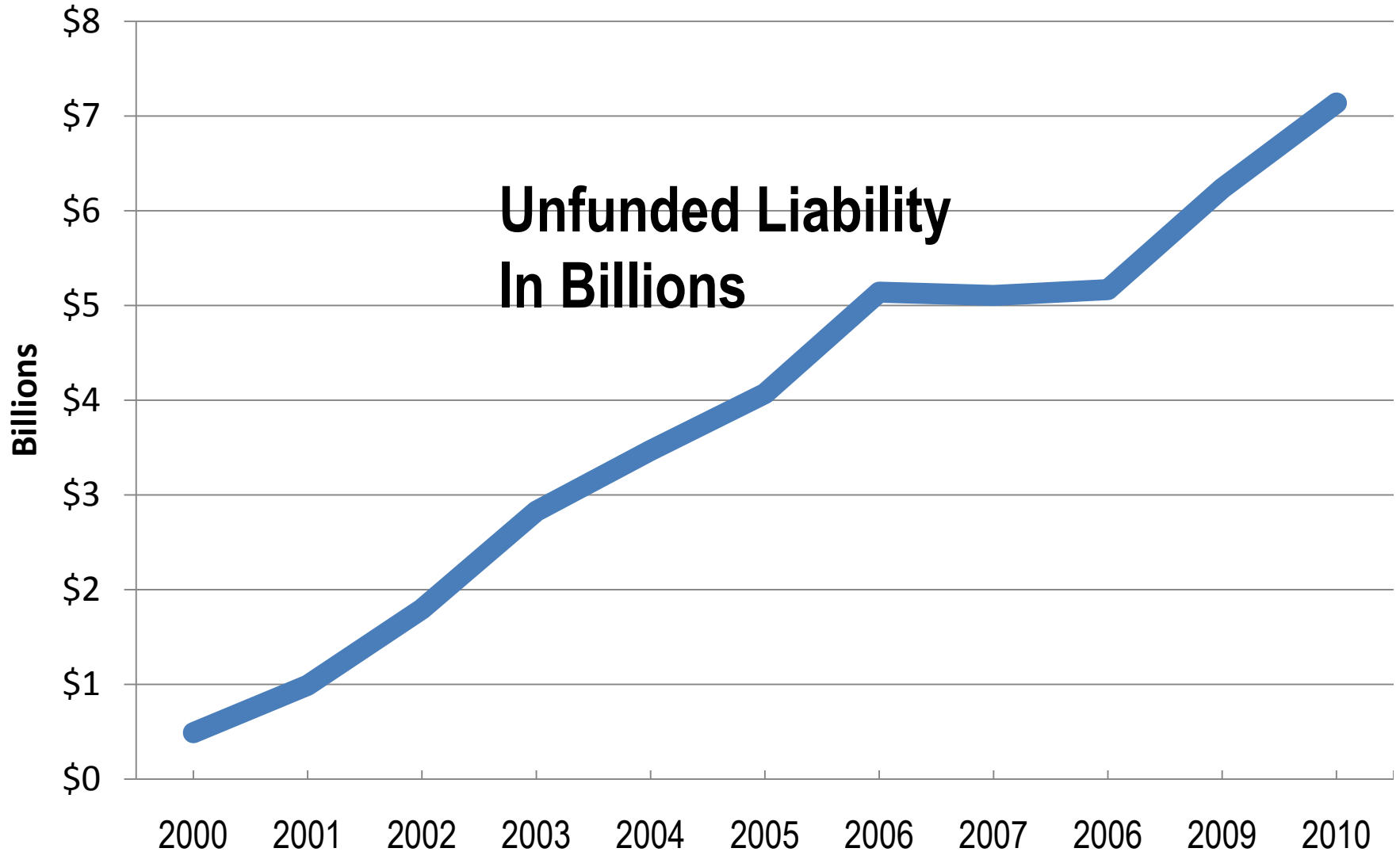
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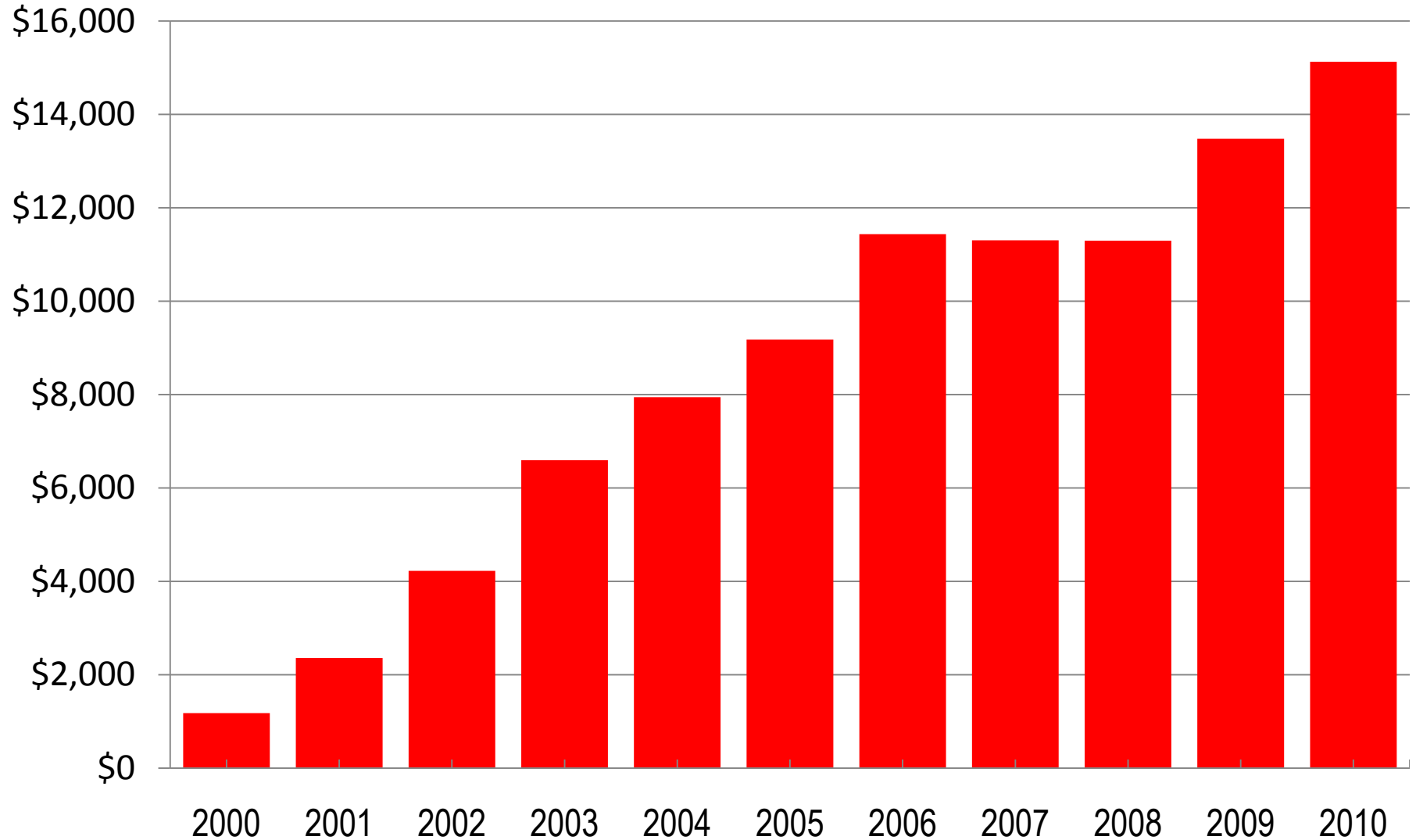
Unfunded Government Pension Liability

STATE & LOCAL: 2000 – 2010: IN BILLIONS



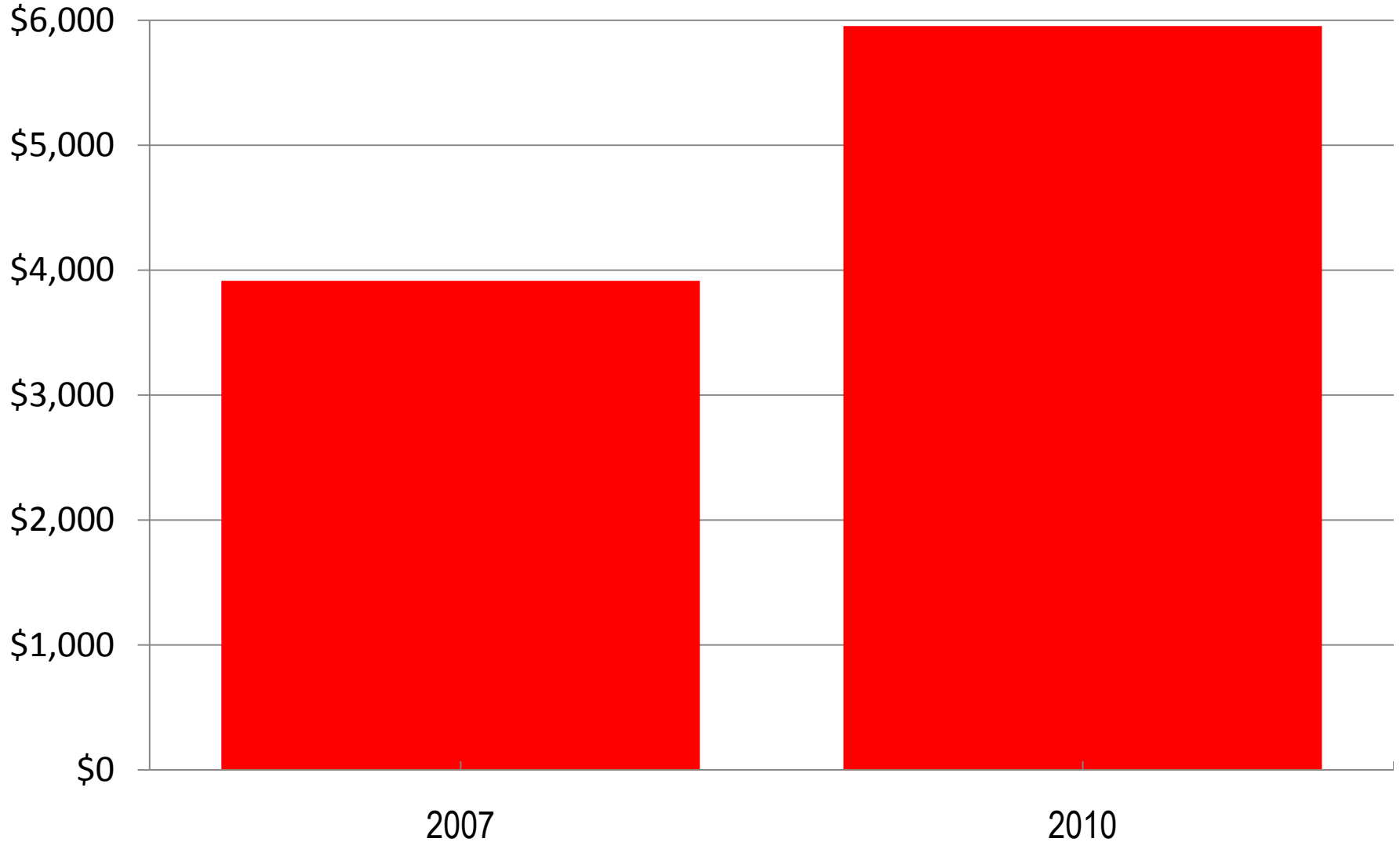
Unfunded Government Pension Liability

PER HOUSEHOLD IN HAWAII: 2000 – 2010



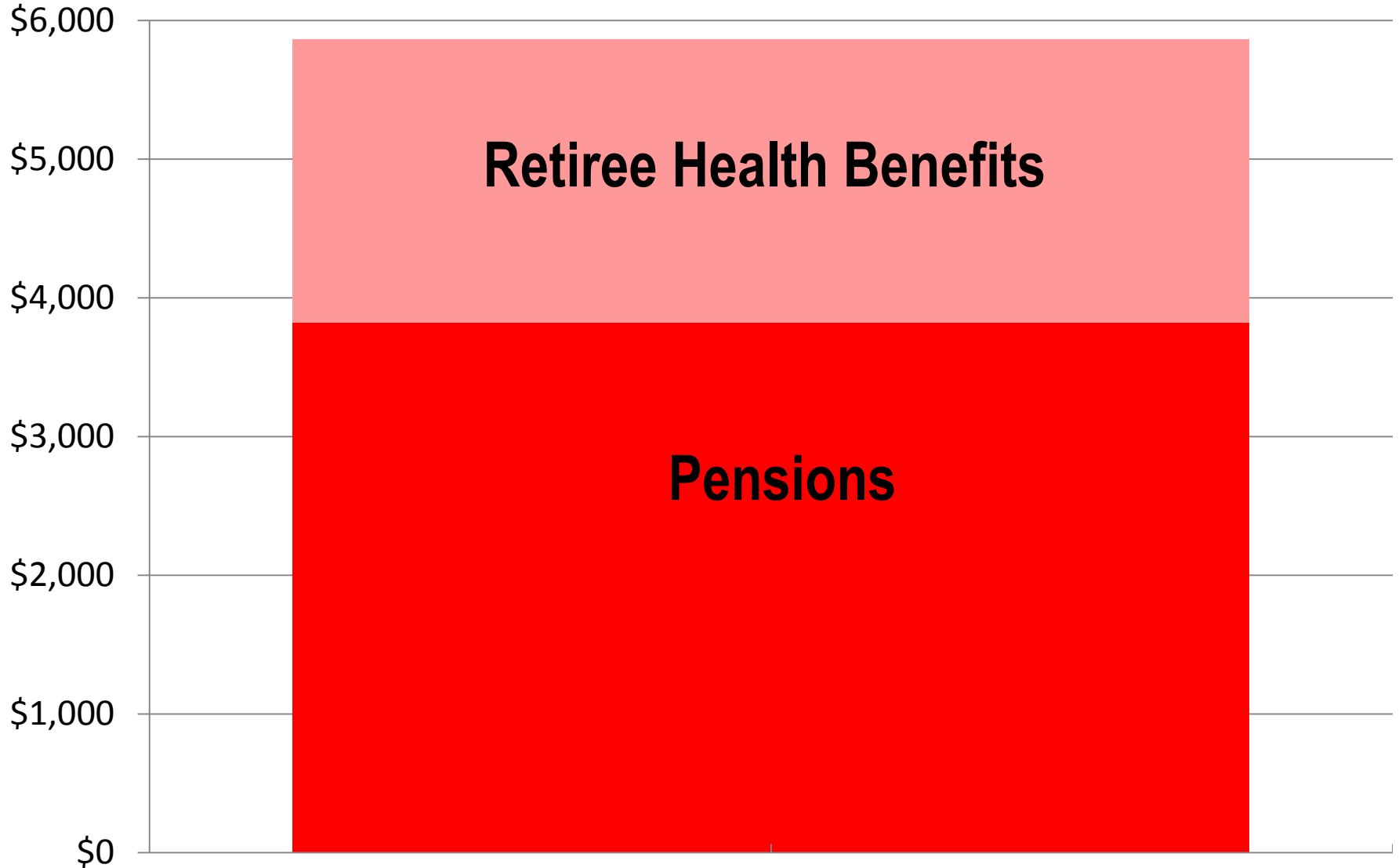
Unfunded City Retiree Health Liability

PER HOUSEHOLD: 2007 – 2010 (OPEB)



Increase in Liability/Honolulu Household

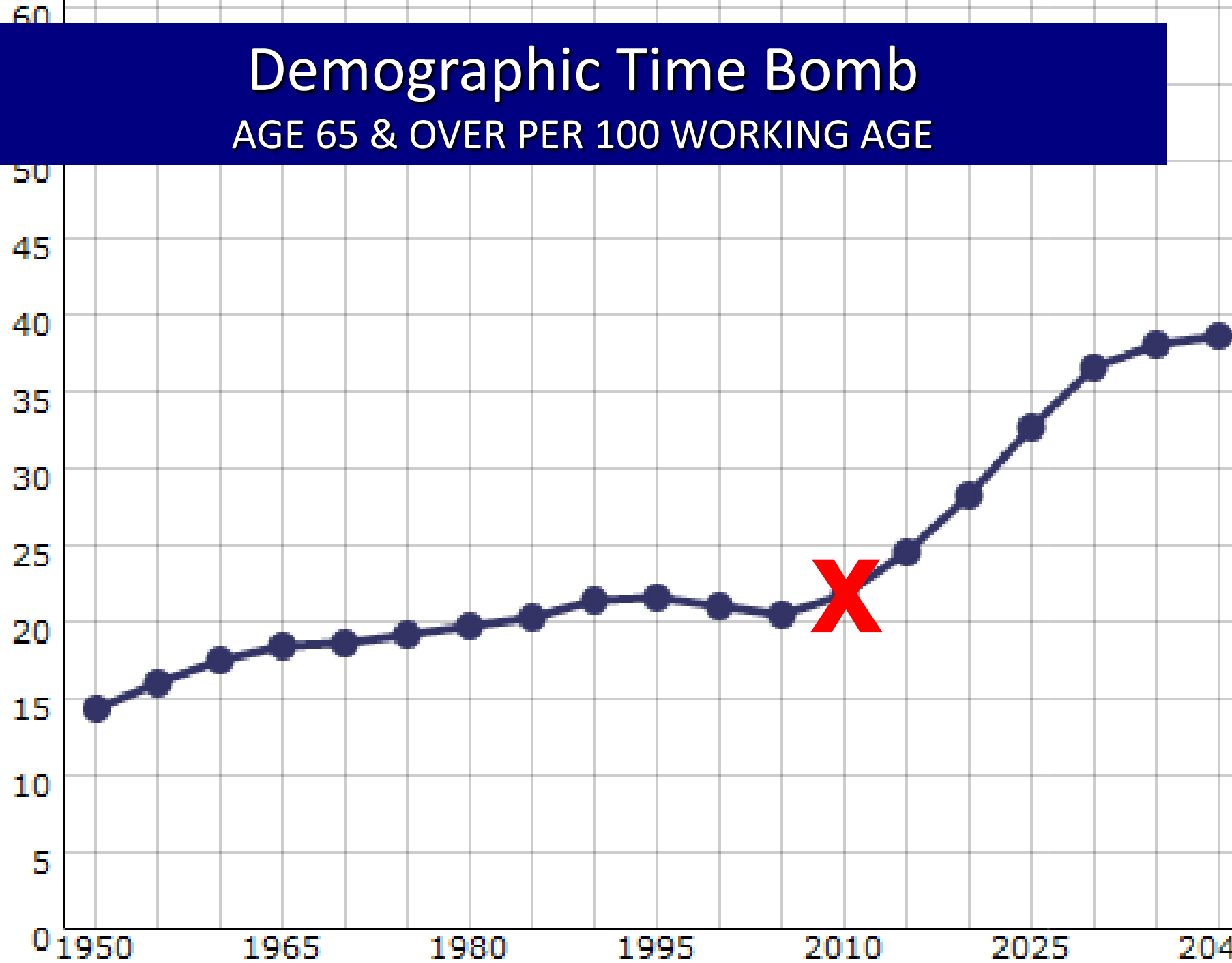
PUBLIC EMPLOYEE RETIREMENT FUNDS 2007 – 2010



Demographic Time Bomb

AGE 65 & OVER PER 100 WORKING AGE

Old-Age Dependency Ratio





Hilo 1:00 am 4:00

77°

Feels Like: 79° 76°

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Sewer settlement will cost Honolulu \$4.7 billion over 25 years

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Posted: Jul 16, 2010 1:43 AM GST
Updated: Jul 16, 2010 2:00 AM GST

HONOLULU (HawaiiNewsNow) - Around \$4.7 billion, that's the price tag Honolulu taxpayers will pay as part of a sewer settlement. Mayor Mufi Hannemann announced Thursday that sewer fees on Oahu would increase 3 to 5 percent every year for the next 25 years to pay for it, and that figure is flexible.

The settlement was part of a consent decree with the Environmental Protection Agency. The mayor says the city will look to use federal grants to help pay for the upgrades. On Wednesday the Honolulu City Council voted to accept the settlement outlined in the consent decree.



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Rocinda Favela – Rio de Janeiro

EXPENSIVE
BUT
NECESSARY

"Providing full secondary treatment at Sand Island and Honouliuli wastewater treatment plants will drive monthly residential sewer fees as high as \$300 in less than 20 years."

- Rate Changes
- Letter from BWS Acting Manager
- Revised Rate Schedule Approved

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HOME : CUSTOMER SERVICE : YOUR WATER BILL : WATER RATE FAQ : RATE CHANGES

BWS Rate Changes

WATER FOR LIFE

Safe and dependable water now and into the future

To view the revised rate schedule

At the Honolulu Board of Water Supply (BWS), we are committed to providing a safe and dependable water supply now and into the future. This is the foundation for our work. Our customers are a healthy organization and we are committed to our customers.

70% Water Rate Increase
45% of pipes more than 40 years old

...of their challenge.

...to define the true costs of delivering water, source, storage, ... analyzed and planned for to ensure ... generations. The results tell us that **we must raise safe and dependable water supply to our customers.**

... costs of providing service have grown steeply - electrical power, ... and labor costs continue to rise.

To minimize impacts on customers, the BWS has spread the needed increase over a multi-year rate schedule. In the first year of this program, BWS is implementing a **system-wide**

JOURNALIST
2011



PUBLISHED SINCE 2002

HAWAII REPORTER

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How are people going to make it? I just don't know.
 City Council Budget Chair Ann Kobayashi

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Smart Busin

Tuesday, November 29th, 2011 | Malia Zimmerman | Print This Article

With Water, Sewage Rates, Car Registration Fees and More Taxes on the Rise, City Council Budget Chair Wonders How Island Residents Will 'Make it'

BY MALIA ZIMMERMAN - Hold on to your wallet.

That was the advice from Honolulu City Council Budget Chair Ann Kobayashi after she was asked about the 9.65 percent annual water use rate increase authorized by the Board of Water Supply yesterday, which totals about 70 percent over the next 5 years.

The Board said it needs the revenue to make vital upgrades to island infrastructure. The island of Oahu, where an estimated 900,000 people or the vast majority of Hawaii's population live, had 364 water main breaks per year between 2005 and 2009 – or an average of one break per day, and that trend continues today.

But Kobavashi is concerned that Oahu residents will be hit hard in the



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Financing Rail: Taxpayers Pay for Rosy Projections



***Prime Agricultural Land:
Adjacent to Rail: East Kapolei***

DEMOGRAPHIA

BENT FLYVBJERG

MIIS BRUTELIUS AND WERNER ROTHENGATTER

MEGAPROJECTS AND RISK

AN ANATOMY OF AMBITION

Underestimating
Costs in Public
Works Projects

Error or Lie?

Average
Rail
Cost Overrun
45%
Up to 100%

9 of 10
Cases

Las Vegas Monorail

INDUSTRY FORECAST LEADS TO BANKRUPTCY

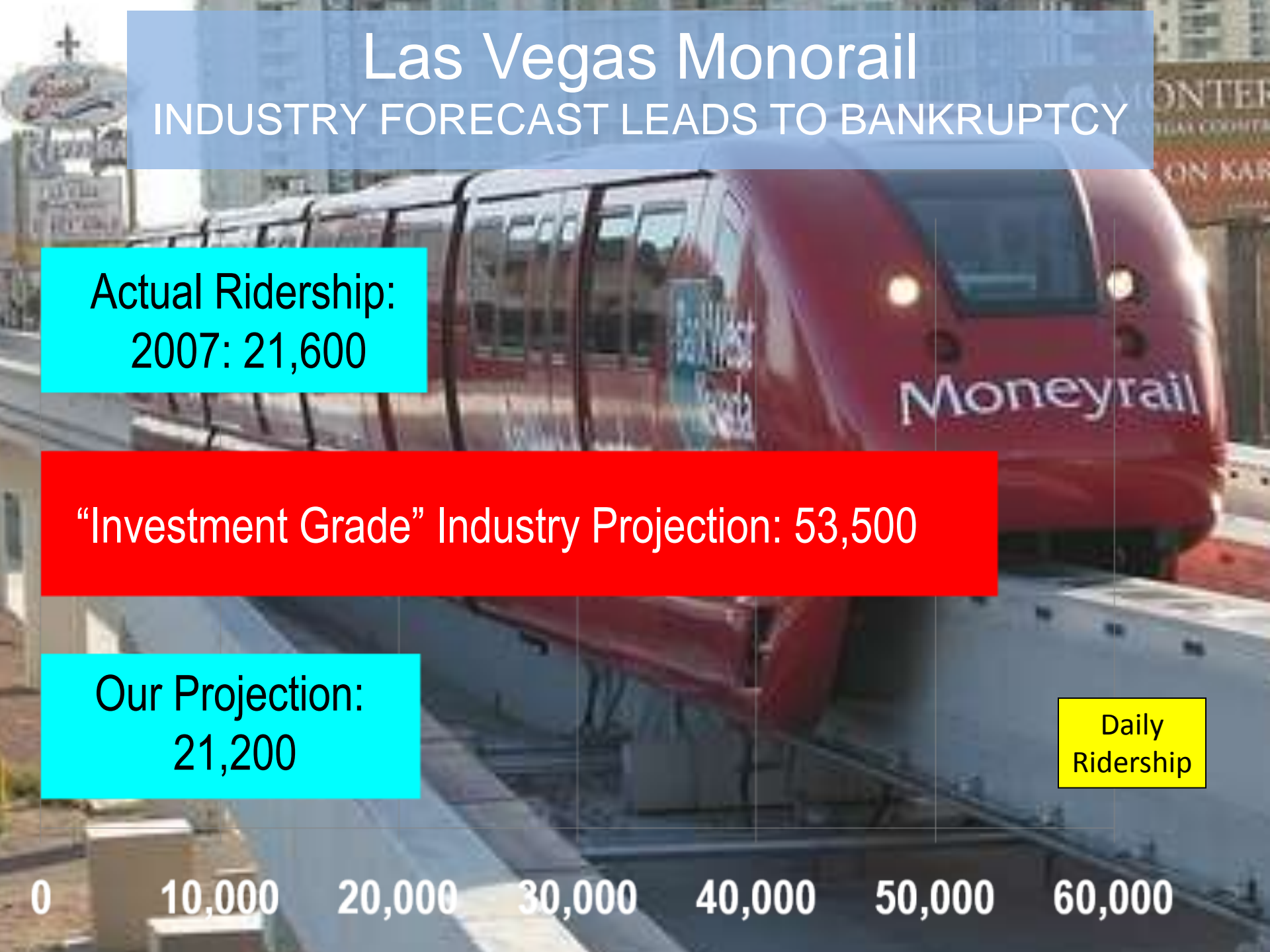
Actual Ridership:
2007: 21,600

“Investment Grade” Industry Projection: 53,500

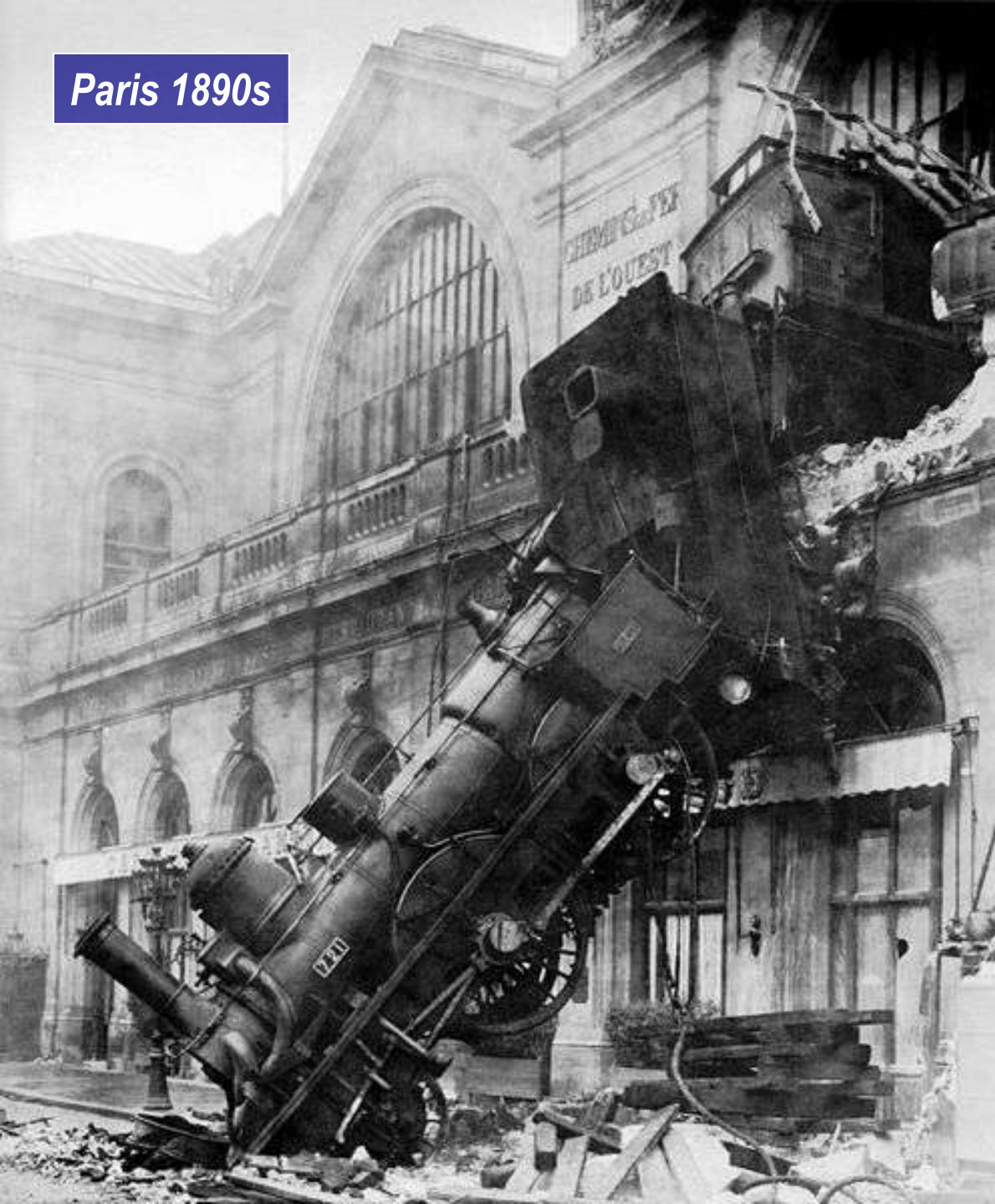
Our Projection:
21,200

Daily
Ridership

0 10,000 20,000 30,000 40,000 50,000 60,000



Paris 1890s



Honolulu Warning Signs

EXCESSIVE DEBT
LEVELS

*-FTA
-STATE*

Paris 1890s



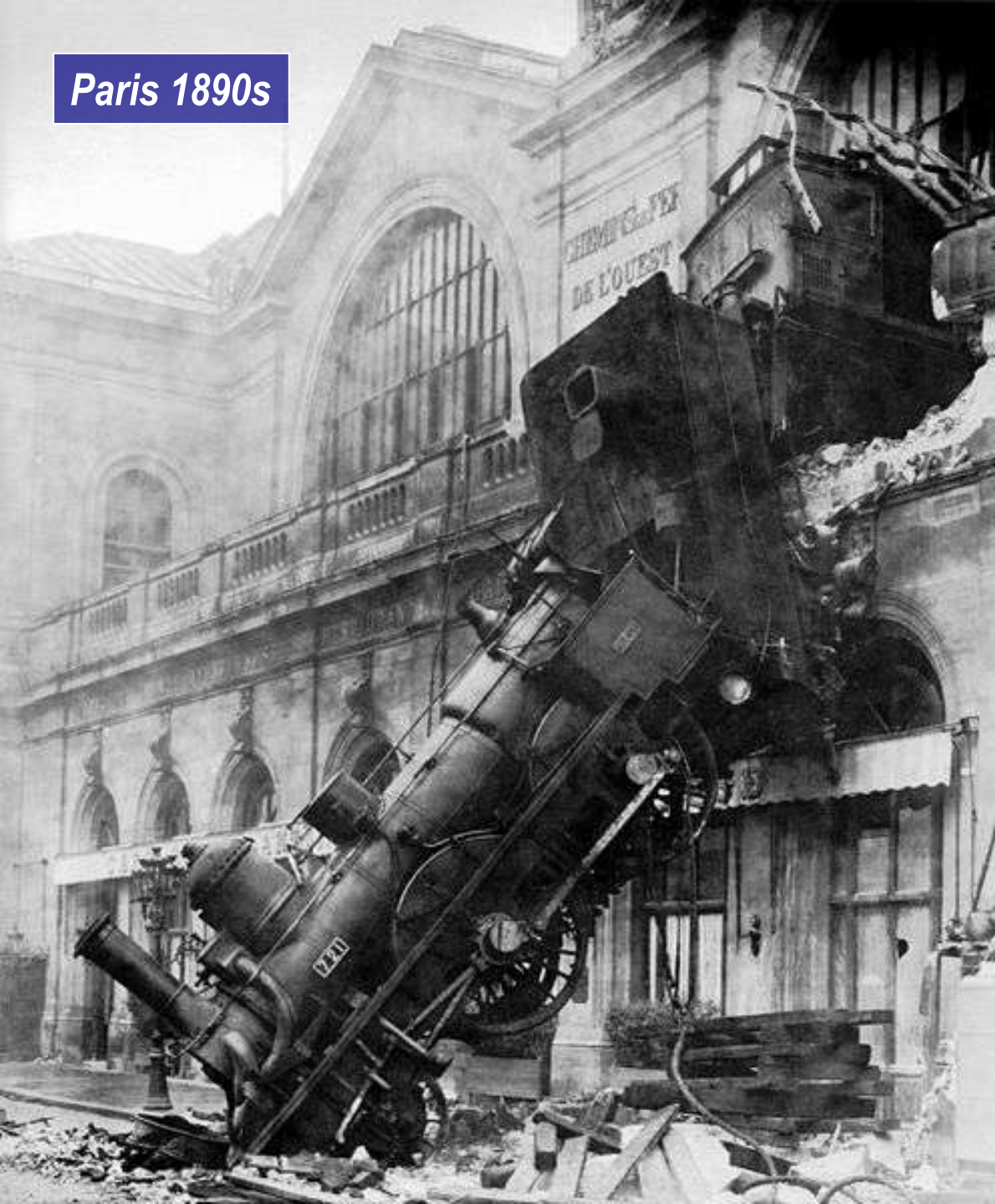
Honolulu Warning Signs

RAIL

Debt guidelines suspended to facilitate rail financing

A City Council policy normally limits debt service to 20 percent of the annual operating budget

Paris 1890s

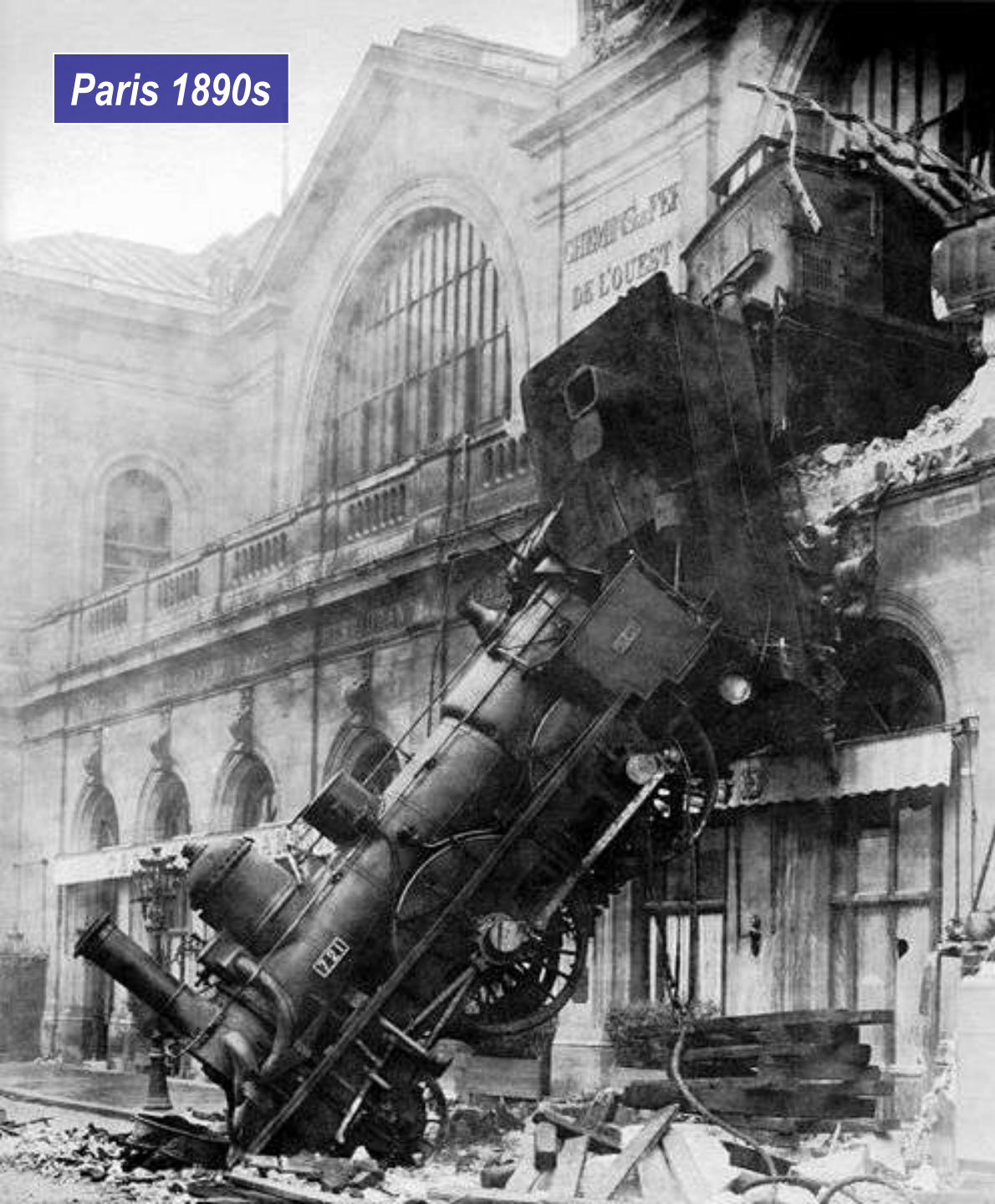


Honolulu Warning Signs

ROSY
"GET"
TAX
REVENUE
PROJECTION

-STATE

Paris 1890s



Honolulu Warning Signs

ROSY
RIDERSHIP
PROJECTION

-STATE

Paris 1890s

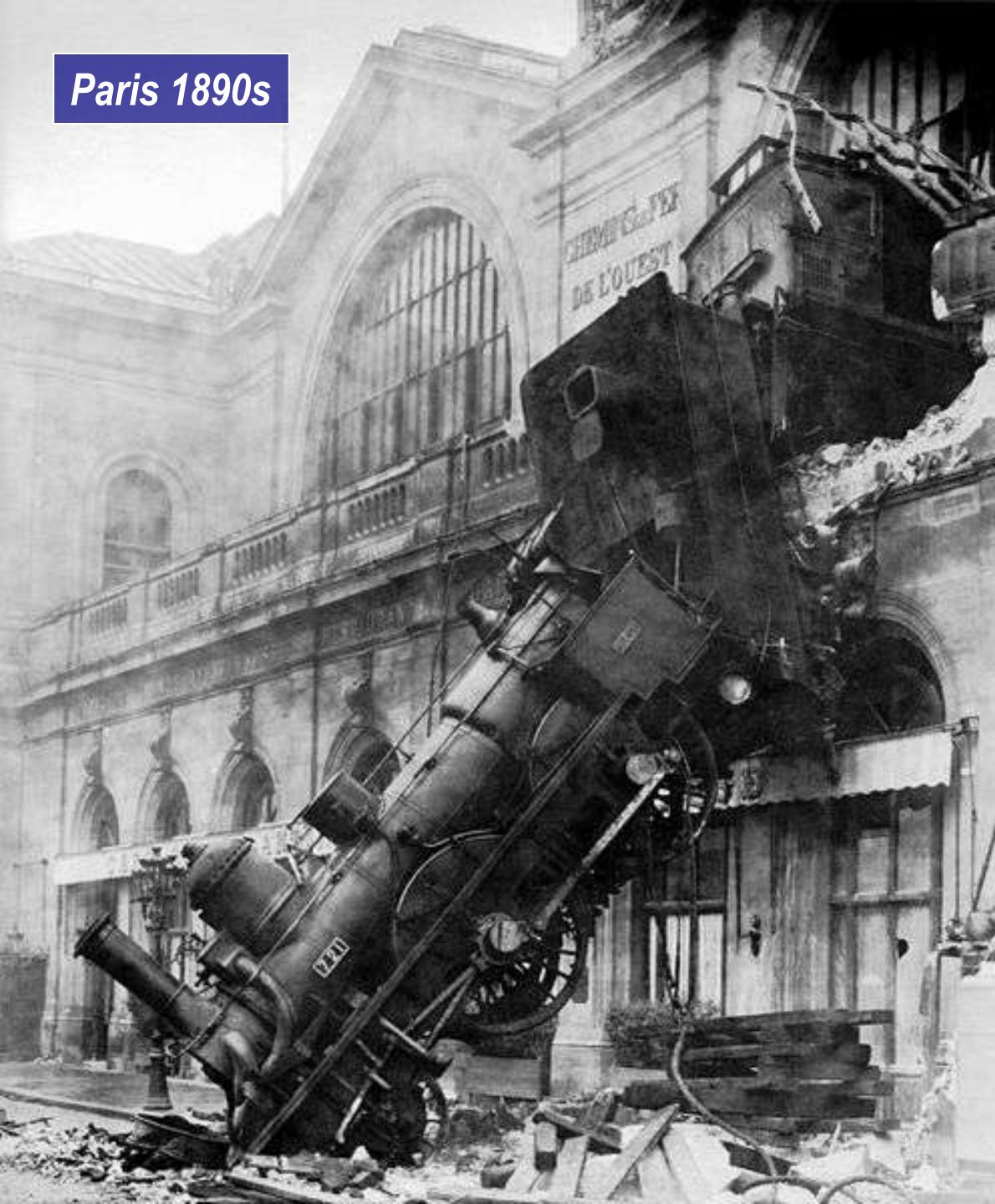


Honolulu Warning Signs

ROSY
OPERATING
COST
PROJECTION

-FTA

Paris 1890s



Honolulu Warning Signs

CONSTRUCTION
COSTS
COULD BE
MUCH
HIGHER

FTA Concerns: Full Funding Agreement

FTA LETTER: DECEMBER 2011

Financial plan “must be further strengthened before FTA will consider awarding an FFGA.”

Specifically, the financial plan states that additional revenues may be obtained from an extension of the General Excise Tax or implementation of value capture mechanisms.

However, these revenue sources require actions by the State of Hawaii and/or the City that have not been taken and which are beyond HART's ability to control. Prior to the Project's consideration for an FFGA, HART should demonstrate the availability of additional revenue sources that could be tapped should unexpected events such as cost increases or funding shortfalls occur.

HONOLULU RAIL

***ALREADY THE HIGHEST RAIL
COST PER HOUSEHOLD
IN THE NATION***

You Won't Know the Bill Until It's Too Late

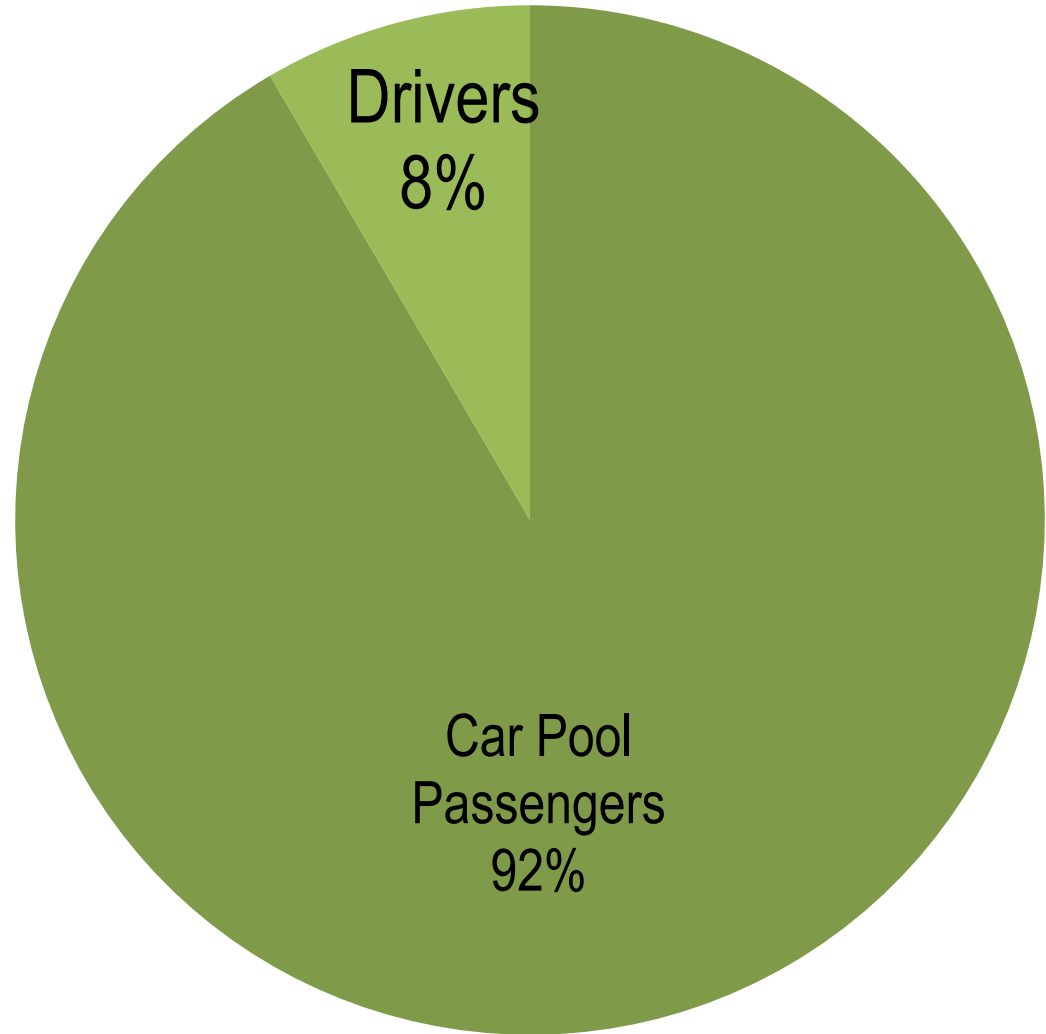
BOSTON'S "BIG DIG:" PROMISE \$4 BILLION, ACTUAL \$22 BILLION

Inflation Adjusted Costs

An aerial photograph showing a massive construction site in an urban environment. The site is dominated by a dense network of steel reinforcement bars (rebar) and scaffolding, indicating the construction of a large, multi-story structure. Several yellow tower cranes are visible, positioned around the site. The construction area is situated near a body of water, with various boats and barges nearby. In the background, there are several large, multi-story buildings, some of which appear to be under construction or renovation. A complex highway interchange with multiple lanes and overpasses is visible on the left side of the image. The overall scene depicts a large-scale, complex construction project in progress.

Washington Metro: Largest New System

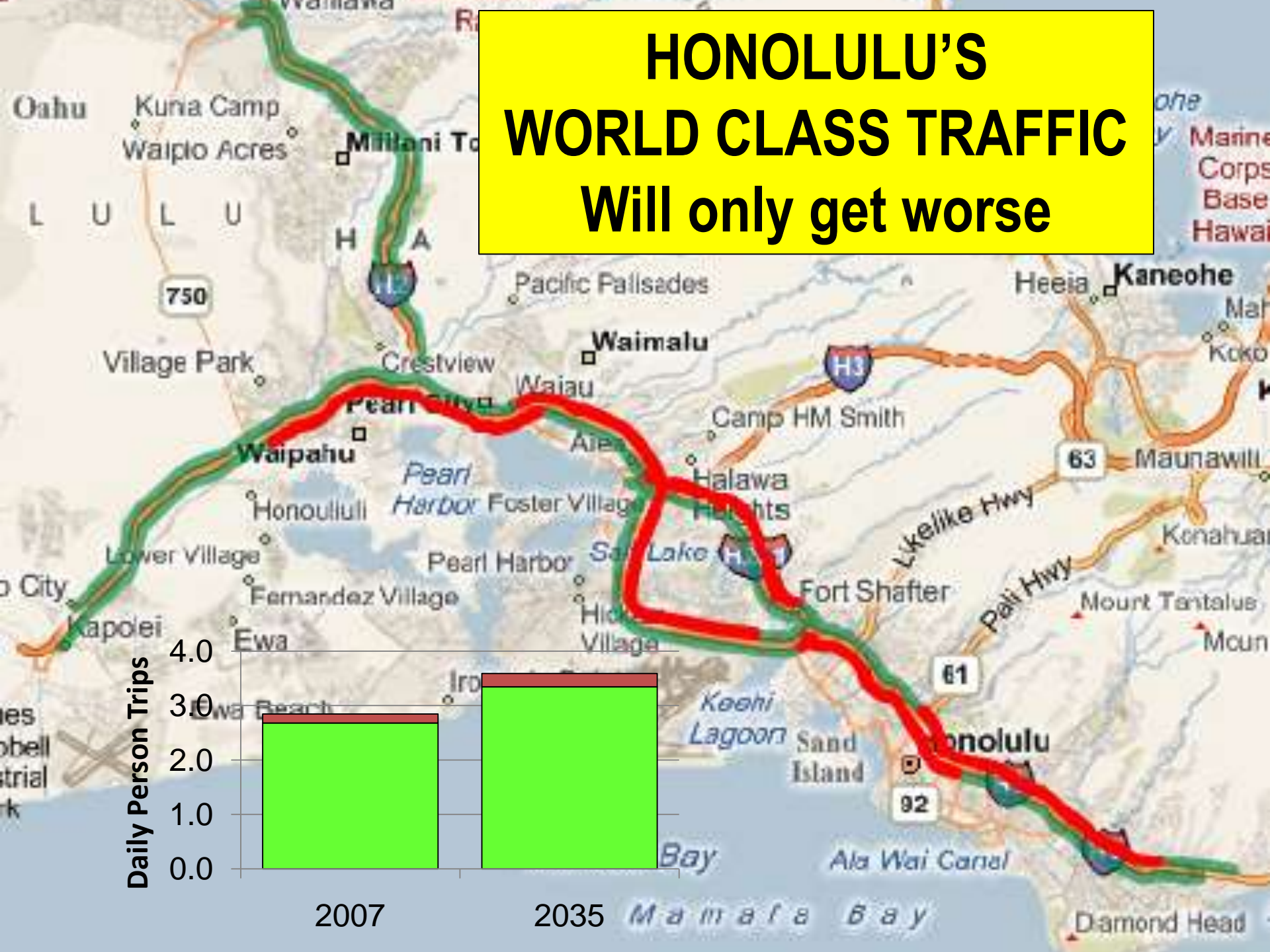
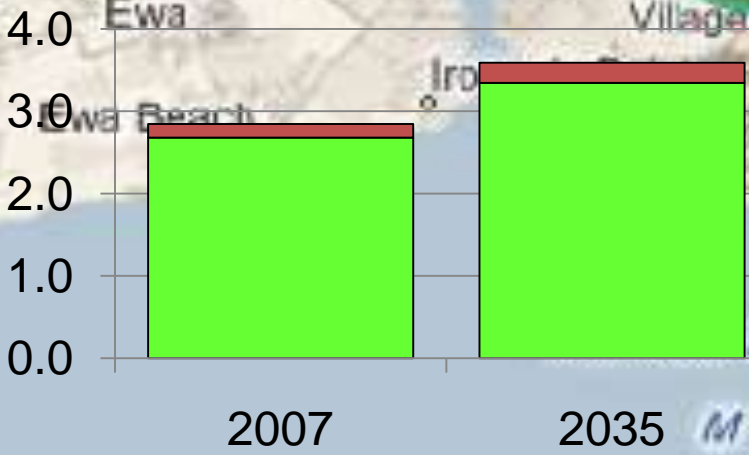
CAR POOL RIDERS SWITCH, NOT DRIVERS OR CARS



Honolulu at risk
High Car Pool Rate

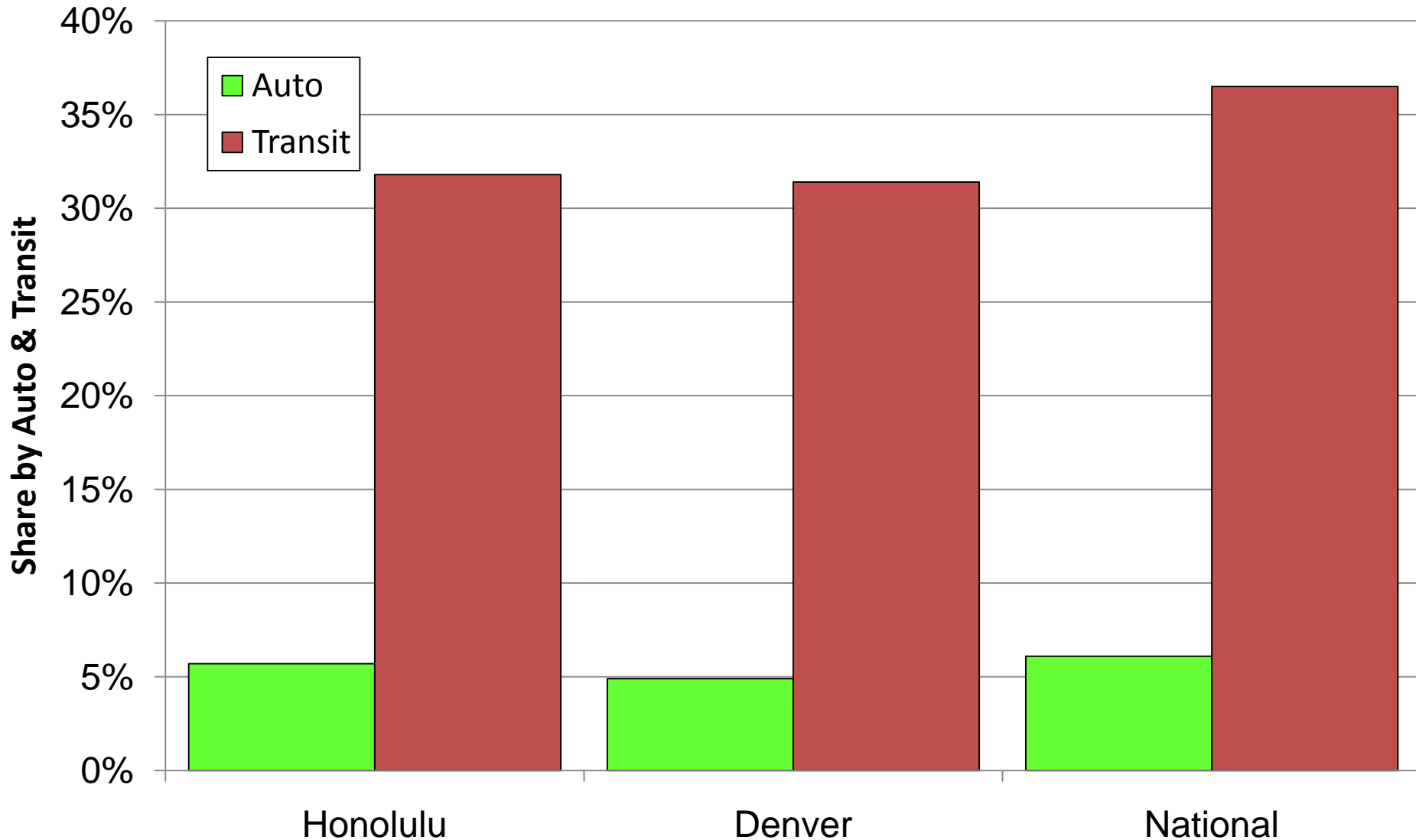
HONOLULU'S WORLD CLASS TRAFFIC Will only get worse

Daily Person Trips



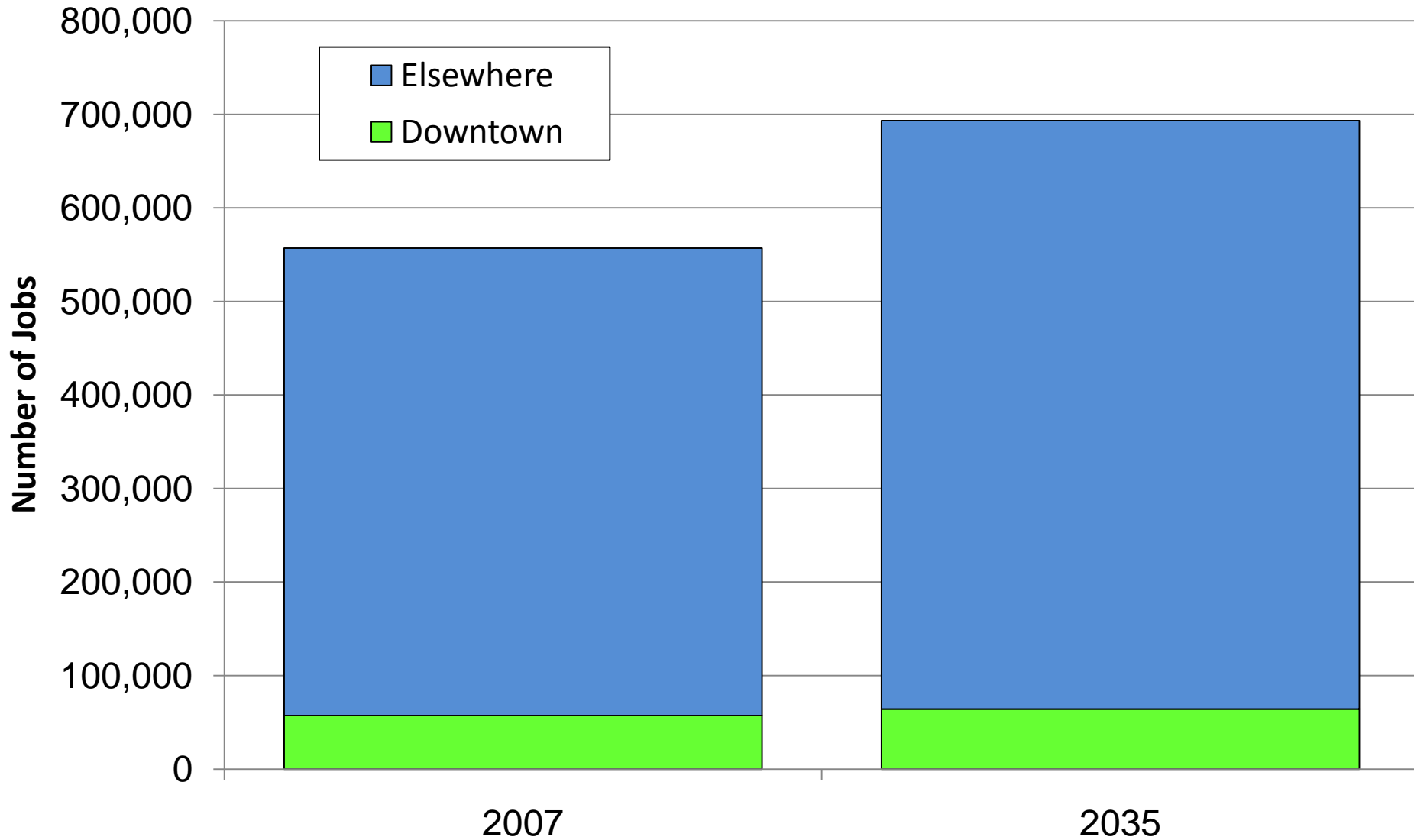
Work Trip Travel 60 Minutes & Over

SHARE OF AUTO & TRANSIT TRAVEL: 2010



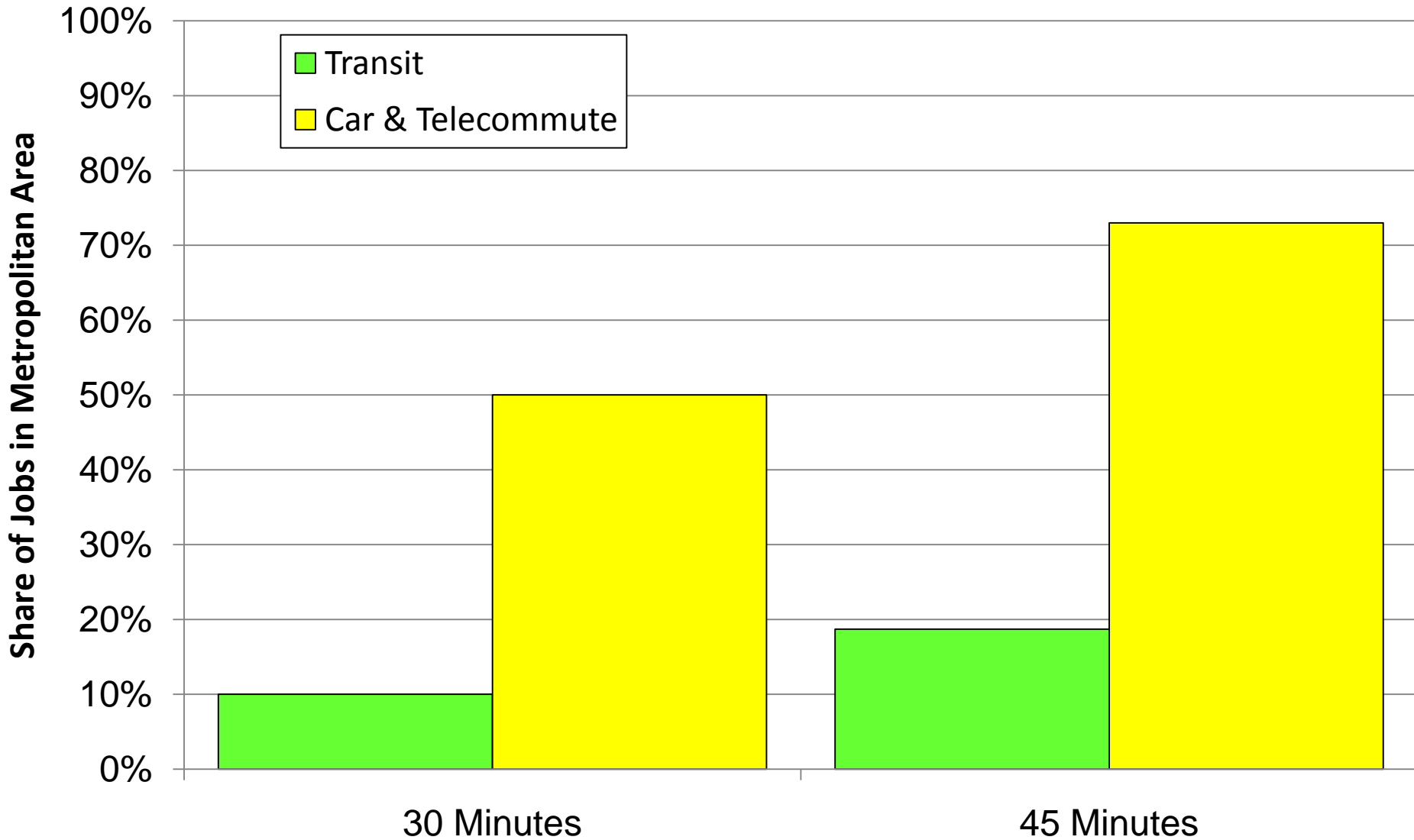
Jobs: Downtown & Elsewhere

2007 & 2035: 2035 ORTP



Share of Jobs Accessible by Transit

HONOLULU 2008



The Way Forward

PRINCIPLES FOR THE NEW REALITY

DEMOGRAPHIA

- **FINANCE REQUIRED PRIORITIES**
 - SUCH AS SEWER, WATER, PENSIONS
- **AVOID SPENDING ON THINGS NOT NEEDED**
 - CONSIDER THE PURPOSE (SUCH AS RAIL)
 - WHAT DIFFERENCE WILL IT MAKE
 - IS IT WORTH THE RISK IN THE NEW REALITY?